2023

Integrated Annual Report

dsm-firmenich

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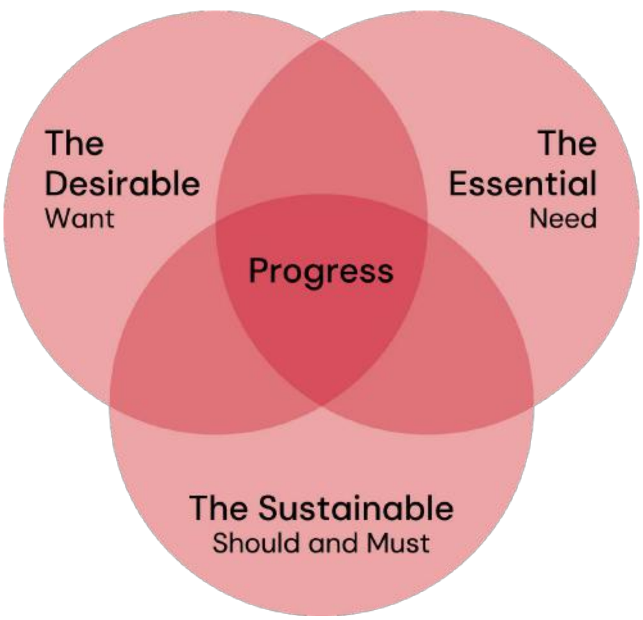
Forward-looking statements

This Integrated Annual Report may contain forward-looking statements with respect to 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. dsm-firmenich cautions 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 actual performance and position to differ materially from these statements. The information provided in this Integrated Annual Report is provided as of the date of its issue. dsm-firmenich does not assume any obligation to update any information or forward-looking statement provided in this Integrated Annual Report unless required by law. The English language version of this Integrated Annual Report prevails over other language versions.

Our company

About dsm-firmenich

dsm-firmenich was launched on 8 May 2023. Our company brings together the best of two market leaders in fragrance, taste, texture, and nutrition, united in a common purpose: to bring progress to life, by combining the essential, the desirable, and the sustainable. dsm-firmenich is a Swiss-Dutch company, which is listed on the Euronext Amsterdam and with dual headquarters in Switzerland and the Netherlands. Our company has operations in almost 60 countries and revenues of more than €12 billion.



We bring progress to life

With a diverse, worldwide team of nearly 30,000 employees, we are innovators in nutrition, health, and beauty. We reinvent, manufacture, and combine vital nutrients, flavors, and fragrances to help the world's growing population thrive, sustainably.

We bring together a comprehensive range of solutions, with a portfolio of high-quality natural and renewable ingredients and a team of cutting-edge scientists, breakthrough innovators and passionate creators who draw on a combined legacy of more than 125 years of purpose-led scientific discovery and innovation.

Working in close collaboration with our customers, we combine what is essential for life, desirable for consumers, and more sustainable for our planet. At the center of these three: we seek to tackle the tension between what consumers individually want (the **desirable**), what society needs (the **essential**), and what the planet demands (the **sustainable**).

We touch the lives of people throughout the day with our innovative solutions – whether through personalized morning supplements containing essential vitamins, omegas, and probiotics, a revitalizing mid-morning drink from healthy cows that produce less methane, a tasty burger made with plant-based proteins for lunch, or a dash of fine fragrance that creates positive emotions and enhances well-being at any hour of the day.

A brief history

The year 2023 marked the culmination of a history stretching back over more than 125 years of purpose-led scientific discovery and innovation. The creation of dsm-firmenich brought together two industry leaders united by their long-standing commitment to sustainability and their gift for continuous evolution in an ever-changing world.

Building on more than a century of transformation

DSM has had a long history of reinvention. Set up in 1902 to mine coal reserves in the southern Netherlands, its name originally stood for Dutch State Mines. Over the course of the 20th century, DSM transformed itself into a chemical company, beginning as early as 1919 with the opening of a coking plant.

From the 1990s onward, DSM underwent another transformation – this time, into a company focused on science-based health, nutrition, and sustainable living. Along the way, DSM worked with a wide range of partners to deliver innovative solutions that nourish, protect, and improve performance.

From a startup to a global house of creators

Firmenich was founded as a startup in 1895, in Geneva (Switzerland) – more specifically, in the garage of Charles Firmenich. It was originally the business of Philippe Chuit, a scientist and visionary perfumery ingredients creator, and Martin Naef, a shrewd businessman. They were soon joined by entrepreneur Frédéric Firmenich.

After the retirement of Chuit, and later Naef, the Firmenich family became the sole shareholder. In 1939, the company's first research head, Leopold Ruzicka, was awarded the Nobel Prize in Chemistry. Over the years, Firmenich evolved – creating groundbreaking molecules, developing new flavors and fragrances, and driving sustainability.

Our Business Units

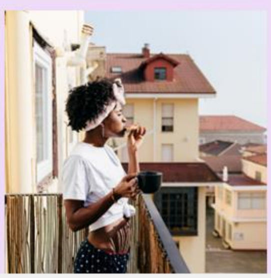
From fragrances to farming, meals to micronutrients, our four distinct yet complementary Business Units strive to address the latest consumer needs and wants in a sustainable way. We are uniquely positioned to help our customers realize their ambitions and address evolving consumer trends. We do this by creatively applying proven science and drawing on data-driven innovation capabilities as well as exceptional standards of operational excellence.

Perfumery & Beauty

Delighting the world with superior scents created from a palette of sustainable ingredients

Building on the strength of Perfumery, Ingredients, and Personal Care, we create superior scents and beauty solutions with proven benefits – always with the consumer in mind. Creating fragrances that smell amazing and make people feel even better, using the largest palette of high-quality natural, synthetic, and biotech ingredients.

Taste, Texture & Health



Partnering with the food and beverage industry to overcome the trade-off between palate and planet

We help our customers create food and beverage products that are delicious, nutritious, affordable, and sustainable. Providing enjoyment and nourishment for consumers, business success for customers, and seeking better health for people and our planet.

Health, Nutrition & Care

Delivering critical nutrients for proactive health in every stage of life and for every sort of lifestyle

We provide consumers with a way to proactively look after their health by providing critical nutrients for their diets at various stages of their lives. We drive medical innovation forward, helping to speed up recovery, and enhancing quality of life.

Animal Nutrition & Health

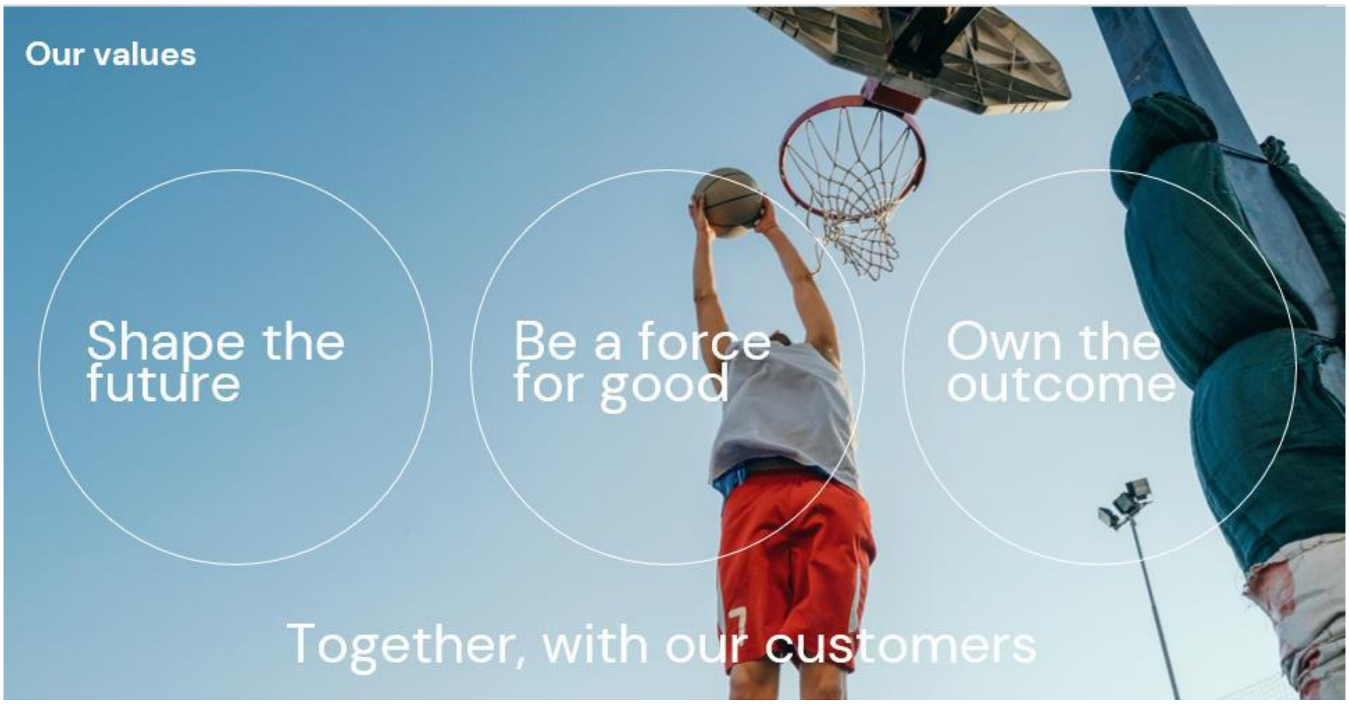
Powering the production of sustainable animal protein, transforming global food systems for good

We provide the means to deliver animal proteins efficiently and sustainably, and to support animal health. By harnessing the power of data and science, we help to make animal farming practices more sustainable, productive, and transparent. .

Our people and our values

At dsm-firmenich, our individual talents drive collective progress. Guided by our values, our diverse, worldwide team of nearly 30,000 employees has a shared passion for a more sustainable future.

We strive to be a **force for good**. Because caring about customers, communities, people, and the planet is the right thing to do. And this is the only way to grow an enduring, profitable business. Sustainability is at the core of our strategy as we develop our roadmap and science-based targets based on the United Nations' (UN) Sustainable Development Goals, The Ten Principles of the UN Global Compact and the Paris Agreement on climate.



We make bold commitments to positively **shape the future**, and we go above and beyond to fulfill them as we **own the outcome** of what we do.

Ultimately, we recognize we can do so much more **together**, so we work as one team, partnering with our suppliers, customers, worldwide organizations, and many others to make a measurable difference.

Key data

Reporting period

The sustainability data includes information from the combined entity for 12 months (DSM and Firmenich are reported as of 1 January 2023). The sustainability data in this Report cover all entities that belong to the scope of the Consolidated financial statements. If this is not the case this is mentioned specifically. As this is the first year of reporting for dsm-firmenich, no comparative data is available for 2022. For more information, see Sustainability statements.

The financial data includes information from the combined entity for 12 months, which includes Firmenich as of 1 January 2023 (pro forma, see Concepts and ratios). It also includes information that is presented in accordance with IFRS, which includes Firmenich from the merger date onwards.

Key data sustainability performance

Sustainability performance	2023
Workforce at 31 December (headcount)	29,301
Female:male ratio	37:63
Female:male ratio (Global Management Team)	35:65
Total employee benefit costs (in € million)	2,891
Frequency Index Total Recordable Incident Rate	0.31
Employee Engagement Index (in %)	82
Primary energy use (in TJ)	19,300
Greenhouse gas emissions, Scope 1 and 2 (in kt CO_2e)	915.4
Greenhouse gas emissions, Scope 3 (in kt CO_2e)	9,996

Key data financial performance

Financial performance (in x € million)	Pro forma 2023	IFRS-based 2023
Sales from continuing operations	12,310	10,627
Adjusted EBITDA from continuing operations[1]	1,777	1,443
Adjusted operating profit from continuing operations (EBIT)[1]	666	430
Operating profit (loss) from continuing operations (EBIT)	(173)	(497)
Net profit (loss) for the year from continuing operations	(550)	(636)
Core adjusted net profit for the year from continuing operations[1]	555	380
Adjusted gross operating free cash flow from continuing operations[1]	999	856
Capital expenditure, cash based	734	684
Dividend for dsm-firmenich shareholders (based on profit appropriation)[2]		663
Net debt		2,215
Shareholders' equity		22,908
Total assets		34,270
Capital employed		26,766
Market capitalization at 31 December[3]		24,442
Other financial indicators		
Per ordinary share in €		
Basic earnings per share		9.14
Core earnings per share[1]	2.03	1.54
Financial ratios (%)		
Adjusted EBITDA margin (continuing operations)[1]	14.4	13.6
Working capital / annualized net sales (continuing operations)	31.1	31.1
Core adjusted ROCE (continuing operations)[1]	5.2	
Equity / total assets		67.3

1 In presenting and discussing dsm-firmenich's financial position, operating results and cash flows, dsm-firmenich (like many other publicly listed companies) uses certain Alternative performance measures (APMs) not defined by IFRS and referred to as '(Core) Adjusted'. These APMs are used because they are an important measure of dsm-firmenich's business development and dsm-firmenich's management performance. A reconciliation of IFRS performance measures to the APMs is given in Note 2 Alternative performance measures to the Consolidated financial statements.
2 Subject to adoption of the resolution by the General Meeting of Shareholders to be held on 7 May 2024.
3 Source: Bloomberg.

Letter to our Stakeholders

Dear Reader,

Welcome to our first Integrated Annual Report, in which we reflect and report on the inaugural chapter of our new company and share our initial milestones and achievements.

In 2023, DSM and Firmenich joined forces in a merger of equals to create dsm-firmenich, a company in a category of one. Bringing together more than 200 years of combined history, along with closely aligned values, the closing of the merger marked the start of our journey as innovators in nutrition, health, and beauty, and the beginning of a new chapter for our shareholders, employees, customers, suppliers, and partners.

With a team of nearly 30,000 employees and a network of 340 sites across 60 countries, we are poised to lead in the reinvention, manufacturing, and combination of vital nutrients, flavors, and fragrances. By working closely together with our customers to create what is **essential** for life, **desirable** for consumers, and – simultaneously – more **sustainable** for the planet, we aim to bring progress to life for billions of people around the world.

Against the backdrop of the creation of our new company, we faced very challenging market dynamics and soft macro-economic conditions in 2023. We suffered from unprecedented low vitamin prices, a continued destocking cycle and negative foreign exchange effects. We took several actions to address these headwinds and reduce our costs. Despite the headwinds, we remained committed to the successful integration of the merger and the delivery of our targeted synergies.

Delivering synergies through Integration

Our focus in 2023 was on integrating the two legacy organizations, with business continuity and delivery of the targeted synergies as key priorities. The transition proceeded smoothly, thanks in large part to the solid preparatory work done by the integration teams.

We are well on track to achieve our target synergies of approximately €350 million Adjusted EBITDA per year. Around half of this is expected to come from cost efficiencies, with the full run rate achieved by the end of year 3. The remaining part of the synergies is expected from incremental revenues of €500 million, generated by an acceleration of innovation with customers. There has been good early progress and we are building the full pipeline, whereby the full run rate is expected by the end of year 4. These revenue synergies are driven by complementary capabilities and realized in the three Business Units with the strongest strategic adjacency - Perfumery & Beauty (P&B), Taste, Texture & Health (TTH), and Health, Nutrition & Care (HNC).

