Taxation at dsm-firmenich 2023

dsm-firmenich

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Introduction

dsm-firmenich was launched on 8 May 2023. Our company brings together the best of two market leaders in fragrance, taste, texture, and nutrition. We are united around a common purpose: to bring progress to life, by combining the essential, the desirable, and the sustainable.

As innovators in nutrition, health, and beauty, dsm-firmenich-firmenich reinvents, manufactures, and combines vital nutrients, flavors, and fragrances for the world's growing population to thrive. With our comprehensive range of solutions, with natural and renewable ingredients, as well as our renowned science and technology capabilities, we work to create what is essential for life, desirable for consumers, and more sustainable for the planet. dsm-firmenich-firmenich is a Swiss-Dutch company, listed on the Euronext Amsterdam, with operations in almost 60 countries and revenues of more than €12 billion. With a diverse, worldwide team of nearly 30,000 employees, we bring progress to life every day, everywhere, for billions of people.

We believe a responsible approach to tax is an integral part of doing sustainable business in a robust, well-functioning society. Income from direct and indirect taxation, generated through the vigorous economic activity of companies such as dsm-firmenich, is a primary source of revenue for public treasuries. As such, tax is a subject relevant for society at large while also becoming increasingly complex.

We conduct our business with integrity, transparently, and ethics. To live up to this promise and to drive compliance with all applicable laws and regulations wherever we operate in the world, we have installed a Business Ethics team. This team is responsible for the design and implementation of a global Business Ethics Program that goes beyond a check-the-box compliance and provides support to management and employees.

At the start of our new company, the dsm-firmenich **Code of Business Ethics** and the dsm-firmenich **Supplier Code** were launched. During 2023, the existing legacy policies and procedures in the area of Business Ethics that are in line with the new foundational Codes remained in force. Common Group policies and standards will be introduced in 2024.

We believe that business can be a force for good. We advocate the positive role of business in society and the beneficial impact that companies can bring on Climate and Nature, Nutrition and Health, and People.

The Sustainable Development Goals (SDGs) were launched by the UN in 2016 to provide a roadmap toward a more environmentally conscious, socially conscious and responsible world by 2030. Companies have a key role to play in achieving the SDGs, and the Goals have been adopted across society as a common language for articulating how we can contribute to this roadmap.

Businesses can contribute to a more equitable, sustainable, and inclusive world. The SDGs support this by guiding our efforts to create positive change, from eradicating hunger to fostering climate action.

Taxes play a vital role in achieving the SDGs. They are a key mechanism by which organizations contribute to the economies of the countries in which they operate. Through the fulfilment of our tax obligations, we embrace sustainability and provide value for all our stakeholders.

More information on SDGs to which we believe our company contributes through its business activities can be found in the **dsm-firmenich 2023 Integrated Annual Report.**

Our tax principles are inspired by our Company's values: shape the future, be a force for good and own the outcome.

Tax principles

Accountability and Governance

The dsm-firmenich tax policy and tax strategy is the responsibility of the CFO. Our tax policy is updated annually and reviewed by the Audit Committee of the Board of Directors in line with **dsm-firmenich Organizational Regulations.**

All our employees have a legal duty to comply with applicable tax requirements. Our whistleblowing platform SpeakUp is applicable to all corporate policies, including our tax policy. This is a channel for reporting concerns about unethical or unlawful behavior and the organizational integrity in relation to tax.

Our tax strategy and principles apply to all local tax practices in all jurisdictions where we operate – we employ tax professionals and advisors to deal with country specific tax requirements. Governance and Risk management are explicitly explained in next **chapter.**

Compliance

We strive to be compliant with the spirit and the letter of the tax laws and regulations regarding our tax policy and practices (such as the OECD Guidelines for Multinational Enterprises), as well as to be in line with the arm's length principle.

Our tax department – Group Tax - maximizes dsm-firmenich's competitiveness by minimizing our tax risks in compliance with the laws and by interpreting the law in alignment with our strategy and operations.

Our tax position is consistent within the normal course of business operations. We are transparent towards tax authorities in the countries in which we operate and fulfill all tax obligations and ensure paying the correct amount of tax due.

Business Structure

Our tax position is consistent with the normal course of its business operations as well as the geographic spread of its activities.

We do not support the use of artificial structures (tax havens), nor will we engage in tax avoidance activities.

In defining "tax havens", we refer to **European Union black list** as well as territories included by the OECD in its **list of unco-operative tax havens**.

Nonetheless, we may operate in low tax jurisdictions for legitimate and justifiable non-tax business reasons, and we will endeavor to allocate profits where value is created through commercial business activity.

Furthermore, as the result of acquisitions we might obtain presence in a low-tax jurisdiction. In such cases, the structure is being reviewed against our Policy and appropriate actions are implemented in case necessary.