To guide us on our integration journey, we launched our **new shared values** – Shape the Future, Be a Force for Good and Own the Outcome – which are based on the heritage of our two strong cultures. We are proud to see these being brought to life in our interactions with colleagues, customers, suppliers, and partners.

Navigating a tough environment

As indicated above, we operated in a tough macro-economic environment in 2023, characterized by unprecedented low vitamin prices, but also by a continued destocking cycle and negative foreign exchange effects. In this challenging context, P&B recorded good performance while performance in TTH was solid. HNC, but especially Animal Nutrition & Health (ANH), were weak on exceptionally low vitamin prices and destocking.

In light of these unprecedented economic conditions, we initiated the vitamin transformation program and accelerated our plans implementing our cost synergies from the merger. The restructuring program of our vitamin activities, which we embarked on mid-year, was our largest profit improvement and cost reduction measure in 2023. This program is expected to result in an estimated Adjusted EBITDA contribution of around €200 million per year with the full run rate to be reached by the end of 2024. By year-end of 2023, we already made strong progress in executing the program through the closure of the Xinghuo vitamin B6 plant in China and shutting down the Jiangshan vitamin C production in China. Moreover, the sales model now supports a 'go-to-market' approach which is simpler and more efficient in the current market environment.

We also advanced the review of all our business segments. This led us to the initiation of a process to separate out the ANH business from the Group which we announced 15 February 2024. This should strongly reduce our exposure to vitamins earnings volatility and reduce our capital intensity in line with our long-term strategy. We believe that the full potential of our attractive and future-oriented ANH business could be best realized through a different ownership structure.

Supported by our innovation pipeline, all these actions will help us to prioritize and accelerate the company's nutrition, health and beauty high-growth and higher-margin businesses, all of which is reflected in our **mid-term targets**.

Strategic growth investments

As a global player in nutrition, health, and beauty, we continued to invest in our businesses during 2023. For example:

- We commissioned a new state-of-the-art Habanolide® facility in our production site in Castets (France), significantly increasing the production capacity of this iconic perfume ingredient and helping meet the rapidly growing demand for sustainable products
- We strengthened our business offering in health and nutrition by acquiring Adare Biome, a pioneer in the development and manufacturing of postbiotics
- We are building a large-scale plant in Dalry (United Kingdom) to produce Bovaer®, our new, innovative, methane-reducing feed additive for ruminants
- We began the construction of office spaces and application laboratories at our Biotech Campus in Delft (Netherlands), including leading-edge facilities for food application development, especially suited for co-creation with our customers
- We inaugurated a new state-of-the-art Science & Research Hub in Kaiseraugst (Switzerland), which will house more than 200 researchers specializing in chemistry, data science, personal care and aroma, and analytics

Innovation-driven growth

Innovation is a cornerstone of our growth, and we continuously invest in Science & Research. In 2023, we invested more than €700 million in R&D and innovation and published 233 new patents.

We strive every day to provide industry-leading Science & Research capabilities that focus on meeting the needs of our business and our customers. These capabilities are designed to drive the innovation required to deliver on our purpose and to provide differentiated solutions that combine the essential, the desirable, and the sustainable.

Sustainability

DSM and Firmenich each had a long history as pioneers in sustainability and a proud track record that we are determined to continue. The year 2023 was an opportunity to assess the legacies of both companies in order to bring together a new overarching sustainability strategy for dsm-firmenich in 2024. It also was a year in which we made progress on a range of initiatives that generated positive impact for both planet and people. This included scaling up our methane-reducing feed additive for ruminants, Bovaer®, reaching 677 million people with fortified food, and helping to improve the lives of 92,000 smallholder farmers. As part of our commitment to sustainability, sustainability goals represent 30% of the total target value of our Short-Term Incentive Plan, and 50% of the total target value of our Long-Term Incentive Plan.

Governance

During the course of the year, our co-CEO Géraldine Matchett stepped down to further her career elsewhere, in full alignment with the Board of Directors. The Board of Directors has expressed its great gratitude to Géraldine Matchett for her significant and impactful contribution to the former company DSM, as well as its thanks to both Géraldine Matchett and the former CEO of Firmenich, Gilbert Ghostine, for their roles in bringing about dsm-firmenich. The Board of Directors expressed its full support for Dimitri de Vreeze as sole CEO as from 1 September 2023.

The Board of Directors of dsm-firmenich is essentially composed of Members of the former DSM and Firmenich Boards. Thanks to a set of strong common values and like-minded approach, the Board of Directors quickly developed mutual trust and respect, thus enabling it to rapidly and effectively provide guidance and make decisions on strategy, performance and sustainability – all in the context of a very challenging macro-economic environment.

The Board of Directors scrutinized the topics of Quality, Safety and Compliance during its meetings. It follows up on compliance with Legal, Safety and Quality standards and expects all employees to uphold the company's commitment to legal and ethical business practices as enshrined in our Code of Business Ethics. Following the launch of an industry-wide investigation by the European, US, UK and Swiss competition authorities in March 2023, the company fully cooperates with the authorities.

The Board of Directors met seven times between its appointment in April 2023 and the end of the year, while the various Board Committees each met three to six times. The full details can be found in the **Board of Directors** section of this Report.

Looking ahead

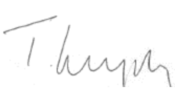
The decisive actions taken in 2023, combined with our innovation drive, will provide a solid base from which we will be able to deliver strong growth in the years to come. With our market-leading and highly complementary portfolio of ingredients, science capabilities, and technologies, we are uniquely positioned to achieve our ambitions.

In conclusion, we extend our sincere gratitude to our stakeholders for their support and commitment. The collective efforts of our talented teams, the support of our shareholders, and the trust of our customers, suppliers, and partners continue to be the driving force behind our achievements. In particular, we want to thank our employees for their drive, passion and commitment during a momentous year.

As we embrace the opportunities and challenges that lie ahead, we are confident that dsm-firmenich is well positioned to deliver a future of success through positive impact.

Warm regards,

Thomas Leysen
Chairman of the Board of Directors



Dimitri de Vreeze
Chief Executive Officer

Integration update

We made significant progress during the first seven months of our integration, our sights firmly set on becoming a new company that is globally recognized as a category of one.

Integration priorities and governance

Before embarking on the integration journey, we defined four priorities: ensuring business continuity, defining a new operating model, creating value through synergies and uniting the teams through common values and behaviors. We established an Integration Management Office (IMO) to design the new company across all Business Units and Business Partners, to deliver the integration objectives, and to ensure a comprehensive view on the integration process.

Business continuity

Business continuity was a key priority for the integration, and the transition proceeded smoothly. This was helped by the solid preparatory work done by the integration teams who completed over 1,000 tasks, tested approximately 230 scenario plans, and designed and trialed more than 30 interim processes. In addition, more than 15 Business Continuity Leads ensured stability during the hypercare phase. This preparation was instrumental in enabling a successful and memorable Day 1.

A memorable Day 1

The moment of combining two industry leaders whose respective heritages reach back more than 100 years involved a memorable Day 1 for our employees, customers, suppliers, and investors. From site transformations through an all-day global broadcast to our new brand reveal, Day 1, which fell on 9 May 2023, was packed with exciting surprises. We came together across the globe to celebrate a new company, with a new purpose: to *bring progress to life*. Day 1 filled us with the energy to deliver on our integrationplans in the months to come.

Value creation through synergies

Even before Day 1, we had made a significant investment in our clean teams in order to have cross-selling in place for the launch of the new company. Our detailed preparations paid off: Between the merger and the end of the year, we achieved significant cross-selling wins across our Business Units in the first seven months from the merger. With that, we are well positioned to deliver incremental revenue synergies of around €500 million, with a full run rate achieved by the end of year four.

In June, we hosted our first-ever supplier summit, bringing together more than 100 representatives of our top suppliers to exchange ideas. Alongside this, we introduced a dedicated program, 'Catalyst for Growth', to better structure spending across the company and help us accelerate cost savings from procurement synergies. This, with our planned actions to reduce General & Administrative (G&A) expenses, generated significant cost savings by year end.

For more information on integration synergies, please see **Financial Performance**.

New operating model

The new dsm-firmenich operating model and organization was defined well before closing. It lays out how dsm-firmenich will operate as one group that drives the priorities, strategy and standards, while at the same time giving the Business Units a high degree of autonomy to ensure our market approach is agile and close to customers.

The implementation of the operating model progressed at speed: Before the end of 2023, we had appointed more than 730 leaders and had implemented the target organization design at all levels of the company, putting us in a position to operate as a single integrated team with common processes and ways of working. Integration of the underlying systems commenced in 2023 and will continue during 2024.

Purpose, values, and behaviors

Shared purpose, values, and behaviors are the foundations of our new company culture and identity. We launched our new values on Day 1, building on the heritage of two great legacy cultures to guide us on our integration journey.

More than 550 Culture Catalysts, a network of colleagues who volunteered as change agents within our company, helps us live our new culture and values. Our Culture Catalysts engaged more than 5,500 of our employees in a 72-hour 'Behavior Jam' to define our new company behaviors, allowing us to map out how to bring our purpose to life in our daily work. We also launched a Pulse Survey shortly after Day 1 to capture employee feedback and more than 17,000 colleagues shared their views and helped to shape the culture agenda.

Setup for success

The year 2023 was pivotal: We became a new company and made significant progress on the integration of our two legacy organizations, bringing together the best of both worlds in pursuit of our vision to become a category of one. With our focus on integration, we have laid firm foundations for us to succeed in our purpose to *bring progress to life*.

Strategy



dsm-firmenich brings together the best of two iconic global companies to form a category of one. As innovators in nutrition, health and beauty, we make it our purpose to bring progress to life – by combining the essential, the desirable, and the sustainable. We reinvent, manufacture, and combine nutrients, flavors, and fragrances to meet the evolving needs and expectations of the world's growing population while at the same time addressing the urgent sustainability challenges facing our planet.

Our approach to business

The merger of DSM and Firmenich created a world-leader in nutrition, health and beauty. Through its highly integrated portfolio of nutritional, natural and renewable ingredients, together with complementary science capabilities and technologies, it is positioned to deliver superior innovation-led growth.

By creatively applying proven science and drawing on data-driven innovation capabilities as well as exceptional standards of operational excellence, dsm-firmenich seeks to tackle the tension between what society needs, what people individually want, and what the planet demands. By working closely together with customers to create what is essential for life as well as desirable for consumers yet simultaneously more sustainable for the planet, dsm-firmenich is poised to *bring progress to life* for people around the world.

dsm-firmenich is organized in four distinct high-performing businesses, rooted in complementary world-class scientific research and manufacturing excellence: Perfumery & Beauty; Taste, Texture & Health; Health, Nutrition & Care; Animal Nutrition & Health.

Sustainability

We are a purpose-led company and we place people and planet at the core of our strategy, directly alongside financial performance. Formed of two science-driven companies, both with a track record as global sustainability leaders, we are determined to keep increasing our positive impact and raising our standards in helping to tackle climate change, protect nature, and care for people all along our value chain.

Sustainability lies at the heart of our development and business activities and we develop our roadmap and science-based targets based on the United Nations (UN) Sustainable Development Goals, The Ten Principles of the UN Global Compact and the Paris Agreement on climate. Our bold commitments to shape a better future are evidence-based and measurable, and we go above and beyond what is required of us in pursuit of lasting positive impact. Our values are underpinned by a shared passion for a more sustainable future. Caring about customers, communities, people, and the planet is not only the right thing to do; it is the only way to grow a profitable and enduring business.

Our principles for progress

In 2023, 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. Our four complementary Business Units are supported by Group Business Partners such as Science & Research, Finance, Human Resources, Sustainability, Procurements, Safety, Health and Environment and Digital & Tech.

The following principles govern 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 over 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 their accountability for delivery of their profit & loss and cash generation, they will be able to make choices faster, focus strongly on 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, serve their customers. In addition, the Business Partners will drive excellence with shared centers of expertise, to bring differentiated capabilities to our company

The Group has first priority	Business-led unless	Business partners enable excellence and efficiency	Right decision at the right level
dsm-firmenich will operate as one group that drives the **priorities, strategy and standards**	Business units will have a **high degree** of autonomy to ensure our market approach is agile and close to customers	Business partners provide **knowledge, passion, dedication, and expertise** in their domain to BUs	Regional and local teams will be **empowered** to work with speed, simplicity, and with a focus on the customer

We made progress at pace in 2023 to translate the Operating Model principles into how our Business Units and Business Partners are structured and how they operate, ensuring transversal alignment across the company. By the end of 2023, the implementation of most of the new organizational structures and operating models were completed. See also **Integration update**.

Our drivers of success

Through our shared strengths and complementary capabilities, we are uniquely positioned to provide visionary and science-backed solutions that tackle key global challenges and help shape the future. We drive growth and positive change with the aim of better meeting consumers' needs. We deliver added value thanks to the skill and passion of our people and our combination of creation and science capabilities, augmented by new data-driven and digital business models.

Our people

Our team of nearly 30,000 people is dedicated to achieving our purpose and creating measurable added value for our customers. From our master perfumers and leading scientists to our support staff and plant workers, we take pride in our craft and have an uncompromising commitment to quality and innovation. Our defining values guide our aspirations: To be a force for good in the world, to own the outcome of our endeavors, and to act together with our customers.

Along with our purpose, these values established following the merger in May 2023 underpin what we stand for and how we make choices in our day-to-day delivery to our customers and stakeholders. Shared values are an essential driver for success as we elaborate our plans for integrated rewards, people development, safety, health and well-being, employee engagement, and diversity, equity and inclusion.

Our innovation capacity

We build on the foundations of more than a century of purpose-led scientific discovery and innovation to create positive impact for people and planet. 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.

Our Science & Research team works in partnership with our Business Unit innovation teams and their 40 creation centers and 75 application laboratories to deliver differentiating innovations for our customers. We believe that collaboration offers the best chance of addressing the myriad challenges our world faces, and we champion an ecosystem approach that thrives on more than 100 collaborative relationships with academics, startups, and established companies.

Our market proximity

Our 340 sites across the world allow us to combine a global outlook with local insights and market proximity, enabling us to offer our customers a comprehensive range of value-adding solutions and to co-create with them on the basis of our wide-ranging expertise and scientific and technological capabilities. We operate to exacting safety and quality standards worldwide to ensure consistency and continuity of supply.

Our foundation

We recognize that our global presence brings with it not only opportunities but also responsibilities. Quality, safety and compliance form the foundation for all our business activities and priorities, and are anchored in the principles of our Code of Business Ethics and policies.

Quality

With our strong purpose and values, we are committed to leading our industry by consistently providing best-in-class, safe, and reliable solutions and to being recognized as the trusted first choice of our customers. At dsm-firmenich, quality is viewed as every customer's right and every employee's responsibility. Through the implementation of our new Quality Policy Statement, we foster one single quality community across all our businesses, with a permanent brief to drive excellence and continuous improvement. Our quality culture is dedicated to maintaining uncompromising standards, and we take pride in the care with which we craft products and solutions for our customers.