Relationships with tax authorities

We aim at cooperating promptly and transparently with the tax authorities by providing all relevant information, cooperating on tax audits and proactively reaching out on interpretation of the laws. If possible, we seek to get upfront certainty on tax positions from the tax authorities. This limits the potential for disputes at a later stage, and ultimately provides us with more clarity and assurance about its tax positions. We only seek rulings from tax authorities to confirm the applicable treatment, based on full disclosure of the relevant facts.

In Switzerland and in the Netherlands, jurisdictions where dsm-firmenich has substantial operations, we engage with the tax authorities through regular meetings, calls and correspondence. This ensures, on the one hand, that the tax authorities can rely on dsm-firmenich to provide any relevant information upfront, which can then be discussed in 'real time'. On the other hand, we benefit from upfront information and clarity in advance on expectations and obligations, as well as fewer after-the-fact checks. Thus, both dsm-firmenich and the tax authorities benefit from having this cooperation in place, which is founded on transparency, trust and mutual understanding. We always strive to implement similar approaches in other countries where this is possible.

Seeking and Accepting Tax Incentives

With our unique science-based competences, we have created a strong platform for growth and are ideally positioned to contribute to, and capitalize on the growth opportunities offered by, the global megatrends and SDGs. Our particular focus is on developing innovative solutions addressing our focus domains of nutrition, health, and beauty.

Our growing portfolio of more than 16,000 patents and more than €700 million in annual R&D and innovation investment enables our Science & Research team across 15 research hubs to deliver transformative new solutions. More than 2000 scientists and engineers (continuing operations) are employed in our R&D activities around the world. We accept tax incentives primary related to innovation offered by a government to support investment, employment, and economic development.

We strive to implement these incentives in the manner intended by the relevant statutory, regulatory or administrative framework – we do not engage in tax planning that aims only at avoiding tax costs.

Supporting Effective Tax Systems

We support the idea of a global solution for fair tax policies and systems. Thus, we closely monitor and provide input on the OECD initiative on Base Erosion and Profit Shifting, including topics such as country-by-country reporting, Pillar 1 and 2, etc.

As a global company listed on the Euronext exchange in Amsterdam, we regularly participate in meetings of the Confederation of Netherlands Industry and Employers (VNO-NCW) – the Dutch employers' federation, which advises Dutch government from an employer's perspective.

In May 2022 VNO-NCW introduced Tax Governance Code which aims to provide more insight into tax strategy of large multinational companies. We also strive to participate in similar forums in other countries and or regions where applicable. We support this initiative and all others that contribute to building trust in tax systems and Multinational Enterprises paying their fair share of taxes.

Transparency

As dsm-firmenich, we strive to provide regular updates about our tax approach to the benefit of all our stakeholders. Previously, DSM published similar paper in 2015, which had been updated annually. We follow international developments, such as the GRI 207 standard on tax and the EU Directive on public country-by-country reporting to identify areas of improvement to enhance future disclosures.

Supporting the transformation to sustainable solutions

We take an active role in promoting debate surrounding the role of taxation and other economic instruments in supporting the transformation to sustainable solutions. We engage with stakeholders to progress this agenda in forums such as the World Economic Forum. Such instruments could play a key role in encouraging a more balanced approach to the use of scarce resources, for example, by internalizing the external costs of their use.

We strive to promote resource efficiency and the reduction of greenhouse gas emissions, as well as advocating for a shift to a low-carbon economy. In our nutrition, health, and beauty businesses, we provide a full range of solutions to improve the global environmental footprint of food and animal meat production, including a reduction of GHG emissions. Beyond product innovation, we strive to propel the industry forward by reinventing methods of creation that have a positive impact and lower the carbon footprint of our products and ingredients. We do this by leveraging our eco-tools, compaction design, eco-extraction technologies, biotech, and green chemistry. Further, for our own products, we run innovation programs to drive transformation toward low-carbon, bio-based ingredients. More on our approach to sustainability can be found in the **dsm-firmenich 2023 Integrated Annual Report.**

As dsm-firmenich, we bring together two portfolios of solutions supporting improved societal outcomes, from reducing emissions in animal farming to supporting health and well-being. Our portfolio steering mechanisms, including Brighter Living Solutions Plus (BLS+) and our Eco-tools have quantified the positive contributions our portfolio has made.

In 2023, our focus was on the data collection process for our merged businesses, a pivotal step in the integration journey. This also included the harmonization of underlying systems from the two legacy companies, a complex task that is required for the foundation for our future portfolio insights. Consequently, we have paused reporting on the performance of our legacy portfolio steering mechanisms. This strategic decision aligns with our commitment to transparency and allows us to concentrate our efforts on the process of consolidating and optimizing our operational infrastructure. For the coming years, our goal is to craft a future-fit sustainable portfolio steering framework, designed to meet the expectations of both our customers and investors. This framework will serve as a guiding force, empowering us to steer the portfolio and innovation pipeline of our newly created company toward more sustainable business and business opportunities.

Sustainability performance including Climate and Nature, Nutrition and Health, and People can be found in dsm-firmenich 2023 Integrated Annual Report, including a map of manufacturing sites across the globe where we use renewable of low-carbon steam.

In our **Sustainability statements** we provide geographical information on manufacturing and premix locations around the globe where we monitor emissions, energy consumption, pollution, water usage etc. We also provide information on workforce by region and related diversity metrics.

We advocate that a responsible and transparent approach to tax has a key role in the implementation of our ESG strategy and can both serve as an example of embedding sustainability into our finance function, as well as enhance investor engagement.

Tax governance, control and risk management

The principles of our new operating model

With the design of the operating model framework for dsm-firmenich, we set the fundamental principles on how the different parts of our organization work together and deliver value, to achieve our vision of being the leading co-creation and innovation partner in nutrition, health, and beauty. We are structured into four complementary Business Units – Perfumery & Beauty (P&B), Taste, Texture & Health (TTH), Health, Nutrition & Care (HNC) and Animal Nutrition & Health (ANH) – as well as Group Business Partners such as Science & Research, Finance, Human Resources, Digital & Tech, Communications. We apply the following principles to our operating model.

We **operate as one group,** united by a common purpose and values. We drive group priorities, strategy and standards across the company and ensure that we continue to differentiate through Science & Research as well as Sustainability.

We **empower our Business Units** with a high degree of autonomy to ensure agility and close customer connections in our market approach. To bring the best service to our customers, the Business Units have full accountability for their manufacturing plants and Supply Chain, as well as Regulatory Services. The Business Unit innovation teams work in partnership with Group Science & Research to deliver on our ambitions in innovation. In combination with the accountability for delivery of their profit & loss (P&L) and cash generation, they will be able to make choices faster, play into customer needs and deliver customized services.

Our **Business Partners enable Excellence and Efficiency,** by partnering with the Group and the Business Units, helping them to deliver on their ambitions and serve their customers. In addition, the Business Partners will drive Excellence with shared centers of expertise, to bring differentiated capabilities to our company. They will also drive Efficiencies by creating economies of scale.

Group Tax is part of the Group function, driving tax priorities and setting standards across the group by partnering with the Business Units and other functions within dsm-firmenich.

Tax governance framework

Board of Directors

As the Board of Directors is the highest executive oversight body, it has the ultimate authority on matters relating to Finance, including taxation. Furthermore, the Board of Directors has established an Audit Committee that is responsible for reviewing and approving tax strategy and policy of the Group. See the Board of Directors and Audit & Risk Committee for more information on their responsibilities and activities.

Executive Committee

By way of delegation of the Board of Directors, the Executive Committee, led by our CEO, is responsible for the management of the company, including implementing the tax strategy. Tax is the ultimate responsibility of our CFO and is part of the finance function of the company. See the Executive Committee for more information on the composition and roles of the Executive Committee.

Tax Functional Leadership

At Group level, a global team of tax professionals – Group Tax - advises the Board of Directors, the Executive Committee and the business on tax management and tax risks.

Group Tax brings tax professionals from both legacy companies together to harmonize policies and procedures, corporate requirements and risk management system to be in line with dsm-firmenich Code of Business Ethics. The aim is to create a strong interconnection between tax team, the business, and other Corporate Staff, Shared Services and Functional Excellence departments in order to keep everyone aware of relevant tax legislation and to ensure compliance.

Functional expertise of Group Tax

In line with new operating model, Group Tax has been assigned by the Executive Committee with the duty of implementing the tax strategy, setting up and overseeing the functioning of a worldwide Tax Control Framework that enables us to be aware of the worldwide tax risks for dsm-firmenich. To ensure effective application of this framework, Group Tax is setting up requirements that must be followed by all units of dsm-firmenich.

Our Group Tax is working in a functional matrix approach that enables the tax team to efficiently ensure compliance and cover all relevant tax aspects of our business in specific tax domains like Transfer Pricing, Customs, VAT and country or regional specific items. Specifically, the Business Tax Leads ensure a connection with Business Units and alignment between the Tax strategy and business strategy, via regular meetings and playing an active role at the Enterprise Model Board – a cross-functional Board where new flows are being tested against dsm-firmenich policies and standards.

The leaders in the respective functional areas report into the Global Head of Group Tax and meet regularly to provide updates on day-to-day relevant tax matters, strategic tax matters and the currently ongoing progress of post-merger integration from a tax perspective.