Safety, Health & Environment

Our commitment to safety, health & environment transcends borders and cultures. It is driven by our core belief that safeguarding our people, communities, and planet is not just good business: it is the right thing to do. We value and protect people by constantly striving to enhance health and safety. Our Safety, Health & Environment (SHE) policy is a promise to our employees, partners, customers, and stakeholders to hold ourselves to exemplary standards so that we not only ensure our own sustained growth but also contribute to a safer, healthier, and more sustainable world.

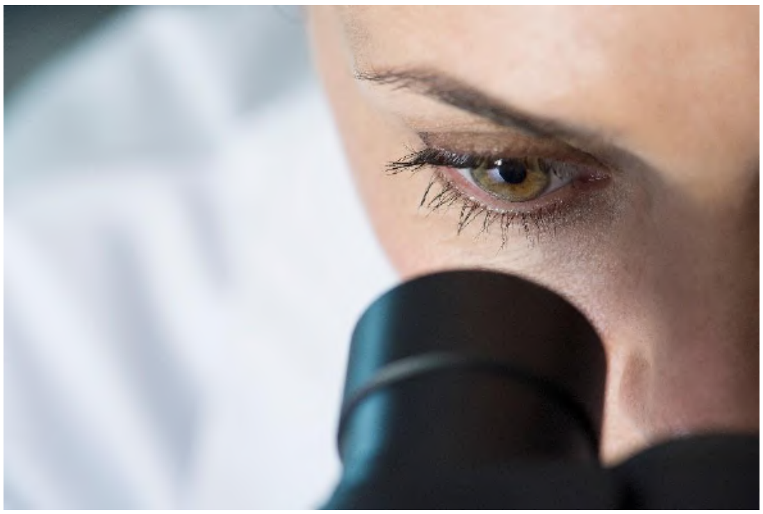
Ethics and compliance

Our legal, regulatory and compliance team plays a vital role in enabling business growth, connecting our company with opportunities and protecting our interests and values. We strive to ensure that we operate to the highest legal and regulatory standards while carefully managing our risk exposure and upholding our commitment to ethical business practices as enshrined in our **Code of Business Ethics**, in close collaboration with all the company's stakeholders.

Science & Research

Building on a pioneering tradition that reaches back more than 125 years, our Science & Research organization comprises more than 2,000 employees working on innovation across 15 R&D hubs around the world. We are united in the pursuit of sustainable and transformative innovation for nutrition, health, and beauty. With a track record of world-class scientific leadership and a uniquely broad portfolio of ingredients, we apply creative expertise and proven science to improve health and well-being and address the global challenges of sustainable delivery.

Our approach to Science & Research



dsm-firmenich drives the development of disruptive products and technologies with an end-to-end innovation approach. Sustainability is embedded from the outset and throughout every stage of the process – from discovery, pre-clinical and clinical studies through application development to scale-up and industrialization.

By harnessing the expertise of our scientists and investing in our multidisciplinary approach, Science & Research brings progress to life, driving innovation that addresses global challenges and unmet needs in nutrition, health and beauty.

We provide industry-leading science and research capabilities to drive the innovation required to deliver on our purpose and to provide differentiated solutions that combine the essential, the desirable, and the sustainable.

R&D expenditure

We continuously invest in innovation in view of the overall balance of our product portfolio and product life cycles.

	Pro forma 2023
R&D expenditures in € million (continuing operations)	744
R&D expenditures as % of net sales (continuing operations)	6
Staff employed in R&D activities (continuing operations)	2,042

Biotechnology

Through our mastery of microbial systems, we have developed a wide range of health, nutritional, and beauty products as a solution provider for our customers. Using both traditional and modern approaches to biotechnology, such as synthetic biology and precision fermentation, coupled with digital technologies, we create and improve sustainable bio-solutions to accelerate the shift to a climate-neutral society. As dsm-firmenich, our combined biotechnology knowhow allows us to innovate, improve on our existing solutions, and provide a consistent supply of ingredients to our Business Units.

Microbiome research

We seek better understanding of human and animal interaction with the microbiome – the unique individual collection of diverse microorganisms that populates the body – and its influence on health and well-being. This includes developing novel precision microbiome and anti-microbial (hygiene) capabilities, in particular for gut or skin health. We capitalize on synergies between microbiology, analytics, data science, and synthetic biology.

Receptor biology

Receptor biology research aims to decode taste, smell, and related trigeminal sensation at the molecular level and to leverage this proprietary knowledge to generate value across a range of business segments. Together with our creation expertise, this industry-leading science accelerates the discovery of highly differentiating flavor and fragrance ingredients and modulators, long-lasting fragrances, and optimized formulations. Our key capabilities include high-throughput screening, neurobiology, and genomics.

Perception and cognitive neuroscience

Research in the field of perception and cognitive neuroscience sheds light on the ways humans respond to specific ingredients and mixtures. Our insight into the fundamental sensory and psychophysical characteristics of our fragrance and flavor ingredients allows us to validate well-being benefits such as those generated by fragrances that can improve focus and concentration. Our key capabilities in this area include in-house sensory testing, psychophysics and behavioral psychology, complemented by psychophysiology and cognitive neuroscience conducted with the aid of external partners.

AI and data science

We continue to exploit and explore advances in Artificial Intelligence (AI) to create new tools that augment our research and creative teams, helping to significantly improve speed to market and deliver differentiating products. Data science generates data-driven insight in bioinformatics, biostatistics, lab data sciences, AI-driven formulation performance modelling, and knowledge management. The application of state-of-the-art data science methodologies and infrastructure across our research and innovation enables the development of unique precision solutions for our customers.

Chemical and process sciences

Our strength in chemical and process sciences is anchored in our historical successes. The creation of dsm-firmenich has opened up new opportunities to develop novel, more sustainable ingredients. We deliver new signature ingredients for our fragrance business and develop improved production processes for existing ingredients for nutrition, perfumery, and beauty. Assisted by our green chemistry approach, we use modern catalytic methods combined with renewable raw materials and data science to speed up successful product development while lowering our eco-footprint. Increased customer demand for natural ingredients is addressed by developing advanced and sustainable extraction technologies, such as the proprietary Firgood® platform, which extracts ingredients from their natural source without the use of solvents.

> "Our R&D teams bring together proven strengths in developing sustainable and market-leading solutions validated by rigorous, science-backed evidence. We're driven by our passion to help shape the future of nutrition, health, and beauty and our continued investment in state-of-the-art capabilities."

Dr. Sarah Reisinger, Chief Science & Research Officer

Formulation and materials science

Our capabilities in formulation and materials science enable us to deliver perfumes, flavors, and nutrients to our customers in differentiating and sustainable product formats. We develop cutting-edge biodegradable delivery systems for Consumer Fragrance to extend perfume lastingness in use. In Personal Care, we can enhance the stability and bioavailability of our active ingredients by mastering the principles of molecular partitioning. We also develop targeted delivery solutions for ingredients, thanks to our expertise in controlled release, accumulated across industries. Our knowledge of flavor delivery and modulation for off-notes is combined with our expertise in plant protein texturization to offer new formats.

Nutritional and food sciences

We create science-based and sustainable solutions for human nutrition and health, supporting the product development and delivery process from concept, through preclinical and clinical research, to the customer. This is complemented by our expertise in food science, which facilitates the development of targeted solutions that improve the flavor, texture, and nutrition of food products. Our validation capabilities encompass *in vitro* and *ex vivo* models. In animal nutrition, our research includes microbiome/host interaction, immunology, nutrition, and cell biology, enabling the development of disruptive solutions that support our customers.

IP and licensing

Our group of qualified intellectual property (IP) professionals maximizes the value of dsm-firmenich innovations and brands through strategic protection and defense of patents and trademark rights in key markets for the Group. The IP team acts as a further differentiator through valuation and protection of IP assets in strategic partnerships, including joint developments, technology licensing (in/out), IP asset acquisitions or sales. In 2023, 233 new patents were published, reflecting our continued focus on protecting the competitive advantage of our Business Units.

Scientific collaboration

We participate in more than 70 public-private partnerships and collaborate with more than 100 organizations worldwide, including academic institutions, start-ups, and other companies. Our commitment to a collaborative approach broadens our scientific and research horizons, enabling us to collectively contribute to solving pressing societal and environmental challenges.

Venturing

Our venturing unit provides investment, coaching, and support for startup companies to innovate nutrition, health, and beauty. In 2023, we made six new startup investments and 13 follow-on investments in existing portfolio companies, and successfully monetized the value of our investments through various liquidity events. By the end of 2023, our portfolio included 38 startups. For more information, visit **here**. Venturing also supports building and scaling innovative ventures from within dsm-firmenich by a venture-capital approach with dedicated entrepreneurial teams, single-tier startup-style board governance, and value inflection, milestone-based funding rounds. One example is the creation and development of Vivici B.V. (together with Fonterra) to bring to market animal-free dairy proteins produced by precision fermentation.

Pushing the envelope

By combining these strengths with our analytical science capabilities, our Science & Research team strives to pioneer solutions that help shape the future of nutrition, health and beauty. Analytical science assists the discovery of novel ingredients and allows us to gain greater understanding of complex biochemical mechanisms and interactions. We respond to real-world problems and seek to contribute meaningfully to well-being and a more sustainable future.

In 2023, for example, we facilitated the rapid discovery of two glycan leads for 2024 clinical trials aimed at validating mood and stress benefits in humans. Receptor biology also underpinned several breakthroughs in malodor control, cooling and taste, which led to the launch of a novel bitter blocker to improve the appeal of plant-based dairy analogs.

To reinforce the connection between our Science & Research activities and our business innovation, on 6 December 2023 we inaugurated a new state-of-the-art Science & Research Hub in Kaiseraugst (Switzerland). The hub will house more than 200 researchers specializing in chemistry, data science, personal care, and analytics, bridging Perfumery & Beauty, Health, Nutrition & Care, and Animal Nutrition & Health.

Our stories

Our People

Progress, powered by our people

Making the world a better place to live in is our daily job. To achieve our purpose as a company and maximize the collective energy and abilities of our nearly 30,000 colleagues worldwide, we begin 'at home' – our workplace.

We bring progress to life for our individual employees, supporting their well-being by providing them with a healthy and respectful daily environment, and helping everyone in the company achieve their unique potential and make a difference.

This starts with absolute prioritization of our people's safety and their physical and mental health, while our progressive culture supports diversity, equity, and inclusion. Here, four employees from our global teams share their stories about how they are working to foster well-being and bring our values to life within dsm-firmenich and beyond.

Safety, Health, Environment

What does Safety, Health and the Environment mean to you?

I firmly believe that Safety, Health and Environment (SHE) are the cornerstones for our lasting success that guide our decisions in multiple areas. Think of the capital projects to improve health and safety in our plants, all the way to the long-term environmental improvements needed to create a healthier planet for generations to come. I try to reinforce the trust and mutual understanding we have created with the operational teams on SHE topics. And I want to create a positive, proactive dynamic through sharing activities, to transmit knowledge and experience, and by encouraging our partners to do the same at safety moments, for example. All this helps to shape the leadership and safety culture that we want to live.

"Without high standards and a strong passion for safety, health, and the environment, you can't be a leading and inspiring organization. And it's also a way of demonstrating respect for those who work at all our sites."

Sylvain Rosset-Lanchet, Global SHE&S Lead for Perfumery & Beauty

What steps were taken in 2023 to enhance safety?

The year 2023 was a year of immense change. With the creation of dsm-firmenich, we had to redesign two company approaches and turn them into one fully aligned model. It turned out that the overlap in values, systems, and roles and responsibilities helped us tremendously in creating the new governance model for our organization. That allowed us to quickly identify our priorities going forward, such as creating aligned Personal Protective Equipment (PPE) standards and Life-Saving Rules for employee safety. We will be rolling these out in the coming months together with our partners in operations, in our labs and offices.

How do high SHE standards help us achieve our goals as a company?

Setting high standards conveys a strong message and delivers clear expectations. For example, our only acceptable ambition is to reach zero incidents. Our leaders need to embrace these high standards, communicating and cascading them throughout their organization to create engagement as well as operational discipline. And it's also a way of having a common language across all our sites, demonstrating respect for the people who work there.

How can our colleagues make their own contribution to safety in the workplace on a daily basis?

Our employees are key in achieving our goals and working with our standards: they are the center of the universe for all our SHE systems. Their individual ownership and behaviors create a living system that evolves continually. With their feedback and personal commitment, we can create a true learning organization that lives by the motto "today was good and tomorrow will be better."

Culture catalysts

Now that we have celebrated more than 100 days as dsm-firmenich, what have been your most exciting achievements?

Presenting dsm-firmenich to our customers at the World Nutrition Forum on Day 1 was something unforgettable. I'm also particularly proud of our progress in Precision Farming in Animal Nutrition & Health (ANH), because it perfectly embodies how we shape the future. And, internally, taking on the role of a 'culture catalyst', I'm one of a group of young volunteers who have been tasked with sharing and bringing our new values to life. It's exciting to join forces with such diverse and inspiring colleagues from around the world.

"I'm incredibly excited about the future. The way we work together to bring progress to life is one of a kind."

Oliver Stettler, Marketing Manager Animal Nutrition & Health, Latin America, and 'Culture Catalyst'

What does 'we bring progress to life' mean to you?

It means much more to me than a company's purpose. It's a personal commitment in Animal Nutrition & Health - innovating to sustainably feed the world. I take immense pride in contributing to this cause, bringing my passion together with our customers' needs for a sustainable and prosperous future.

Which of our company values most strongly resonates with you, and how do you embody it?

Definitely 'Own the outcome'. Across work and life, we embody this value by pursuing progress. I try to navigate challenges with accountability and ensure that my actions align with our commitment to sustainable solutions. It's about fostering a culture where outcomes matter as much as individual well-being.

What excites you most when you think of the future of dsm-firmenich?

I'm incredibly excited about the future! The way we work together to *bring progress to life* is one of a kind. The career and development possibilities are endless and truly stimulating, offering a journey of continuous growth and innovation in a dynamic corporate landscape.

Global Vitality Office

What is the Global Vitality Office?

The Global Vitality Office was established in 2023 to empower each of us to make informed choices for a healthier lifestyle. We're drawing on our extensive expertise in nutrition, health, and beauty, and reinforcing it by actively reaching out to our colleagues around the world with tools to help their well-being. With our global campaigns and frameworks, we're establishing standards to focus on lasting prevention and health promotion across the company.

"We bring together the strengths of our companies and work closely with Safety, Health & Environment, and Human Resources, these are extraordinary assets for progress in health and well-being."

Muriël Thijssen, Senior Director Global Vitality

Why does dsm-firmenich place such emphasis on the health and well-being of its employees?

We're really trying to put our purpose into action for all our people by creating a culture of health at work. It's a strategic priority that reflects our commitment to fostering positive choices for long-term health and creating a healthy work environment. And it's a great challenge to take up with my 30 years of experience in occupational health. My team and I share a genuine passion for health and we genuinely want to make the healthy choice the easy choice at work. So at the end of the day, working at dsm-firmenich is healthy!

How do employees make use of the support of the Global Vitality Office?

Our next step will be collaboration with Global Vitality Ambassadors to form a network and learn from each other, helping us to keep our finger on the pulse worldwide. Our first opportunity was the #boostyourvitality platform, launched in 2023, which has a unique dsm-firmenich touch. We're supporting health and vitality through personalized advice and education on immunity, vitality, and gut health, and offering employees dietary supplements with our top-quality dsm-firmenich ingredients at reduced prices.

We also expanded our partnership with Thrive Global, a leading behavior change company founded by Arianna Huffington. Thrive Global provides resources and interactive support to improve well-being that can also be integrated into individual workflows. This benefits all employees and it's really valuable for reducing stress levels, reinforcing resilience, and helping to build a healthier work culture.

What are your key priorities?

To motivate and support our colleagues as much as possible and give them access to all our valuable information and events. In addition to our two first ventures, we're planning a Mental Well-being Program for 2024, to build resilience and awareness, including among our leadership. I want to foster a workplace culture that encourages open conversations on the subject, backed by a sustained company-wide system to support employees.

Diversity, Equity and Inclusion

What is your job and what's it all about?

I've been working at the company for over 15 years, and recently dsm-firmenich provided me with the opportunity to embark on a new career as the Quality Lead for the China Region in Taste, Texture & Health (TTH). It's a great role that draws upon my extensive experience in both Taste and Ingredient Solutions.

"Embracing diversity, equity, and inclusion unlocks strengths within us all. The emphasis on fairness gave me confidence in the equity of the selection process for my position and I felt free to express my ideas."

Yu Peng, Quality Lead, Taste, Texture & Health, China

What does diversity, equity and inclusion mean to you and your teammates?

We have a highly diverse Quality team in TTH, encompassing a range of genders, ages, backgrounds, and life experiences. I feel dsm-firmenich is truly inclusive and empowers every individual to share ideas and achieve our full potential. I'm in an environment where everyone feels welcomed, respected, and valued for who they are.

Why is diversity, equity and inclusion so important?

Our world is changing profoundly, and our organization needs talents that address this complexity. Embracing diversity, equity, and inclusion unlocks strengths within us all. As a female leader, the emphasis on fairness in dsm-firmenich gave me confidence in the equity of the selection process for my position and I felt I could freely express some areas for improvement from a Quality perspective. Beyond work, as a mother of two, juggling home responsibilities with global meetings is indeed a challenge. Hybrid working has been instrumental in helping me manage the demands of both work and life, motivating me to bring together knowledge, perspectives, and experience for the team.

What are your hopes going forward for this inclusive workplace?

My goal is to further cultivate an inclusive culture that permeates everything we do. For example, by offering additional training and education to enhance awareness and understanding of diversity, equity, and inclusion, fostering a strong sense of belonging and community among all.

Responsible sourcing

Mint with Purpose: A new farming model for sustainable value

Our procurement and responsible sourcing teams are working closely with Norex, our local partner in India, to support innovation, establish best farming practices, and empower smallholders. This involves helping to secure smallholders' living conditions while at the same time ensuring a sustainable supply of high-quality mint.

Eighty-five percent of the world's mint used in oral care and confectionery products is grown in India. This figure includes 95% of all *Mentha arvensis*, the most widely used variety, which is grown by approximately 2 million Indian smallholders, mainly in Uttar Pradesh. This is one of the most important states for Indian agriculture, yet one of the lowest-ranking in terms of socio-economic development.

'The golden crop'

In Uttar Pradesh, the 'golden crop', as it is known, is one of the main sources of income for local households. Mint leaves are dried and distilled by villagers, thereby adding value to the harvested product. The sustainability of this supply chain is therefore just as crucial for providing livelihoods to smallholders as it is for guaranteeing reliable supplies of high-quality *Mentha arvensis* to our customers. Ninety-five percent of our annual needs for natural menthol and *Mentha arvensis* oil comes from eight suppliers in the state. This includes all of our menthol.

Furthermore, one of those suppliers, which currently accounts for 7% of all our mint products (by volume), is at the heart of a unique, 360-degree responsible sourcing project. We aim to increase their contribution significantly over the coming years.

Empowering local smallholders

At dsm-firmenich, we always seek to increase the sustainability of our supply chains. By tackling both the environmental and the social dimensions of mint production, this project aims to empower local smallholders and create synergies that can enhance their earning potential and consequent economic resilience.

On the one hand, we strive to improve soil management techniques by embedding agricultural innovations into traditional farming practices to reduce irrigation needs and increase climate resilience. We aim to drive down production costs while raising yields sustainably, because improving farmers' profit margins is the key to ensuring a viable income from mint cultivation. This involves not only improvements in farming practices but also – through the professionalization of techniques and the modernization of facilities - improving yields and at the same time enhancing the quality of crude mint oil by means of local distillation.

On the other hand, given the specific context of Uttar Pradesh, the provision of greater opportunities for all, especially women and young people, is designed to further strengthen local livelihoods. This is why, besides technical support, we work at the level of the individual household by helping to cultivate entrepreneurial skills, support income diversification, provide access to existing social schemes, and enable gender equality.

Applying our 'Sustainability at source' philosophy

Our purpose encouraged us to evaluate the best opportunities to implement our 'Sustainability at source' philosophy, tailored to the specific needs of the mint supply chain. We were aware that there was only one initiative for sustainable mint-sourcing, in the eastern area of Uttar Pradesh, despite the state's global significance for the sourcing of mint.

Instead, we chose to work in the western part of the state to leverage an innovative solution developed by a local research institute – the Central Institute of Medicinal and Aromatic Plants (CIMAP). The project was designed to enable the cultivation of sustainable, digitally traceable, and natural products that would provide viable livelihoods to 3,000 smallholders, 20 distillers and 180 workers and their households.

To harness digital data collection and a rigorous monitoring and evaluation framework, we engaged one of our key suppliers, two customers with a major mint footprint (Haleon and Unilever), and public-sector partners (the Foreign, Commonwealth & Development Office of the United Kingdom, Seva Trust as local NGO and an Indian research institute), They contribute funding, expertise, and field support during the course of the four-year project.

A pilot project in 2023 tested our model in real-life conditions. It achieved concrete initial results that will be ramped up in the coming three years.

A three-pillar approach

Co-led by dsm-firmenich and its suppliers directly at source, the project is run by a specially recruited and trained management team.

The first pillar aims to promote a new agricultural model for the sustainable cultivation of mint. The farming package includes improved variety and growing guidelines developed by CIMAP, and the promotion of regenerative agriculture. It is expected to provide measurable benefits including greater resilience to climate change, improved soil quality, and higher yields. Good Health & Safety practices are promoted through all training activities.

Farmers receive training and advice from field officers, but they also benefit from a network of champions selected from top-performing and volunteer farmers. These champions in turn showcase best practices on demonstration plots and advise on the management of nurseries, helping to encourage a sense of ownership *'by farmers, for farmers'* and to ensure continuity beyond the duration of the project itself. The second pillar targets entire households, including women and young people. A key tool is the Gender Action Learning System (GALS), as it creates the synergy between agriculture, income diversification, and the empowerment of women.

Through this community-led empowerment, we promote crop and income diversification and entrepreneurship along with gender equality.

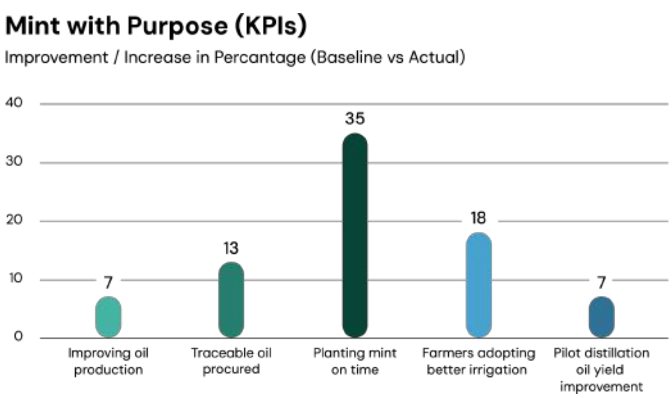
People with low literacy levels receive help to develop themselves professionally in a project of their own design, which they build and implement with the support of trainers and coaches. This concrete educational approach is backed by other socioeconomic activities that help vulnerable households to access existing rights and entitlements, such as widows' pensions, education scholarships, and health cards, thereby strengthening their livelihoods. It is supported by an awareness-raising program about the prevention of child labor, along with educational activities targeting local young people.

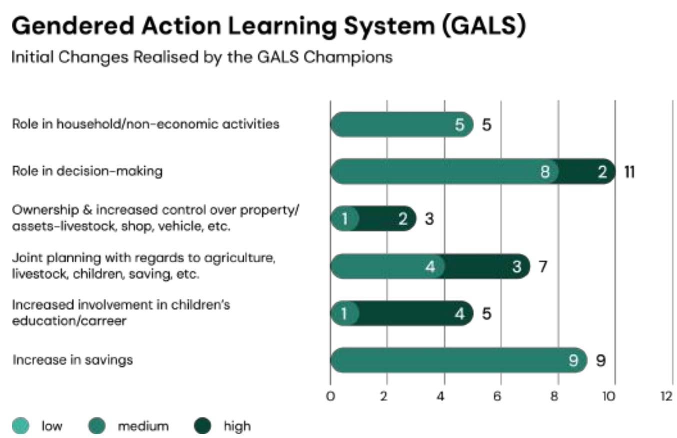
Finally, our third pillar aims at tackling distillation issues regarding yield and quality. A facility improvement program covers 20 units and their respective workers, who will benefit from capacity-buildingto ensure that they are trained in good distillation practices, operate in safe conditions, and work within a shift system.

Successful pilot project

In 2023, our pilot project for the sustainable production of *Mentha arvensis* in Uttar Pradesh involved 537 farmers, including 50 champions, who received free planting material, and 20 demonstration plots were set up. The highlights of the project were as follows:

- Around 23% of farmers received full training on the mint model and over 60% followed at least one training course in regenerative agriculture
- The model was fully adopted by almost 100 farmers (including the 50 champions). Partial adoption is usually linked to limits in soil preparation or the ability to achieve a double harvest
- The pilot project's target of a crude oil yield of 50 kg per acre (based on CIMAP's hypothesis and average yield in the area) was exceeded, reaching an average of 54 kg per acre. More than 60% of farmers demonstrated yields above target. Overall, the farmers demonstrated a yield increase of 7%
- Ninety percent of the crude mint oil produced by farmers was sold to Norex, as opposed to the usual 40–50%
- Improvements in a pilot distillation unit enhanced crude mint oil quality (improved color and a 5-10% increase in oil recovery) and enabled a 10% reduction in water use
- Twenty champions and 131 households were trained in GALS, and all farmers were provided with advice on social welfare support. Most of the GALS tools were described as highly useful by 65% of the GALS champions, who stated that their behavior changed most regarding savings (45%) and gender roles in decision-making (55%)





Case study

Combining our capabilities for a three-way win

We brought together our newly united technical and creation strengths to swiftly solve a regulatory, taste and nutrition challenge for Alpura, a dairy customer in Mexico.

Nutritious strawberry-flavored milk drinks for young children

Mexico has some of the most stringent nutritional food labeling regulations in the world. Its NOM-051 regulations require brands to add warning labels to food and drink products that contain sugar, salt, fat, or calorie content above the applicable thresholds, as well as to products with added caffeine and certain sweeteners. These regulations were introduced in 2020 in an effort to combat growing obesity; more than 34% of people aged 5-19 in Mexico are overweight or obese, according to researchers.

For Mexican food and drink producers, the challenge is to develop nutritious products that do not require NOM-051 warning labels while ensuring that these products remain shelf-stable and offer an appealing taste for consumers. This is especially important for companies whose products are designed for children or adolescents, such as dairy company Alpura. Among Alpura's offering are strawberry-, chocolate- and vanilla-flavored milks aimed at children aged 5-12. To support the health and well-being of these children as they grow, Alpura aims for these milks to be as nutritious as possible.

Redesigning the formulation

In the fourth quarter of 2022, Alpura began experiencing issues with the formulation for its strawberry-flavored milk, including the vitamin premix. Introduced to reduce fat and sugars, this formulation was releasing more off-notes than expected. There were also stability issues with the strawberry flavor, which significantly diminished after approximately two months. Finally, Alpura was also experiencing color inconsistencies and delivery and process issues. To continue providing Mexican children with nutritious milk that offered an appealing strawberry taste over the whole of its shelf life, Alpura needed to adjust its formulation across all ingredients.

Combining our capabilities

In 2022, Alpura invited us to develop a new vitamin premix solution to eliminate the off-notes in its strawberry-flavored milk. Our collaboration was based on transparency as well as rigorous assessment: we supported Alpura with multiple rounds of testing, adjusting the premixes as needed. After several industrial trials in February and April 2023, Alpura approved a formulation containing our premix solution in May 2023.

This new formulation was free of off-notes and generated less aftertaste, and validation analyses showed that its nutritional value was maintained throughout its shelf life. Nevertheless, Alpura wanted to further improve the strawberry flavor before re-launching the product. With dsm-firmenich just established, the TTH Business Unit saw an opportunity to contribute our newly combined capabilities to the flavor part of the solution. Specifically, the Ingredient Solutions division (formed primarily from former DSM) invited the Taste division (formed primarily from former Firmenich) to create a new strawberry flavor with greater stability than Alpura's existing one. Speed was a key aspect of this part of the collaboration:

Alpura needed to review our strawberry-flavor proposals against other contenders as quickly as possible. Again, the recent merger meant both divisions could collaborate efficiently on this.

"With their improved consistency and taste, dsm-firmenich's vitamin premix and strawberry flavor are enabling us to bring our nutritious strawberry-flavored milk to more children in Mexico."

Isela Flores, R&D Manager, Alpura

A clear favorite

In May 2023, we developed five potential flavor solutions for Alpura's strawberry-flavored milk. To test their taste performance, we ran a consumer study with children from Alpura's target age group (5-12). From this study, we selected and fine-tuned two strawberry flavors. Alpura selected one of these as a candidate for its final industrial trial. We delivered 8-12 kilograms of our proposed flavor in one week for this trial, which took around one month to complete. In July, Alpura confirmed that consumers preferred our strawberry flavor to the others under review.

We delivered the first batches of both premix and flavor to Alpura in August 2023. Alpura then commercially relaunched the newly formulated strawberry-flavored milk in September to coincide with the start of the new school year. The milk is sold in Mexico, as well as other Central American countries such as Guatemala. It is rich in proteins and fortified with seven vitamins and minerals (vitamin A, vitamin B1, vitamin B6, vitamin B12, vitamin D, folic acid, and zinc), as well as having reduced sugar content (1.4 g added sugars per 100 ml). It does not require any NOM-051 warning labels.