As per 1 January 2021, the European Directive Mandatory Disclosure Rules / DAC6 has been enacted across the European Union. We have implemented a centralized governance model where Group Tax globally monitors and manages the DAC6 compliance.

We believe that digitalization will further improve making tax processes sustainable, while creating value. We have developed a 'digital tax roadmap' for the coming years, defining several projects, such as: automation in VAT and CIT central and local compliance initiatives, tax accounting reporting tool, OECD Pillar Two automation, DAC6 reporting tool etc.

Tax risk management and control

We identify and disclose relevant important business risks, including tax risks, in the **dsm-firmenich 2023 Integrated Annual Report.** As part of the dsm-firmenich risk management process, tax risks and incidents are reported and discussed with the Audit & Risk Committee of the Board of Directors.

Overviews of the meetings held by the Audit & Risk Committee held between first trading day and 31 December 2023 can be found in the **dsm-firmenich 2023 Integrated Annual Report**.

The existing Tax Control Framework is a tax risk management and control system, which enables Group Tax to be aware of the worldwide tax risks for dsm-firmenich. Compliance with both direct and indirect tax matters is monitored through this Tax Control Framework to achieve an effective, efficient, and transparent tax function – the process to harmonize the controls within legacy companies is ongoing.

Internal procedures for specific risk areas:

Area	Risk	Mitigation
Compliance	Reorganizations and business restructurings resulting in a misalignment with our tax approach	Group Tax is fully involved in corporate reorganizations and business restructurings (merger, changes in legal structure, ERP systems, M&A, cross-border activities etc.) to ensure any restructurings are in line with dsm-firmenich's Tax Policy
Compliance	Intercompany transactions do not reflect normal course of business	Group Tax is defining Transfer Pricing Policy in close alignment with the BU's, also to be implemented by the BU's. Group Tax oversees the transfer pricing monitoring so that intercompany transactions are in line with functional analysis of the legal entities
Compliance	Failure to comply with statutory obligations	Group Tax monitors the changes in tax legislation and informs the BU's and functions to ensure tax compliance within local jurisdictions
Compliance	Lack of training and awareness on tax matters	We create and maintain tax awareness within the organization through external and internal webinars, e-learnings and manuals
Reputation	Reputational damage due to lack of or misleading communication on tax towards stakeholders	Clear disclosure of dsm-firmenich's tax position, for instance through the publication of this paper

Group Tax manages these risks via operational and key controls. The key stakeholders in the Tax Control Framework are well-established and include Business, Executive Committee, Board of Directors, external auditors, as well as the tax authorities in countries where dsm-firmenich is operating.

Our **Internal Control Framework** covers policies and procedures across all functions to identify, monitor, control and mitigate key risks. The framework was approved by the Executive Committee and shared with the external auditor. The control framework defines the key risks related to tax processes and the key controls. We have implemented measures to mitigate these risks. The Internal Control department within Legal, Regulatory, Risk & Compliance performs independent testing on the effectiveness of the key controls. Once reviewed and considering other risks, the Global Head of Group Tax is responsible for presenting a biannual Risk & Incident Reporting to the CEO which includes identified short-term and emerging risks and related mitigation actions - these are discussed in the Executive Committee as well as the Audit & Risk Committee.

In addition, the Corporate Operational Audit department provides independent, objective assurance and advice regarding the effectiveness of governance, risk management, and control activities. In the context of the annual audit, the tax team discusses with the external auditors, the key actions/transactions, tax audits, as well as any relevant communication with tax authorities.

The Board of Directors issued a Board Statement confirming that dsm-firmenich's consolidated financial statements (including tax data) have been prepared in accordance with the applicable reporting requirements, as well as the Management Report giving a true and fair view of the development and performance of the business, the position of the company as well as the principal risks and uncertainties the company faces.

Stakeholders

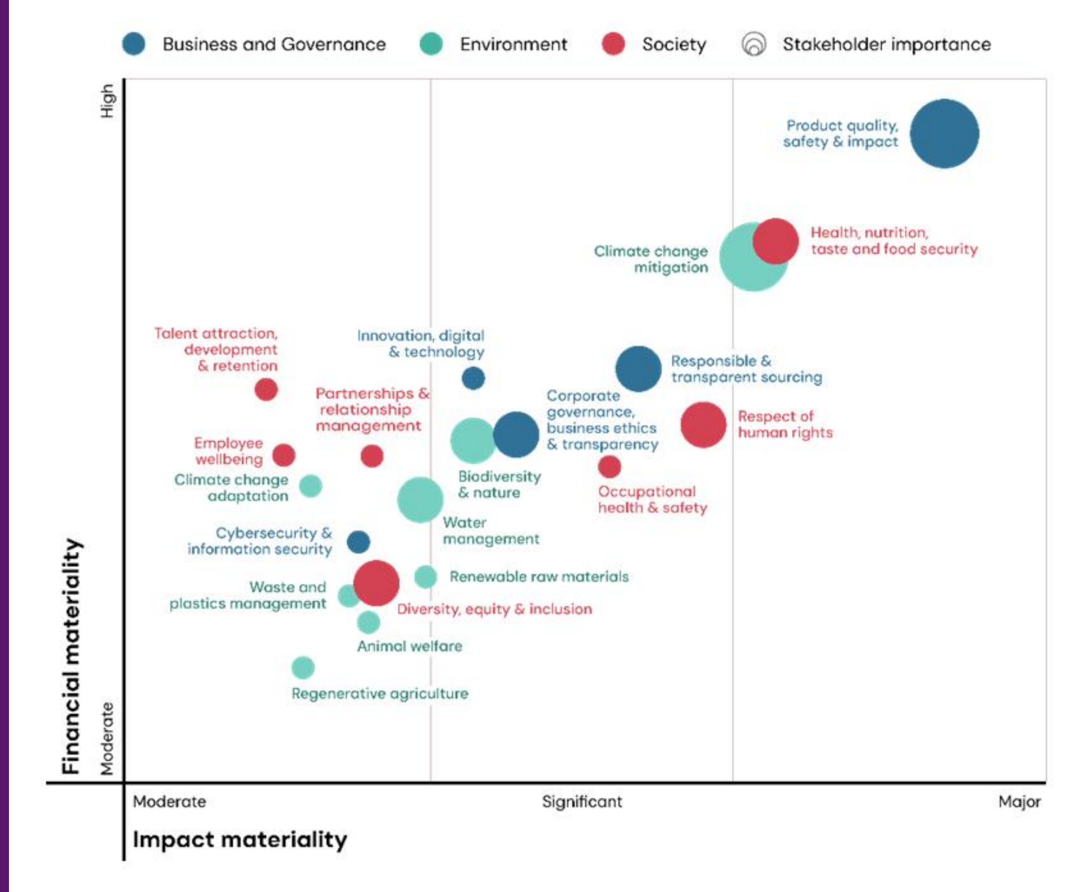
Taking part in strategic and proactive dialogue with key stakeholders helps us to deepen our insights into the drivers of our business and the needs of society across the world, and thus be ahead of competition in adjusting to changing demands. By working together, dsm-firmenich and our stakeholders can create shared value and contribute to a more sustainable, prosperous and resilient world.

We strive to create value for all our stakeholders today and for generations to come through our business and all along our value chain. We determine the material topics relevant to the company through a process of ongoing stakeholder engagement and disclose it in the Integrated Annual Report.

Our materiality matrix in 2023 is based on the Double Materiality approach – addressing both impact materiality (the actual and potential impacts of our company on the environment and society) and financial materiality (the material societal and environmental risks and opportunities that may affect the company).

Taxation is considered an integral part of the material topic "Corporate governance, business ethics and transparency" in the **dsm-firmenich 2023 Integrated Annual Report.**

Materiality matrix Graphic from the dsm-firmenich 2023 Integrated Annual Report



The stakeholders for our tax function are Business, Group Tax, Executive Committee, Board of Directors, external auditors, as well as the tax authorities in countries where dsm-firmenich is operating.

Our approach to ethics and transparency is led by the **Code of Business Ethics** and our **Supplier Code.** Our tax position is consistent with the normal course of our business operations and reflects the corporate strategy and the geographic spread of our activities.

We engage with the stakeholders by performing our tasks and responsibilities:

- Define the Tax strategies and policies for dsm-firmenich globally on a yearly basis and present to the Executive Committee and **Audit & Risk Committee**
- Advise and support the Executive Committee, the business groups and their organizational entities, and the regions and their legal entities about tax matters
- Advise and support relevant dsm-firmenich legal entities regarding the implementation of legal and organizational structures necessary to reach sustainable solutions balancing business and tax needs
- Manage tax audits and contact tax authorities when appropriate and conclude, if feasible, advanced tax rulings with them
- Participate in (inter)national groups of experts to represent dsm-firmenich's interests
- Set corporate requirements to which all units have to comply

By publishing this paper, we participate in several initiatives driving forward transparency of tax position such as the VBDO tax transparency benchmark and WEF IBC metrics on Economic Contribution and total tax paid. This paper is prepared in accordance with the GRI 207 Tax standard. An overview of how we map our disclosures to GRI can be found at the end of this document.