A three-way win

The solution we developed for Alpura is a three-way win, offering the following benefits:

- **Nutrition (the essential)**: Alpura's newly formulated strawberry-flavored milk is fortified with eight vitamins and minerals, and its improved taste encourages more consumers to enjoy the health benefits of these essential micronutrients
- **Taste (the desirable):** The milk has an appealing flavor without off-notes that remains stable throughout its shelf-life
- **Reduced waste (the sustainable):** Because the new strawberry flavor is more shelf-stable, the newly formulated milk is more likely to be fully consumed before the end of its shelf-life

One of many cross-selling successes to come

This cross-selling success was one of several that the dsm-firmenich merger unlocked for TTH. The strong match between the former Taste & Beyond and Food & Beverage teams allowed us to deliver many benefits to the market. With our combined science-based heritage, biotech knowledge, creation and application capabilities, and close customer relationships, we can offer end-to-end, integrated propositions.

By accelerating product development, reducing time to market, and helping products stand out on the shelves, these solutions increase our customers' success – as well as encouraging consumers to make healthier choices. TTH will be responsible for generating 60% of the total growth synergies that dsm-firmenich has promised to deliver through the merger. We will continue to **own the outcome** and deliver toward this target, including by cross-selling our full portfolio to bring more products and solutions to our existing customers. Following our first commercial synergy successes, our development pipeline is now filling up with requests from a wide variety of customers across the world, active in a range of segments.

Case study

Enabling sustainable aquaculture with Sustell™

As the world's population grows, so too will the demand for animal-based food – in fact, it is projected to grow by as much as 70% by 2050. This need for ever-increasing quantities of animal protein is already placing tremendous pressure on our planet's finite natural resources.

To make significant improvements, detailed measurement is essential at the levels of specific animal feeds and individual farms. Independent, science-based, data-driven guidance is necessary to achieve this step-change in environmental performance.

Animal protein companies, value chains, and financial institutions are increasingly asking themselves how to reduce their environmental impact. They seek credible, scalable measurement of their environmental footprint combined with expert, independent advice to answer their questions related to the environmental impact of their business operations.

Greater precision in animal farming is key to a more sustainable and profitable future. Our digital Life Cycle Assessment (LCA) platform, Sustell™, enables the scalable measurement and improvement of the full environmental footprint of animal protein production, backed by sustainability advice to customers through the Sustell™ Expert Center.

Moving to the next level of sustainability

Wanting to formalize its sustainability journey, Grupo Almar chose dsm-firmenich and Sustell™ to measure and validate its environmental footprint as part of a full, ISO 14040/44-compliant, LCA.

The Ecuadorian company explored multiple options and drew inspiration from the salmon industry, which has made significant progress in measuring and improving its environmental footprint thanks to LCA platforms such as Sustell™.

"Through our partnership with dsm-firmenich, we have set our sights on improving the sustainability of our industry. We chose Sustell™ to go beyond mere measurement by taking ownership of our full environmental footprint, managing it 24/7 within our own teams and organization."

Wolfgang Harten, Chief Operating Officer, Grupo Almar

Making the invisible visible

Several years in development, Sustell™ was created in collaboration with key partners and recognized third-party experts in the field of agri-food lifecycle analysis. Its genesis also drew on the input of customers and users worldwide, to reflect the real-world requirements of sustainable animal protein production.

Sustell™ is the leading solution in the animal protein value chain for helping customers understand and improve their environmental footprint and unlock the value of sustainability. Working together with our customers, we have developed dedicated LCA models for dairy, swine, poultry, beef and aquaculture.

Sustell™ utilizes primary feed and farm-level data. Through its industry-leading, user-friendly digital platform, it manages the complexity of measuring, validating and improving the environmental sustainability of animal protein – transparently and scientifically, farm by farm, and system by system. It is the most comprehensive sustainability intelligence platform of its type and measures all the 19 different environmental footprint LCA categories to analyze total environmental impact.

Measurement: the first step to improvement

On 6 September 2023, Grupo Almar and dsm-firmenich announced a joint multi-year commitment to measure and improve Grupo Almar's environmental footprint using Sustell™.

Full environmental footprinting of Grupo Almar's shrimp production commenced in January 2024 and will provide internationally validated footprint results for the full year 2024 onwards. This collaboration will play a critical role in enabling Grupo Almar to identify the optimal interventions for achieving its objective of becoming the sustainability leader in aquaculture. Sustell™ is built on two pillars: the **Intelligence Platform** and the **Expert Center**.

The Sustell™ Intelligence Platform is continually updated and improved. This ensures that it always reflects evolving science, new methodologies, and the changing regulatory landscape and that it reliably meets the changing needs of individual animal protein producers, the animal protein industry as whole, and wider stakeholders too.

The Sustell™ Expert Center partners with customers to further unlock the value of sustainability, through modelling and providing advice on different interventions and quantifying their impact, thereby enabling customers to make well-informed decisions. This helps reduce the environmental footprint at farm level – right down to the level of the individual pond. The Sustell™ Expert Center offers precise, straightforward, and actionable analyses in terms of both feed and farm. It also provides recommendations, training, audits, and certification, as well as supporting business development projects.

Unlocking the value of sustainability

Sustell™ enables customers to accurately measure and improve the environmental footprint of animal protein production and unlock the value of sustainability.

Sustell™ provides customers with an immediate understanding of their environmental impact. It is easy to use, accurate and interoperable, to enable value chain actors to work together to improve sustainability. Crucially, it uses feed- and farm-level data and calculates the impact of specific interventions. This is essential for making targeted, measurable improvements. Sustell™ is ISO-assured, providing ISO-compliant, LCA-based environmental footprint metrics, combined with the unique sustainability expertise of dsm-firmenich.

Sustell™ takes sustainability to the next level. It opens the door to greater production efficiency and farm profitability by identifying best practices while unlocking new value opportunities, such as product eco-labelling, carbon credits and access to sustainable finance.

Business

Reporting period

The Business Reviews include information from the combined entity for 12 months, which includes Firmenich as of 1 January 2023 (pro forma, see Concepts and ratios). It also includes information that is presented in accordance with IFRS, which includes Firmenich from the merger date onwards - whenever this is used this is specifically indicated.

Perfumery & Beauty

Highlights

- Perfumery & Beauty delivered sales of €3,709 million and an Adjusted EBITDA of €783 million
- As part of the merger that created dsm-firmenich, we combined Perfumery, Ingredients, and Personal Care to build a new integrated Business Unit, as top leader of the Perfumery & Beauty market
- We launched EcoScent Compass® Next Generation, our integrated, science-based impact measurement tool for eco-fragrance and our Re:New collection of renewable and upcycled ingredients
- We reinvented fragrance encapsulation with PopScent Eco® Max - a breakthrough innovation that is the first range of capsules made with 100% biodegradable ingredients
- We introduced 'Wonder You' products that offer scientifically proven solutions for skin and hair problems related to menopause
- We created fragrances that can enhance well-being and are specifically designed to improve focus with EmotiCode™
- We continued to invest in perfume compounding capacity and ingredients; we have commissioned a brand-new Habanolide® facility at our production site in southwest France and a new compounding facility in Turkey

About Perfumery & Beauty

Formed as a result of the merger that created dsm-firmenich, Perfumery & Beauty (P&B) is a new integrated Business Unit, composed of the combination of: Perfumery, Ingredients, and Personal Care. P&B has a strong reputation in perfumery, supported by its major ingredients backbone, including a leading position in renewables and naturals and an industry-leading creation palette orchestrated by an exceptional team of perfumers.

Key priorities for P&B include green chemistry (scientific processes that respect planetary limits), conscious perfumery (the creation of sustainable fragrances and scents), and consumer-inspired innovation that delivers superior performance.

Achieving these priorities requires a combination of human creativity (on the part of our team of perfumers, scientists, and researchers, among others) and implementation of the latest scientific insights.

We place our perfumers at the heart of our creative innovation drive while providing them with the latest ingredients, technologies, and artificial intelligence tools, as well as the most recent insights from neuroscience and behavioral sciences. With this blend of capabilities, our perfumers can augment their creations, push the boundaries of performance, and develop solutions that meet our customers' continually evolving needs and promote holistic well-being in consumers of their products.

Operating environment

The year 2023 saw continued inflationary pressure affecting consumer behavior and destocking across the entire supply chain after a period of high inventory levels recorded during the COVID pandemic. While consumer demand for prestige fine fragrances and beauty products continued to grow, fast-moving consumer goods demand was impacted.

Continued strength of prestige markets

In 2023, several global consumer trends continued to grow in importance, fueled by the influence of social media; these included personal grooming, premium fragrance, and luxury lifestyle. The continued strength of prestige markets favored sales of our existing products in our Fine Fragrance and Personal Care segments. In Fine Fragrance, our strong new project pipeline and creative leadership continued to be rewarded with a significant share of new project wins. The year also saw successful launches of new fragrance blockbusters by some of our key customers. In Personal Care, we focused on relevant innovation launches spanning our three sub-segments.

The merger that created dsm-firmenich also allowed our newly forged teams to build a joint plan to deliver revenue synergies leveraging our combined market reach, broad portfolio, and creation and consumer insights capabilities.

Resilience of Consumer Fragrances and Fragrance Ingredients

In a context of a softer market driven by inflationary pressures and destocking, our teams in Consumer Fragrances and Ingredients focused on developing innovation to meet increased customer expectations and deliver superior products and to optimize inventory levels, while maintaining our best-in-class service levels. This was possible due to the close coordination between our Operations and Sales.

In Consumer Fragrance, several customers focused on driving consumer demand via promotions and innovation launches which led to increased demand for fragrances in the second half of the year. The work done hand-in-hand with our customers on the design and launch of innovative new projects positioned us well to benefit from the improved market conditions. Our position as a leading supplier to the world's top consumer goods companies continued to grow, with increased presence of our fragrances across several fast-moving consumer goods categories.

In Ingredients, we observed different dynamics by segment. Demand for industry specialty ingredients and large volume fragrance ingredients remained soft throughout the year, owing to continued destocking, and adding to the soft consumer goods demand registered in the first half of the year. Demand for specialty fragrance ingredients remained high, driven by the strength of fine fragrance.

"I am very proud of our team's performance in the dynamic and multi-faceted environment we experienced in 2023. Alongside our ongoing integration of new capabilities, we reinforced our position to deliver the value our customers expect in their drive to delight consumers with product superiority across segments worldwide."

Emmanuel Butstraen, Business Unit President of Perfumery & Beauty and Chief Integration Officer

Performance 2023

P&B delivered 1% organic sales growth, with a good performance in Perfumery owing in equal part to volumes and pricing, offset by lower volumes in Ingredients which was impacted by ongoing destocking. Personal Care recorded good growth, driven by pricing.

Perfumery delivered a strong performance in the year, with a particularly strong performance in Fine Fragrance, which was supported by the demand for innovative and sustainable captive ingredients offering superior performance. The second half saw significant growth in Consumer Fragrance, owing to customers looking for higher inclusion of new, sustainable, and long-lasting fragrances and innovation for personal and home applications to create a superior value proposition.

This good performance was partly offset by a weak operating environment in Ingredients, impacted by ongoing destocking, low demand for industrial applications and the impact of the shutdown of the Pinova ingredients plant in Georgia (USA).

Personal Care performed well throughout the year, supported by good demand for its sun, skin and hair care products. The business saw increasing interest in the new product offerings made possible by the synergies created by the merger, particularly around products combining fragrances with active ingredients.

The 2023 Adjusted EBITDA was up 5% compared to prior year, driven by good demand growth, strong pricing, and continuous cost control efforts and despite a negative foreign exchange effect of around 6%. As a result, the Adjusted EBITDA margin increased to 21.1% from 19.7% in 2022.

x € million	Pro forma 2023	IFRS 2023
Sales	3,709	2,619
Organic sales growth (in %)	1	
Adjusted EBITDA	783	579
Adjusted EBITDA margin (in %)	21.1	22.1

The year in review

EcoScent Compass® Next Generation

In January 2023, we launched EcoScent Compass® Next Generation, an integrated, science-based impact measurement tool. It provides robust sustainability data and verifiable claims, enabling a higher degree of precision in sustainable creation and understanding.

Expanding on a tool first launched in 2018, EcoScent Compass® Next Generation empowers our perfumers with a wider range of digitally integrated sustainability data, supporting 45 distinct fragrance claims and 20 ingredients claims. By providing our customers with clear, accessible, and trustworthy information via this powerful tool, we help them translate numbers into claims and proof of impact and support the attainment of their sustainability goals.

PopScent® Eco range

PopScent® Eco Max is one of our biggest innovations in 2023. We reinvented fragrance encapsulation, delivering outstanding long lasting fragrance benefit, with the first range of capsules made with 100% biodegradable ingredients. Starting the development as early as 2015, anticipating European Chemicals Agency (ECHA) rules and investing nearly all R&D resources on finding a performing biodegradable encapsulation technology. This was developed internally, as capabilities had been built over the years in S&R, encapsulation, analytical & biodegradation support and in the Perfumery Poptec and Softener technical lab, and were mobilized towards the same goal.

The PopScent® Eco range, including PopScent® Eco and PopScent® Eco Max, delivers a lasting fragrance experience from wash to wear. Crafted with diverse chemistries and complementary performance profiles, these capsules empower perfumers with the most efficient and versatile tools, offering wide creative flexibility across categories. These versatile capsules, bring high creative and applications flexibility and meet the highest sustainability standards with no compromise on consumer experience.

HaloScent® Berryboost

In July 2023, we launched HaloScent® BerryBoost, a fragrance innovation that releases two different perfumery molecules simultaneously, known as dual-release profragrances. These molecules, which have a low environmental impact due to their biodegradability, are activated through contact with air and water. With a new, patented natural activation technology, and a fruity olfactive profile, HaloScent® BerryBoost elevates the overall product experience, increases the fragrance preference, and enhances consumers' overall sense of satisfaction. It has applications not only in home care but also in hair care.

Launch of exclusive ingredients

In 2023, we launched an exclusive collection of six natural and synthetic ingredients. This includes two captive ingredients – unique, proprietary scents that cannot be replicated by other perfumers or fragrances houses – that were released to market for the first time. Both were carefully selected by our experts to bring sustainable solutions that meet relevant regulatory requirements to fragrance formulas worldwide. The first, Mimosal™ is an intense green muguet aldehydic note. It is highly performing and offers a long-lasting effect. The second captive ingredient, Ambrette FIRABS, is a unique signature and accessible substitute for Ambrette Absolute.