Economic value generated and distributed in 2023

Economic value generated €11,015 million

The merger transaction was accounted for as a business combination using the acquisition method of accounting under IFRS 3. DSM N.V. in substance was identified as the acquirer via its prior subsidiary dsm-firmenich AG. Following the acquisition method of accounting under IFRS 3, the Firmenich results are included in the consolidated financial statements as of the merger date 8 May 2023.

Please note that all the financial information shared in the below sections represents the figures on IFRS basis, including the Firmenich results as of the merger date May 8, 2023, as well as discontinued operations[1] unless specifically mentioned otherwise.

We believe sustainable business growth is closely linked with robust societies and healthy economies – and vice versa. We are mindful of our responsibilities as a multinational company operating within and alongside society and addressing the most challenging societal issues with its business and operations.

We contribute to the economies in around 60 countries where it currently has operations with a total economic value generated of more than €11,015 million in net sales. The principal subsidiaries of the Group and their locations are shown in Note 3 Investments to the parent company financial statements.

In 2023, we posted an adjusted operating profit of €428 million. A regional split of the economic value generated is given in the table.

Economic value generated:

2023	Switzerland	Netherlands	Rest of EMEA	North America	Latin America	China	Rest of Asia	Total
Net sales by origin								
In € million	2,160	816	1,241	2,503	1,624	992	1,679	**11,015**
In %	20	7	11	23	15	9	15	**100**
Adjusted operating profit (in € million)								**428**

1. On 1 April 2023, the company completed the divestment of its Engineering Materials business (DEM) to Advent International and LANXESS. Prior to this divestment, the results of this business (the 'disposal group') were reclassified to discontinued operations.

Economic value distributed €10,993 million

Our contribution to society regarding economic value distributed consists of various aspects, including employee benefits, goods and services purchased from suppliers, customs duties and other payments to governments including taxation. The overall breakdown per category is shown in the table below and further detailed on the following pages.

Economic value distributed:

2023	Switzerland	Netherlands	Rest of EMEA	North America	Latin America	China	Rest of Asia	Total
Suppliers of goods & services								
In € million	2,178	907	1,403	1,228	750	536	536	7,538
In %	29	12	19	16	10	7	7	100
Employees								
Workforce at year-end (headcount)	3,647	1,849	7,846	4,264	3,617	4,664	3,480	29,367
Wages and benefits incl wage tax, pension and social security								
In € million	599	318	522	557	167	168	159	2,490
In %	24	13	21	22	7	7	6	100
Payments to Governments (organization taxes)								
In € million	58	84	54	23	70	47	46	382
In %	15	22	14	6	18	12	12	100
Capital providers								583
Total								**10,993**

**Best estimate basis*

Value distributed to suppliers of goods and services: €7,538 million

The external spend in 2023 amounted to €7,538 million, this includes goods and services captured in net sales and capex / investments which also implies further (indirect) tax proceeds for governments.

Value distributed to employees: €2,490 million

Our contribution to society includes the provision of employment of around 30,000 people globally in areas including manufacturing, creation and innovation, marketing and sales, supply chain, research and development and administration. Employee wages and benefits including contributions to pensions, social security and wage tax paid to government institutions on behalf of employees around the world amounted to €12,490 million in 2023.

Value distributed to capital providers: €583 million

Our capital providers (shareholders and creditors) provide funds to finance the asset base used to create economic value. In turn, they receive an annual dividend and interest payments from dsm-firmenich, which trigger withholding tax obligations. The total value of interests and dividends distributed to providers of capital in 2023 amounted to €583 million.

Value distributed to governments: €382 million

We believe that it is our obligation to ensure that the correct amount of tax is paid to authorities and to observe all applicable rules and regulations in the markets where the company operates.

While meeting this obligation, dsm-firmenich recognizes that it also has a responsibility to its shareholders to control its tax costs.

For 2023, our estimated total amount organization of taxes was around €382 million (it should be noted that the values for e.g., property taxes and environmental taxes have not been included in this paper).

Taxes paid by type: €1,431 million

The total tax contribution of €1,431 million by tax type is further illustrated in the table below. Most of the taxes borne in 2023 are direct taxes, of which a significant part relates to taxes paid for dsm-firmenich's employees as wage tax and social security contributions (any other wage-related taxes paid directly by employees are not included in the current valuation).

It should be noted that Indirect taxes, including VAT, are reported as year-end balance and do not reflect total amount remitted to governments throughout the year (which would lead to a higher total tax contribution).

Taxes paid per type:

2023	
Income tax (incl WHT)	
In € million	219
Indirect taxes & customs duties*	
In € million	162
Wage tax*	
In € million	784
Social security costs	
In € million	266
Total	1,431

**Best estimate*

The total income tax paid by dsm-firmenich in 2023, including corporate income tax, dividend and withholding tax, amounted to €219 million. The level of dsm-firmenich's income tax payments reflects the geographic spread of its results over the years, which is among other things a result of acquisitions and divestments, loss positions and the application of tax regulations in countries where dsm-firmenich operates. As a result, the relative contribution per region varies from year to year.