Two other exclusive ingredients launched in 2023 is Lilyflore® and Upcycled Cardamom Green Pod Guatemala SFE. Lilyflore® is a key ingredient in the floral fragrance market, delighting perfumer palettes with its versatile and modern lily-of-the-valley facets. Upcycled Cardamom Green Pod Guatemala SFE, was created using our Supercritical Fluid Extraction (SFE) technology. SFE offers several advantages over other extraction technologies, as it reduces solvent use, energy consumption, and emissions while maintaining the integrity of sensitive compounds. The launch of Upcycled Cardamom Green Pod Guatemala SFE and Mimosal™ strengthens our longstanding partnership with NELIXIA, the world's top cardamom producer, which also offers 100% traceable products. The final two ingredients launched were the powerful and complex Doremox®, which serves as an excellent replacement for rose oxide, and cyclopidene, which, with its the distinctive ylang-ylang quality, functions as a performing alternative to methylparacresol. Predominately biodegradable and designed according to the principles of green chemistry, this collection underlines our leadership and core strength in sustainability.

More about our Ingredients business

Our Ingredients business was impacted by the fire at, and subsequent shutdown of, the Pinova, Inc. ingredients plant in Georgia (USA), and was also affected by low demand in some industrial and some fragrance segments.

Aside from this, we have also commissioned a brand-new Habanolide® facility at our production site in southwest France. Habanolide® is an elegant macrocyclic musk with a warm and slightly woody note, and is a key ingredient in our industry-leading palette. The new state-of-the-art facility will significantly increase the production capacity of this iconic perfume ingredient and help meet the rapidly growing demand for sustainable products.

New center of expertise in China

In 2023, we expanded our global network of creative facilities by opening a new center of expertise in Shanghai (China). Developed and operated in partnership with Xun Laboratory, a perfumery studio rooted in China's rich history and culture, the center marks another step in expanding the dsm-firmenich customer experience, following the opening of our Fine Fragrance Atelier in Shanghai in 2019 and Studio Guangzhou (likewise in China) in 2021. With this close collaboration, we aim to help customers enhance authentic storytelling that reflects China's rich olfactive history while introducing even more winning fragrances desired by both local and global brands.

The expert knowledge in ancient ingredients that Xun Laboratory brings to the partnership will also boost the endorsement of unique ingredient sources that are regarded as native to China. Customers in China can benefit from having an unexampled, holistic experience which allows them to rediscover and replicate ancient Chinese fragrance ingredients for use in modern-day creations.

'Wonder You'

In 2023, we introduced 'Wonder You', a global-reaching, cross-segmental beauty offering in the menopause category. This comprehensive product line for skin and hair care includes sun protection factor (SPF), cream, serum, shampoo, and conditioner. Every solution in this collection has been designed to align with consumer trends toward holistic well-being, mindfulness, and celebration of individuality.

Made possible by 40 years of research in personal care science applications and informed by our Skincare Consumer Survey, the 'Wonder You' collection affirms our global leadership in providing scientifically proven solutions for menopause with a leading sustainability profile.

Re:New collection

In 2023, we launched the Re:New collection of ten renewable and upcycled ingredients, further increasing the diversity and impact of our renewable palette. This collection is powered by SylverGreen®, our innovation program to drive transformation toward low-carbon, bio-based ingredients.

The ingredients of the Re:New collection are renewable by-products of the wood or paper industries, which are upcycled and transformed at our ingredients facilities into renewable molecules. By following green chemistry principles, we can convert petroleum-based ingredients into renewables without any change to the smell of the final product.

In August 2023, we further strengthened our commitment to green chemistry by signing a joint development agreement with Bloom Biorenewables through which we will accelerate the development of *key*, low carbon, bio-based ingredients.

EmotiCODE® Focus

The power of scent is enduring, and consumers are still looking to fragrance to improve their mental health and well-being. In our 2023 NewNextNow Barometer consumer insights study, for instance, 85% of consumers surveyed reported that fragrances can help their focus or concentration levels. In 2023, we made considerable progress on developing fragrances that assist in these areas.

This progress was due to the launch of EmotiCODE® Focus, our patent-pending design rules for fragrances that are scientifically proven to enhance mental performance. Drawing on 25 years of neuroscientific research, advances in artificial intelligence, and our proprietary ScentMove™ emotional mapping technology, EmotiCODE® Focus has significant potential to drive progress in shareable, memorable, and emotionally resonant perfumery.

Sustainability

dsm-firmenich is at the forefront of circular innovation and sustainable creation, driving transformative change in the perfumery and beauty industry. The launch of EcoScent Compass® Next Generation epitomizes our commitment to transparency and measured impact, underscoring our dedication to advancing sustainability across perfumery and beauty. Through our Science & Research team's programs on circular ingredient innovation, responsible sourcing, and advancements in eco-extraction technologies, we ensure our palette of ingredients is future-ready to create delightful, high-performing solutions across Perfumery, Beauty, and Ingredients with rigorous sustainability standards.

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. We also actively contribute to shaping the future of sustainable Perfumery, Beauty, and Ingredients. In 2023, we did this by sharing our expertise at a series of industry events, most prominently the Beauty Leaders' Summit in Paris (France), Cosmoprof Global in Bologna (Italy), Cosmoprof Asia in Hong Kong (China), Exsence in Milan (Italy), and the Fragrance Innovation Summit in Paris (France). Through our thought leadership at these and other events, we influenced conversations among key perfumery stakeholders, driving collective progress across the industry. More broadly, we catalyze industry-wide change through global engagement and continuous support for customers who are navigating their own sustainability transformations, offering collaboration and guidance to support the delivery of eco-friendly products that respond to consumers' aspiration for a healthier planet.

Innovation

Innovation was a cornerstone of our success and growth in 2023, with PopScent® Eco Max and HaloScent® being some of our biggest innovations for the year. PopScent® Eco Max reinvented fragrance encapsulation with the first range of capsules made with 100% biodegradable ingredients. Throughout the year, we continued to find new ways of connecting human creativity with scientific insights. For instance, our EmotiON™ program applies neuroscience and behavioral science to validate fragrances that promote well-being while respecting the planet. Through other initiatives, such as the Re:New collection, we draw inspiration from nature to produce renewable, biodegradable, and high-performing fragrance and personal care ingredients.

Throughout 2023, we continuously explored new ways to connect human creativity with scientific insights and uncover the power of olfactive receptors in shaping our experiences. We also investigated how emerging trends and concepts, including the metaverse, physical experiences, and Web 3, have the potential to influence the future of fragrance, and how we can play a leading role in these areas. Through all these activities, we position our perfumers at the heart of our creative efforts, giving them the power of the latest ingredients, technologies, and artificial intelligence to augment their creations and push the boundaries of fragrance performance. We make constant use of the latest research, not only to drive our business, but also to address key societal challenges, such as sustainability, wellness, and biodiversity.

Taste, Texture & Health

Highlights

- Taste, Texture & Health delivered sales of €3,038 million and an Adjusted EBITDA of €556 million
- The merger between DSM and Firmenich brought together two highly complementary businesses in the food and beverage space to form the new dsm-firmenich Business Unit: Taste, Texture & Health
- In 2023, we made excellent progress in integrating the two businesses enabling to bring new, integrated solutions to market faster, helping our customers shorten their time-to-market and become more competitive
- We validated the revenue cross-selling and concept-selling synergies identified post-merger and created joint segment strategies for additional upside while at the same time reporting our first joint commercial successes
- We continued to invest in our state-of-the-art facilities across the globe, launched new sustainable products and solutions, signed commercial partnerships, and continued to invest in research and innovation
- We combined two platforms for accelerated growth – our plant-based and sugar reduction platforms – integrated our shared functions, and set up joint key global account management

About Taste, Texture & Health

Building on our combined science-based heritage, biotech know-how, creation & application capabilities, and intimacy with customers, Taste, Texture & Health (TTH) addresses one of society's biggest challenges: how to deliver nutritious, delicious and sustainable food and beverage solutions. In doing so, we help accelerate the diet transformation by offering appealing taste and texture and help feed a growing world population sustainably, while minimizing food loss and waste. By co-creating with our customers, *we bring progress to life* through the development of attractive, desirable and sustainable food and drink products that help support health and well-being.

TTH comprises two divisions: Taste, which includes flavors, natural extracts and sugar reduction solutions; and Ingredient Solutions, which includes food enzymes, cultures, hydrocolloids, proteins, natural colorants, nutritional ingredients, premixes and yeast extracts. Our plant-based platform combines the portfolios and application and creation capabilities across the two divisions.

Our passion for the science and emotion of food extends from discovery to application, via the customer to the end-consumer. Leveraging our broad portfolio of unique ingredients and intrinsic creativity, we deliver solutions for every taste and occasion. This includes drinks with little or no sugar; dairy products with consumer-preferred mouthfeel; succulent savory bites; and nutritious plant-based alternatives – healthier and delicious products that are better for people and planet.

Operating environment

Several macro-economic factors contributed to a challenging business environment for TTH in 2023. These included continued inflation of input costs, volatile foreign exchange rates, exceptionally low vitamin prices, and customer destocking as companies continued trying to manage their inventories and costs.

Segment review, integration and cost prudency

With our market-leading and highly complementary portfolio of taste and ingredients solutions, plus our pioneering science and technologies, we are uniquely positioned to successfully deliver innovative food and beverage products to our customers. We started to review our joint end markets for TTH to prioritize and accelerate the high-growth, higher-margin businesses within TTH.

We continued to focus on our integration efforts by bringing teams together to drive cross-selling and concept selling synergies for top-line growth. At the same time, we built up our innovation pipeline to establish a strong foundation from which to deliver innovation-driven growth and sought to capture the combined benefits of our portfolio of technologies and competences.

We were active in pricing in order to help offset higher input costs. We maintained our focus on maximizing the operational performance of our day-to-day activities. This involved strict prudence when making capex investments, optimizing our operating working capital, and maintaining strict cost controls across the business. At the same time, we focused on seamless service delivery to our customers, on time and in full.

"2023 was a very special year. Two complementary food and beverage companies came together to bring new, sustainable, integrated solutions to market faster – helping our customers shorten their time-to-market and become more competitive. We focused on our integration and reported our first joint commercial successes."

Patrick Niels, Business Unit President Taste, Texture & Health

Performance 2023

TTH recorded a modest 1% decline in organic sales (versus an estimated double-digit growth in prior year) with strong pricing fully offset by lower volumes due to ongoing destocking and the deliberate decision to step away from some low-margin products, including vitamins.

TTH saw solid conditions in its key end-user markets, including beverages, confectionery, dairy, and bakery & cereals, albeit with destocking across the businesses.

Taste delivered a strong performance. Within Ingredients Solutions, enzymes and cultures showed solid performance. Vitamins and yeast extracts were weak.

Adjusted EBITDA was up 1% compared to prior year, despite a negative 5% foreign exchange effect. Adjusted EBITDA margin improved by 100bps to 18.3% compared to 2022, driven by strong pricing actions and more favorable mix, led by good growth in Taste.

x € million	Pro forma 2023	IFRS 2023
Sales	3,038	2,471
Organic sales growth (in %)	(1)	
Adjusted EBITDA	556	437
Adjusted EBITDA margin (in %)	18.3	17.7

The year in review

Excellence in Flavor Science Award for Eric Frérot

Eric Frérot, one of our Distinguished Scientists, received the Excellence in Flavor Science Award from the Flavor Extract Manufacturers' Association (FEMA). This is awarded to specialists who have made an exceptional contribution to flavor science – so it is an outstanding achievement, and a testament to our world-class Science & Research team.

Accelerating execution of our revenue synergies

Marketing & Sales and application colleagues were empowered to deliver our growth synergies through a series of joint regional summits. Organized in every region between June and August, these summits brought together the sales and technical teams from Ingredient Solutions and Taste to explore our combined capabilities and kick-start action on high-priority revenue synergy opportunities. They provided inspiration to bring exciting new joint food and beverage concepts to the market and resulted in a strong pipeline of commercial opportunities and concrete first customer wins by the end of 2023.

Integrating our operations

In 2023, we defined the new operating models for the integrated operations and supply chain organizations that will help us shape the future. With the combined organization, we now have more than 40 manufacturing locations around the world, allowing us to be close to our customers and regional markets wherever they are. We have successfully maintained our focus on business continuity and are proud that in a year of transformation, we have seen no major disruptions in our delivery to customers.

Continued investment in our facilities

In Europe, we began the construction of our new TTH headquarters and application labs at the Biotech Campus in Delft (Netherlands). This building will replace the current offices and facilities in Delft and will feature leading-edge facilities for food application development, especially for co-creation with our customers – including a demonstration kitchen and a sensory room, as well as collaborative office spaces. The building will be energy-efficient and will meet the highest sustainability standards, BREAAM Outstanding, for its entire life-cycle. The building also meets the highest level for certification, WELL Platinum, for buildings that promote occupant well-being.

We also opened a new pilot facility in Plainsboro (New Jersey, USA), which offers a full range of capabilities and equipment to help customers scale up production of new foods and beverages. This facility is designed to create small-scale application samples for product innovation across all product categories, including beverage, nutrition and sweet goods. The facility focuses on scaling up liquid products such as milk, ice cream and yogurt, both dairy and plant-based, and provides customers with consumer sensory laboratories, a focus group room, and a conference room with a direct view of the facility.

Within the framework of our plant-based platform, we opened an extrusion test center in Tau (Norway) to work on dry texturized proteins, high-moisture extruded proteins and concentrated process flavors. The creation of this new facility will help in our ambition to become a leading provider of integrated solutions for delicious and nutritious meat and fish alternatives.

Completed full ownership of VKL Seasoning

After former Firmenich acquired a majority stake in VKL Seasoning Pvt Ltd. in April 2019, it completed full ownership of the Indian company in April 2023. Founded in 1996, VKL is the market leader in spices and flavors in India. The company is known for its strong understanding of flavors and leading reputation among Indian customers. VKL helps us further expand our seasoning capabilities and customer reach in India, while expanding our raw material palette for clean label ingredients.

Leading in sustainability: EcoFood Compass® for taste

Our taste EcoFood Compass®, a proprietary, integrated, online science-based impact measurement tool, evolved during 2023 from a pilot project to a sustainable enterprise solution. This tool - containing the carbon footprint data of our solutions – allows customers to calculate, monitor and measure the social and environmental impact of our taste solutions on the environmental footprint of their products. While more and more of our taste palette is already covered by the taste EcoFood Compass®, we aim to cover 100% of our offering by 2025.

We continue to see significant and growing interest on the part of our customers in understanding the impact of the ingredient or flavor in their products, as they aim to reduce Scope 3 emissions on their own net-zero journey. We are determined to satisfy this interest through our services and value propositions.

Maxilact® Next

In early June, we launched Maxilact® Next, the fastest-acting lactase enzyme on the market, to enable lactose-free dairy products to be produced more efficiently and sustainably. By optimizing production processes such as yield and throughput time, we help customers to effectively manage both unit costs and carbon footprint. We also continued to make good progress in developing comprehensive information such as carbon footprint statements and Environmental Product Declarations.

Banana Bread

In May, one of China's well-known bakery brands launched its latest product: Banana Bread with Filling. The uniqueness of Banana Bread with Filling lies in the use of our BakeZyme® enzymes and β-carotenes. BakeZyme® enzymes help to eliminate the problem of dense or dry baked goods and provide a soft bite. β-carotenes, meanwhile, give the bread its attractive natural color, making the product more visually enticing to consumers in search of both taste and aesthetics, resulting in a delicious product.

Peach+ announced as forthcoming Flavor of the Year

In December, we announced Peach+ as the Flavor of the Year for 2024. With the Flavor of the Year, we celebrate consumers' desire for exciting new ingredients and bold, adventurous flavor creation. Peach+ was inspired by emerging signals in the cultural and consumer landscape and a wide variety of influences, including culinary, fashion, design, and art.

The Flavor of the Year empowers our customers to be leaders in global trends. Peach+ is an invitation to our customers to innovate with this flavor, to transcend its traditional juicy-sweet aspects and also incorporate softer, smoother, lighter, more refreshing textural elements.

This marks our 12th Flavor of the Year, which is something our customers have come to look forward to annually. The year 2024 will be the third consecutive year of a sensory partnership with Pantone®, the global color authority and provider of professional color language standards and digital solutions for the design community. Peach+ is a companion to Peach Fuzz 13-1023, Pantone®'s 2024 Color of the Year.

Sustainability

By bringing together two purpose-driven businesses TTH is now in a strong position to enhance its positive impact on people and the planet.

We believe our combined portfolio can further unlock the sustainability potential of our taste and ingredient solutions. While we continue to strive for the highest levels of sustainability and transparency in our own value chain, we are providing our sustainability certifications to support sustainability claims of our customers' products. And the Taste EcoFood Compass® allows us to design flavors that align with sustainability brand promises and consumer needs by measuring the social and environmental impact of our raw materials and solutions, and to share this data with our customers. With this measurement tool, we have covered more than 80% of our palette in terms of volume used in flavor solutions.

Driven by consumer preferences and health legislation, we are increasingly focusing on finding solutions that help reduce salt, sugar, and fat in everyday food, while keeping food tasty and shelf stable. In this way, we can support many people around the world who are seeking diet-related health benefits in areas such as improved immunity, energy levels and gut health - in support of Sustainable Development Goal #3: Good health & well-being.

To increase the sustainability of our global food systems, we are also helping drive the transition to plant-based proteins to enable better health while supporting the decarbonization of food value chains.

To achieve progress, we are also working closely with our customers and with industry associations, such as the Association of Manufacturers and Formulators of Enzyme Products (AMFEP) in Europe and the International Organization of the Flavor Industry (IOFI), as well as the Petfood Sustainability Coalition.

Innovation

In the food and beverage industry, capitalizing on new scientific and business opportunities increasingly depend on the effective deployment of advanced digital technologies – such as artificial intelligence for fermentation and lab automation – to develop new solutions for food and beverages faster and more accurately.

In 2023, we further increased our investments in the digital transformation of our science and innovation capabilities for TTH, with a clear focus on being able to generate and combine consumer, customer, and technical data insights faster. This is with the dual aim of accelerating internal innovation processes and supporting our customers with faster availability of data useful to them.

Taste and Ingredient Solutions began joint research programs in 2023 in sugar reduction and plant-based products. Combining the taste and texture capabilities of both divisions enables us to address the challenges customers experience in reducing sugar and making alternative meat, fish, and dairy products tastier. For instance, our SmartProteins Masking solutions help make plant-based dairy more delicious. And with Smart TX PRO we can create the right mouthfeel, bite and chew to craft customers’ products to meet evolving consumer expectations.

Together with other leading foodtech companies and knowledge institutions in the Netherlands, dsm-firmenich was one of the founders of the Next Food Collective, a Dutch consortium that aims to accelerate the transition to sustainable food systems and healthy nutrition by driving the research agenda in this field and developing joint programs and projects.

Our science application efforts allowed us to launch several new innovative solutions. For example, in 2023 we launched the Delvo®Phage test kit for thermophiles (bacteria or other microorganism that grow best at above normal temperatures) and we launched new cultures for our fresh fermented range: Delvo®Fresh Pioneer for delicious yogurts with pH stability, and Delvo®Plant vegan cultures. In the brewing sector, Dual Brew was launched at BrauBeviale in Nuremberg (Germany) in November. Dual Brew is a diversified range of beer styles, both alcoholic and non-alcoholic, combining our enzyme technologies and flavor solutions. With the no/low alcohol revolution on the rise, our *BeeR*'Evolution concept enables customers to easily add a distinguishing signature twist to their no/low alcohol beverage.

Partnerships

We signed an agreement with leading global Chinese dairy producer Yili to partner on research, innovation, sustainability, and more. The agreement paves the way for cross-Business Unit collaboration – we can offer Yili flavors and ingredients from Taste, Texture & Health, nutrition solutions from Health, Nutrition & Care, and animal feed from Animal Nutrition & Health. In China's highly competitive market, our unparalleled combined capabilities in taste, texture, and nutrition are what particularly appeal to Yili.

Health, Nutrition & Care



Highlights

- Health, Nutrition & Care delivered sales of €2,270 million and an Adjusted EBITDA of €389 million
- We made a strong start to our synergy journey by combining our essential nutritional portfolio with a full range of desirable taste capabilities as well as our consumer healthcare business
- We activated our synergy potential with customers by building a complete taste infrastructure and training program, backed by compelling new product concepts and prototypes
- We significantly strengthened our biotics offerings with the launch of new innovative solutions, and the acquisition of French biotics leader Adare Biome
- We achieved a number of strategic partnerships, industry approvals, and new product launches to help deliver ever more effective nutritional solutions, including expanding our *life's®OMEGA* portfolio of algal-based omega-3
- We responded to this year's challenging market with targeted actions to improve profitability and competitiveness, while continuing strategic investment in future innovation and growing key business areas

About Health, Nutrition & Care

Health, Nutrition & Care (HNC) is dedicated to supporting the health of the world's growing population through nutrition and care solutions. We deliver nutritional solutions that support well-being and proactive health at every stage of life and for every lifestyle. As an end-to-end solutions provider, we partner closely with our customers from product conception to launch, providing unique consumer insights, a broad portfolio of nutritional ingredients, innovative solutions, and expert taste capabilities.

HNC offers solutions for the early life nutrition, dietary supplement, pharmaceutical, medical nutrition, and biomedical materials markets. We address specific consumer nutritional and wellness needs with our direct-to-consumer i-Health business. We also serve the nutrition improvement sector, providing affordable and accessible nutrition fortification solutions for some of the world's most vulnerable populations.

We serve these industries with a portfolio of high-quality products covering vitamins, nutritional lipids, minerals, carotenoids, botanical nutraceuticals, digestive enzymes, probiotics and prebiotics (including human milk oligosaccharides, HMOs), active pharmaceutical ingredients (APIs), and a range of biomedical solutions. In 2023, following the acquistion of Adare Biome, we solidified our position in the rapidly growing segment of postbiotics, and began developing new products in a new partnership with botanicals pioneer Indena.

HNC provides a suite of customized solutions (premix, market-ready solutions, and personalized nutrition), as well as a range of expert services in regulatory affairs and formulation. This year, we added the full breadth of delivery systems and masking and flavor capabilities to transform our health and nutrition offerings with new consumer-preferred tastes and formats.

In 2023, we became the first and only nutrition player with a full suite of taste capabilities, including flavors, blockers and masking systems, encapsulation technologies, and delivery systems. We worked closely with teams from Taste, Texture & Health (TTH) to create a diverse portfolio of exciting synergy product concepts, reinforced by real prototypes to inspire brands in new product creation. These taste capabilities allow us to tackle the organoleptic challenges associated with many nutritional ingredients, such as B-vitamins, lipids, minerals, botanicals, and proteins, and to open the door to more innovation in the new consumer-preferred delivery formats.

Operating environment

Our industry experienced challenging market conditions. External geopolitical factors and inflation drove up energy, raw material procurement and production costs. Simultaneously, dietary supplements market was impacted by pressure on consumer discretionary spend, especially in North America, and lower demand for immunity-supporting solutions post COVID. Early life nutrition market faced a high comparable period (due to product shortages in North America), further exacerbated by a continuing decline in birth rates (especially in China – the largest ELN market) and ongoing destocking.

Successful launch of vitamin transformation program

In response to the exceptionally challenging macroeconomic environment in the vitamins industry, in mid-2023 the company embarked on a major restructuring program in its vitamin activities to reduce costs and restore profitability. More details on the vitamin transformation program are available under Financial performance.

“Health, Nutrition & Care significantly expanded its portfolio and capabilities. This expansion represents a step-change in our ability to serve rapidly evolving customer and consumer needs for enhanced nutrition and well-being solutions.”

Philip Eykerman, Business Unit President Health, Nutrition & Care

Performance 2023

In a challenging environment, HNC recorded 4% lower organic sales compared to the same prior year period with 6% lower volumes and 2% higher prices. Volumes were affected mainly by persistent destocking and softer consumer demand, while continued pricing was partially offset by low vitamin prices.

Sales in Dietary Supplements were impacted by pressure on consumer discretionary spend, especially in North America and lower demand for immunity-supporting solutions post-COVID. i-Health delivered solid results driven in particular by North America online sales and strong consumption growth in select global markets. Pharma was weak. Medical Nutrition experienced good market conditions and Biomedical performed very strongly.

Early Life Nutrition faced a high comparable period (due to product shortages in North America), further exacerbated by a continuing decline in birth rates (especially in China – the largest Early Life Nutrition market) and ongoing destocking.

dsm-firmenich’s innovative human-milk oligosaccharides (HMOs) saw strong interest from customers, especially for applications in new premium products. HNC received the first-ever approvals in China for two HMOs in October, clearing the way for a China launch in 2024, as well as delivering the first new products and concepts combining the strengths of the merged businesses.

The Adjusted EBITDA was down 27% year-on-year, with an estimated vitamin effect of roughly 20%, which resulted in a drop in Adjusted EBITDA margins by 490bps. Without this effect Adjusted EBITDA would have been down 7%.

x € million	Pro forma 2023	IFRS 2023
Sales	2,270	2,246
Organic sales growth (in %)	(4)	
Adjusted EBITDA	389	377
Adjusted EBITDA margin (in %)	17.1	16.8

The year in review

We deliver value to our customers through our deep understanding of the most significant consumer trends and behaviors affecting the markets we serve. In 2023, we published a number of in-depth, data-driven studies designed to enable brands to support the world's health at every stage of life.

Immunity Report 3.0

Research conducted in 2023 indicated that consumers take dietary supplements primarily for immune system support, and that this was the top health area they planned to address. However, the immune health market is evolving rapidly, with more emphasis on overall health, including physical and mental well-being. Drawing on extensive consumer research, our Immunity Report 3.0 examines emerging consumer wellness priorities, from increased awareness of ingredient labelling to healthy aging.

Acquisition of Adare Biome

In 2023, we further strengthened our 'Health from the gut' offering to meet growing consumer demand for better gut health with nutritional solutions that have scientifically backed health benefits combined with easy application and novel product formats. These clinically proven, multi-ingredient products include our next-generation Humiome® pre-, pro- and postbiotics, GlyCare™ HMOs, Tolerase® digestive enzymes, and Quali® vitamins.

In July, we completed the acquisition of Adare Biome, a pioneer and global leader in the development and manufacture of postbiotics. Our strong infrastructure, commercialization and science capabilities will enable us to substantially scale Adare Biome's industry-leading scientific research. Together with Adare Biome's team of experts, we are poised to accelerate the creation of next-generation biotics faster and more efficiently than was previously possible to a wider range of people around the world. Further development of postbiotic business-to-business ingredients and solutions presents opportunities in dietary supplements, early life nutrition, and medical nutrition.

Partnership with Indena

To address evolving consumer demand, for botanicals, in October we announced our strategic partnership with Indena, a private Italian company with a century of experience in the identification, development and production of high-quality, innovative, and efficacious active botanicals for the pharmaceutical and nutrition industries. The partnership is dedicated to specific strategic health areas and selected ingredients in the field of dietary supplements, including those that support immunity, vision, brain health, women's health, healthy aging, and gut health. Through our shared scientific expertise and vision, together we aim to develop the next generation of solutions in premix and market-ready solutions with our core ingredients and Indena botanical extracts.

Approval for HMOs as nutrition fortifiers

As a leader in HMO research, development and production, we are continuously pioneering advances and expanding our offering across the early life nutrition and dietary supplement markets. In 2023, following a rigorous technical, safety, and efficacy evaluation, two of our HMOs were approved as nutrition fortifiers for specific infant and young child products in China.

HMOs are an important component of human breast milk and have been shown to play a role in infant health by supporting immune function, gut health and, potentially, cognitive development. A growing body of scientific evidence outlining their potential benefits has shown HMOs as a powerful emerging ingredient that brings the composition of infant formula closer to that of breast milk. This approval in China marks a significant milestone, signaling the successful navigation of a multi-year, multi-phase regulatory process that allows the unique benefits of HMOs to be accessible to infants and young children.

life's®OMEGA algal alternative to fish oil

Omega fatty acids support cardiovascular health as well as cognitive and immune function. However, less than 20% of people worldwide consume the recommended 250 mg per day. This is partly due to concerns regarding their impact on marine ecosystems as well as the unpleasant taste associated with omega-3s.

Ten years ago we created *life's®OMEGA*, the only commercially available, algal-based omega-3 that delivers the essential fatty acids eicosapentaenoic acid (EPA) and docosahexaenoic acid (DHA) from a single quality source. Our extensive Life Cycle Analysis (LCA) study proves that our life's® portfolio has a lower environmental impact than fish-based alternatives.

This year, we achieved a significant milestone with the launch of *life's®OMEGA* O3020. This is the first and only single-source algal omega-3 with the same EPA-to-DHA ratio naturally found in standard fish oil, but with twice the potency, and more desirable organoleptic qualities. Using proprietary precision fermentation of a natural non-GMO algae grown in a controlled environment ensures purity, while multiple production locations ensure supply reliability.

Healthy growth in Biomedical

Our biomedical materials business delivered very strong results, supported in part by the recovery of elective orthopedic procedures post-COVID. Biomedical drives innovation by addressing healthcare needs through sustainable science. In March, we announced the launch of our bio-based Ultra-High Molecular Weight Polyethylene fiber, certified by the International Sustainability and Carbon Certification system, providing full compliance and traceability.

Our industry-leading, medical-grade polyethylene biomaterials platform has supported multiple partners in the development of suture-based technologies for the global orthopedics market and driven growth in the global vascular market.

Within our natural biomaterials portfolio, we successfully introduced our technologies into China and India, expanding our international presence and introducing our healing technologies into strategic therapeutic areas. We enabled one of our key partners to grow in the neurovascular market, generating significant revenue growth for our medical coatings portfolio.

i-Health delivers consumer solutions and growth

i-Health, our direct-to-consumer business, continued to thrive, through its focus on products serving the gut health and women's health segments, thanks to increased interest in immunity and overall health and wellness. Strong performance across our Culturelle® brand, as well as our women's health brands, AZO® and Estroven®, in North America were driven by outstanding growth in Amazon e-commerce and Costco Club channels. The key launch in women's health was Estroven® Complete + Ashwagandha, supporting menopause symptom management.