The actual amount of corporate income tax paid in a particular year can differ from the accounting expense as reported in the company's financial statement (2023: €19 million). Differences between the cash outflow and the expense charged are a result of various elements, such as tax losses in previous years, deferred tax, timing differences or uncertain tax position matters.

The allocation of the total €219 million of corporate income tax paid (incl WHT on dividend) by region / countries is presented in the table below.

Income tax paid per region / country:

2023	In € million	In %		In € million	In %
EMEA	123	56			
			Netherlands	69	32
			Switzerland	24	11
			Austria	9	4
			France	8	4
APAC	63	29			
			China	32	15
			India	18	8
			Singapore	6	3
			Japan	3	2
AMERICAS	33	15			
			Brazil	14	6
			USA	6	3
			Mexico	4	2
			Argentina	2	1
			All regions: other countries [40+]	21	9
Total	219	100			

Europe is an important hub for dsm-firmenich's major business flows, contributing to 56% of the income tax payments. dsm-firmenich employs around half of its personnel in Europe and undertakes a significant proportion of its investments, external spend, research and development activities and administrative activities in the region (being also the location of the corporate head office and several business group headquarters).

Americas contributed around 15% of dsm-firmenich's total income tax payments. APAC countries had around 29% of dsm-firmenich's total income tax payments.

The 12 countries in the table represent the largest cash tax payors in dsm-firmenich. Majority of other 40+ countries in which dsm-firmenich operates pay below €2 million (not exceeding 1%) in taxes each.

Effective tax rate

Changes in accounting policies

dsm-firmenich adopted the International Tax Reform – Pillar Two Model Rules (Amendments to IAS 12) upon their release on 23 May 2023. dsm-firmenich applies the temporary mandatory exception from deferred tax accounting for the top-up tax which is effective immediately.

Pillar Two legislation has been enacted or substantively enacted in a number of jurisdictions in which dsm-firmenich operates. As the newly enacted tax legislation is to enter in effect, there is no current tax impact for the group for the year ended 31 December 2023. dsm-firmenich is actively monitoring developments and the global legislative status of Pillar Two implementation in the jurisdictions where we operate. Furthermore, an assessment is made regarding the potential Pillar Two impact. Based on this assessment, dsm-firmenich does not expect Pillar Two to have a material impact for financial year 2024.

Effective tax rate FY2023

In the last 5 years (including Firmenich from the merger date onwards), dsm-firmenich's continuing operations had an effective tax rate of between approximately 17 and 22%, which translates into an average yearly income tax expense of around €96 million. This range of effective tax rates is in line with what we see with peer companies, based on their publicly available information and annual reports.

The average tax rate presented in this paper is calculated based on the income statement as a weighted average of the tax rates in the jurisdictions where dsm-firmenich conducts its business operations. Other effects refer to values including prior year adjustments, losses not recognized or expired and deferred taxes adjustments.

For the relationship between this effective tax rate and the income tax rate in Switzerland, please refer to the **dsm-firmenich 2023 Integrated Annual Report,** where all the IFRS taxation figures reported for the years 2022 and 2023 can be found.

The effective income tax rate **on IFRS basis** on the adjusted result from **continuing operations** was 37.3% in 2023 (2022: 20.2%). The effective tax rate in 2023 compared to the statutory rate was negatively impacted by the geographical spread mainly due to the vitamin effect, changes in tax rates under local tax law in various countries and non-deductible expenses.

Effective tax rate (continuing operations)

2023	In %
Domestic income tax rate	16.3
Tax effects of:	
• Deviating rates	19.3
• Change in tax rates	1.5
• Tax-exempt income and non-deductible expense	(2.5)
• Other effects	2.7
Effective tax rate taxable result, excl. APM adjustments	37.3

Preparation of this paper

We have published this paper as part of its commitment to clear and transparent reporting, continuing to build a sustainable business as a trusted partner for its various stakeholders.

The way that companies such as dsm-firmenich contribute to society through (direct and indirect) taxes, duties and other payments to governments is a complex matter.

This paper brings together all the relevant information that dsm-firmenich publishes on taxation, from policies to payments, in one central source. The information presented relates to the consolidated level of reporting representing the figures on IFRS basis, including the Firmenich results as of the merger date May 8, 2023 and is applicable to dsm-firmenich and its group companies included in the consolidated financial statements and excludes partners and associates. This paper has not been subject to a separate audit. We consider the paper compliant with the requirements of Paragraph 19 of Schedule 19 of the Finance Act 2016.

For this paper's purposes, certain figures are presented on a best estimate basis when calculating the total amount of tax generated and are specifically footnoted as such. Moreover, certain taxes (e.g., property tax, & environmental tax) have not been included in the overall tax amount paid by dsm-firmenich in 2023 disclosed in this paper. To clearly understand the content of this paper, an explanation of the technical terms used in compiling this paper is given below. These are not to be used as detailed definitions but as guidance.

Indicator	Details
Net sales	This comprises revenue generated by supply of goods and services and royalty income (in case of ordinary business), less discounts, VAT and other sales related taxes.
Operating profit	Company's earnings from core business operations, also known as Adjusted EBIT (earnings before interest and tax).
Employee benefits	These are defined as the total remuneration, in cash or in-kind payable by an employer to an employee and include wage taxes, employees' social security contributions and post-employment benefits
Wage taxes	This includes payroll and employee taxes withheld from employee remuneration, and paid to governments
Capex / investments	Accounting capital expenditure relates to the purchase of intangible assets (excluding goodwill) and property, plant and equipment
Total tax generated	The value includes amounts to be paid to a government, whether by law or by agreement, including both direct and indirect taxes
Indirect tax	Taxes which are levied on consumption of specified goods rather than on income
Direct tax	Taxes paid directly to the government and for the purpose of this paper also includes income tax and employer wage taxes
Income tax	This includes any business tax calculated based on its profits, plus withholding tax. The income tax paid may vary over the years.
Effective Tax Rate	The tax charge of an accounting period divided by the accounting profit before tax
Profit before tax	Accounting profit for a period before deducting corporate income taxes

GRI Reference table

This taxation paper has been prepared in accordance with the GRI 207 Tax standard.

GRI 207: Tax 2019	
207-1 Approach to tax	<u>Tax policy</u>
207-2 Tax governance, control, and risk management	<u>Tax governance, control and risk management</u>
207-3 Stakeholder engagement and management of concerns related to tax	<u>Stakeholders</u>
207-4 Country-by-country reporting	The principal subsidiaries of the Group and their locations are shown in **Note 3 Investments** to the parent company financial statements. The names and activities of our locations can be found in **dsm-firmenich locations** **Economic value generated and distributed in 2023** We report employees at regional level and country level for the key jurisdictions Income tax paid is disclosed by region and by the top four countries per region. Other countries are not material to the income taxes paid, contributing no more than 1% each to total income tax. Other information relating to GRI 207-4 Country-by-country reporting is considered company confidential.

Disclaimer

This document may contain forward-looking statements about dsm-firmenich's future (financial) performance and position. Such statements are based on current expectations, estimates and projections of dsm-firmenich and information currently available to the company.

Examples of forward-looking statements include statements made or implied about the company's strategy, estimates of sales growth, financial results, cost savings and future developments in its existing business, as well as the impact of future acquisitions, and the company's financial position. These statements can be management estimates based on information provided by specialized agencies or advisors.

We caution readers that such statements involve certain risks and uncertainties that are difficult to predict and therefore, it should be understood that many factors can cause the company's actual performance and position to differ materially from these statements.

These factors include, but are not limited to, macro-economic, market and business trends and conditions, (low-cost) competition, legal claims, the ability to protect intellectual property, changes in legislation, changes in exchange and interest rates, changes in tax rates, pension costs, raw material and energy prices, employee costs, the implementation of the company's strategy, the company's ability to identify and complete acquisitions and to successfully integrate acquired companies, the company's ability to realize planned disposals, savings, restructuring or benefits, the company's ability to identify, develop and successfully commercialize new products, markets or technologies, economic and/or political changes and other developments in countries and markets in which dsm-firmenich operates.

As a result, dsm-firmenich's actual future performance, position and/or financial results may differ materially from the plans, goals and expectations set forth in such forward-looking statements. dsm-firmenich has no obligation to update the statements contained in this document, unless required by law.

A more comprehensive discussion of the risk factors affecting dsm-firmenich's business can be found in the company's latest Integrated Annual Report, a copy of which can be found on the company's corporate website, **www.dsm-firmenich.com.**

Certain financial information provided in this document has been derived from the 2023 financial statements, which have been audited by external auditors.

As innovators in nutrition, health, and beauty, dsm-firmenich reinvents, manufactures, and combines vital nutrients, flavors, and fragrances for the world's growing population to thrive. With our comprehensive range of solutions, with natural and renewable ingredients and renowned science and technology capabilities, we work to create what is essential for life, desirable for consumers, and more sustainable for the planet. dsm-firmenich is a Swiss-Dutch company, listed on the Euronext Amsterdam, with operations in almost 60 countries and revenues of more than €12 billion. With a diverse, worldwide team of nearly 30,000 employees, we bring progress to life every day, everywhere, for billions of people.

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