Our Culturelle® probiotic range continued to attract strong consumer interest. Key US launches this year included Culturelle® Women's Health 4-in-1 with *Lactobacillus rhamnosus* GG (LGG) probiotics, one of the world's most effective probiotic strains, designed to promote women's vaginal, urinary, digestive, and immune health. Other significant achievements in i-Health supporting early life nutrition include the launch of Culturelle® Baby Drops with LGG in China and Brazil.

Personalizing nutrition with Hologram Sciences

Hologram Sciences, our AI-focused health incubator, builds consumer-facing brands, supports strategic partners, and leverages modern technology to advance personalization and improve health outcomes. Hologram Sciences provides a unique partnership model for outsourced innovation, including access to a pipeline of modern brands for licensing: d.velop™ (vitamin D immunity) and Phenology™ (personalized menopause solution); and resources to support existing brands or create entirely new white-space opportunities.

In 2023, Hologram Sciences entered into a collaboration with Mayo Clinic to develop an innovative Precision Nutrition Platform aimed at addressing the critical challenge of malnutrition in hospital settings. This new platform will combine Hologram's advanced machine learning and adaptive technologies with Mayo Clinic's extensive clinical insights. Its goal is to create highly-informed proactive strategies using predictive analytics and personalized nutrition in order to enhance patient care & recovery, outcomes, and readmission rates.

Bringing progress to life across our segments

Within Dietary Supplements, we expanded our 'Health from the Gut' platform with the launch of Humiome® Post LB – a unique postbiotic combination of two proprietary *lactobacillus* strains and their metabolites offering health benefits across several therapeutic areas. This combination can be applied in on-trend formats such as gummies and beverages that we obtained through the acquisition of Adare Biome. Our new partnership with Indena, expands our portfolio with high-quality science-backed botanicals.

In our Medical Nutrition business, we achieved regulatory approval in Brazil of ampli-D®, a potent form of vitamin D3, clinically proven to raise vitamin D3 levels three times faster and more effectively than traditional alternatives, especially in elderly people. We also successfully launched the first ready-to-pack premix solution including a science-backed blend of vitamins, minerals, amino acids, and flavors targeting the healing of chronic wounds in diabetic patients.

As a supplier of APIs, we serve our customers with high-quality products, pharma documentation, regulatory support, and supply reliability. This year, we became the only Western supplier providing a unique sustainability offering through our Imp'Act cards, measuring product sustainability with our LCA expertise.

Nutrition Improvement is the segment where we serve the under-nourished, especially in Africa and Asia. In this segment, as an on-continent multiple micronutrient supplement (MMS) manufacturer, we are supporting a locally-produced solution backed by 30 months of successful stability data.

Sustainability

We help our customers drive their sustainability goals by leveraging our internal LCA expertise through our HNC Sustainability Imp'Act Card™. The Imp'Act Card™ transparently communicates the measured environmental footprint of our products from cradle to gate and supports substantiated consumer claims. The most important and relevant information is clearly labelled at the individual ingredient level, including the calculated environmental impact, traceability, certifications and social impact.

In 2023, we trained more than 1,200 people internally and rolled out the Imp'Act Card™ at our largest global customers and strategic regional accounts, and the initiative was shortlisted as finalist in the Convention on Pharmaceutical Ingredients (CPHI Pharma) Sustainability Awards category.

Innovation

We have defined a number of strategic innovation priorities based on consumer and customer needs across all our business segments. These include providing novel ingredient solutions as well as novel premix and market-ready solutions that deliver nutritional support in segments such as healthy aging and women's health.

In 2023, we accelerated the shift from fish oil to algal sources with the launch of *life's®OMEGA* O3020, and led the market in infant nutrition innovation in HMOs.

Other notable innovation achievements this year included:

- Increasing the bioavailability of vitamins with our ampli® vitamins range
- The publication by the European Food Safety Authority (EFSA) of the conversion factor for calcidiol (25-hydroxyvitamin D3) in its scientific opinion on the tolerable upper intake level for vitamin D – a major regulatory process milestone for obtaining approval for ampli-D® in the European Union
- Providing new solutions for one of the world's biggest nutrient-related disorders with Tolerase® G, the first and only enzyme demonstrated to effectively break down residual gluten molecules
- Pioneering in biotics-based gut health with the Humiome® brand, an innovative range of 'Health from the gut' solutions. Shaped by microbiome science and consumer needs, Humiome® comprises prebiotics, probiotics and postbiotics, along with multi-ingredient custom solutions delivered via microbiome-targeted technology

Partnerships

HNC is actively committed to tackling major global challenges in human health and nutrition, but no one party can solve them alone. We are working in partnership with the Bill & Melinda Gates Foundation, the World Food Program and Sight & Life organization to combat hunger and malnutrition among the most vulnerable populations, including children and pregnant women. You can read more about dsm-firmenich's partnerships in the **Partnerships for Nutrition & Health** in Sustainability performance.

By sharing our knowledge and expertise, we are making progress toward our shared goal of reaching 800 million people through cost-effective large-scale food fortification (LSFF). LSFF is one of the most cost-effective ways to address malnutrition, but essential micronutrients embedded in the most consumed staple foods must be of high quality as well as being affordable. We are playing a key role in scaling up access to fortified staples, such as rice, flour and cooking oil.

Animal Nutrition & Health

Highlights

- Animal Nutrition & Health delivered sales of €3,227 million and an Adjusted EBITDA of €128 million
- Our sales from recently launched products (primarily in performance solutions and precision services) enjoyed double-digit growth despite macro-economic headwinds, inflation, and high feed production costs
- In response to the macroeconomic environment in the vitamins industry, we embarked on a major restructuring program in its vitamin activities to reduce costs and restore profitability
- Our feed enzymes HiPhorius® and ProAct 360™, continued strong growth and gained market entry in all regions, lowering feed costs and improving return on investment for customers
- Grupo Almar, one of the world's top five shrimp producers, entered into a partnership with us for sustainable shrimp farming, using our intelligent sustainability service, Sustell™
- Veramaris®[1], our omega-3 fatty acids from microalgae, saw strong growth on replacement of natural fish oil, also a consequence of the anticipated decline in global fish yields
- Our methane-reducing feed additive for ruminants, Bovaer®, is now available in 57 countries

About Animal Nutrition & Health

As the world's population continues to grow, more and more land and resources are required to feed it. Our innovative offer in Animal Nutrition & Health (ANH) helps meet the rising demand for animal protein and support the sustainable transformation of food systems.

We combine our professional passion and smart science to deliver new approaches to animal health and nutrition that enable the sustainable production of high-quality animal protein while simultaneously reducing emissions and our reliance on natural resources.

With our portfolio of vitamins, performance solutions, and data-driven precision services, we serve the entire animal production value chain and are helping to shape the future of animal farming. Our digestive enzymes increase the efficiency of feed raw material utilization, improving performance while reducing feed costs and environmental impact; our eubiotics help improve animal gut health and contribute to the reduction of antimicrobial resistance; our mycotoxin deactivators help protect farm animals from the harmful toxins that grow on feed; and our methane-reducing feed additive for ruminants helps reduce the greenhouse gas emissions associated with cattle farming. *We bring progress to life* by helping to make animal protein more sustainable, nutritious, and affordable - for example, via our game-changing algae-based omega-3 oil, Veramaris®.

[1] This trademark is owned by Veramaris V.O.F.

Operating environment

Overall global animal protein consumption remained resilient throughout the year driven by good demand for poultry. Market conditions in China remained subdued with pork demand stabilizing in the second part of the year but not showing the anticipated recovery.

The ANH business operated in an exceptionally challenging environment being impacted by an imbalance in the global feed additive marketplace due to ongoing destocking as farmers' profitability was squeezed on substantially higher input costs. This was most pronounced in China where pork production has been loss making throughout the year. These difficult market conditions led to unprecedented low levels of vitamin prices, as well as under-utilization of the vitamins asset base, resulting in a very weak performance of the essential ingredients activities of ANH.

"The year 2023 reaffirmed the need for more sustainable animal protein. Despite the adverse business environment, we continued the strong growth of our Performance and Precision solutions, while taking decisive action to emerge stronger from the vitamins crisis."

Ivo Lansbergen, Business Unit President Animal Nutrition & Health

Performance 2023

Performance Solutions, such as enzymes, gut health solutions, and mycotoxin management delivered a strong performance owing to the prioritization of efficiency yield management by farmers. The strong growth in this category is supported by the innovation pipeline, which includes Bovaer®, Balancius®, ProAct360™, HiPhorius™, Mycofix® and Veramaris®.

ANH's organic sales declined by 13% compared with the same period in the prior year, with negative pricing (-7%) and negative volumes (-6%) – both driven by weak sales of straight vitamins.

The continued unprecedented conditions in vitamins were addressed by prioritizing cash generation to reduce inventories, especially in the second half of the year. In June the company started the vitamin transformation program.

The Adjusted EBITDA was down 76% year-on-year, because of lower vitamin prices, weaker volumes and higher idle costs. Foreign exchange rates had a 2% negative impact. Adjusted EBITDA margin was down to the level of 4% which was 980bps lower than in 2022. The total vitamin effect is estimated at around €350 million.

x € million	Pro forma 2023	IFRS 2023
Sales	3,227	3,223
Organic sales growth (in %)	(13)	
Adjusted EBITDA	128	128
Adjusted EBITDA margin (in %)	4.0	4.0

The year in review

Successful launch of vitamin transformation program

In response to the exceptionally challenging macroeconomic environment in the vitamins industry, in mid-2023 the company embarked on a major restructuring program in its vitamin activities to reduce costs and restore profitability. More details on the vitamin transformation program are available under Financial performance.

Collaboration with Grupo Almar for sustainable shrimp farming

Awareness of environmental sustainability has increased noticeably in recent years. This change is particularly evident among downstream players and financial institutions, which have set science-based emissions targets for 2030.

A very good example of the importance of sustainability measurements in the animal protein value chain is our collaboration with Grupo Almar in Ecuador, one of the top five shrimp producers in the world. In September 2023, we entered into a multi-year commitment with Grupo Almar to measure and improve that company's environmental footprint. This will be done by the deployment of Sustell™, our intelligent sustainability service. Full environmental footprinting of Grupo Almar's shrimp production commenced in January 2024 and is planned to provide ISO-accredited footprint results for the full year 2024 onwards.

Grupo Almar chose dsm-firmenich and Sustell™ to accurately measure and validate its carbon footprint as part of a full ISO 14040/44-compliant, Life Cycle Assessment (LCA)-based environmental footprint.

For more information, see the case study Enabling sustainable aquaculture with Sustell™.

Bovaer® continues to develop momentum

Our methane-reducing feed additive for ruminants, Bovaer®, is now available in 57 countries globally (up from 45 in 2022) and has already reduced our customers' greenhouse gas footprint by an estimated 75,000 tons of CO_2e. Customers (including dairy and beef companies and retailers) around the world continue to pilot and expand the use of Bovaer® in their operations. Construction of the large-scale Bovaer® production plant in Dalry (Scotland) is progressing well and is expected to commence operations as planned in 2025.

Symphiome™ precision biotic

Following its successful launch in August 2022, our precision biotic Symphiome™ achieved an important sales milestone in 2023, passing €5 million in sales.

Symphiome™ is an excellent example of our expanded focus on how the microbiome behaves and influences animal health. It is a first-of-its-kind precision biotic designed to orchestrate microbiome metabolism in poultry flocks in order to support good gut health and growth. Symphiome™ optimizes birds' resilience to enteric stress, facilitates nutrient utilization, improves welfare, and reduces emissions. It is the first product in our new category of microbe metabolic modulators. Acting on desirable metabolic pathways, Symphiome™ offers benefits for poultry flocks and the environment.

Veramaris® achieves commercial break-through

Veramaris®, our 50:50 partnership with Evonik for algal-based omega-3, enjoyed strong demand in 2023. The sustained growth of Veramaris® is driven by rising demand that is attributable to two factors: the global expansion of aquaculture, and the decline in finite marine resources obtained via wild fishing.

Veramaris® plays an important role in enabling the continued sustainable growth of aquaculture, especially salmon farming. The world's first *Aquaculture Stewardship Council and Marine Stewardship Council* (ASC-MSC)-certified microalgae omega-3 oil for fish and shrimp feed, Veramaris® is a highly valuable source of sustainable omega-3 that is rich in both EPA and DHA, produced through a unique fermentation process.

Sustainability

The need to provide enough animal protein for the world's growing population, while at the same time reducing the environmental impact of farming, calls for smart science and innovative solutions. This challenge is addressed by our unique approach to ANH, which is based on six sustainability and business platforms:

- Improving the lifetime performance of farm animals
- Making efficient use of natural resources
- Reducing emissions from livestock
- Helping tackle antimicrobial resistance
- Reducing our reliance on marine resources
- Improving the nutritional quality of meat, milk, fish and eggs while reducing food loss and waste

Innovation

We offer concrete and measurable solutions that are closely linked to our products, reducing environmental impact while at the same time improving profitability for producers. In 2023, we successfully continued the roll-out of our smart science and innovative solutions, including:

- Sustell™, the world's first intelligent sustainability service, designed to improve the environmental footprint and profitability of animal protein production
- ProAct 360™, our innovative second-generation feed protease, which drives consistent improvements in poultry growth performance and reduces production costs while making animal protein production more sustainable
- Bovaer®, our cattle feed additive that reduces enteric methane emissions by 30%, helping to cut global warming
- Veramaris®, our algae-based omega 3 oil, which helps reduce reliance on marine resources and supports the sustainable growth of aquaculture

Partnerships

In 2023, we entered into a partnership with Sustained and joined forces with Foundation Earth to provide food companies with a full end-to-end solution for the detailed assessment of the environmental footprint of animal-based foods down to SKU level, while enabling these food producers to then apply an on-pack eco-label to their products through the use of EU PEF compliant Eco-Impact scores from Foundation Earth. The eco-scores delivered by Foundation Earth range from A+ to G and are re-certified annually, making it possible for food product owners to differentiate on sustainability and improve their production standards and associated score over time, while meeting the increasing demand of consumers for sustainably produced products. This multi-lateral collaboration is the first of its kind and allows farmers, processors, food manufacturers, and retail brand owners to manage and communicate the sustainability of animal-based food production by leveraging our Sustell™ service for capturing accurate farm-level specific emissions data and the Sustained platform for delivering product-level environmental life-cycle assessments of consumer food products at scale. This end-to-end, farm -to-fork solution is applicable to all animal proteins such as eggs, milk, fish and meat.

Corporate activities

Reporting period

The Corporate activities section includes information from the combined entity for 12 months, which includes Firmenich as of 1 January 2023 (pro forma, see Concepts and ratios). It also includes information that is presented in accordance with IFRS, which includes Firmenich from the merger date onwards.

Any consolidated activities within continuing operations that are outside the four Business Units are reported as Corporate activities. These comprise operating and service activities, as well as a number of costs that cannot be allocated directly to the Business Units. While this segment reports net sales to third parties from its service units, it normally has a negative operating result.

Corporate activities include various holding companies, regional holdings and corporate overheads. The most significant cost elements are corporate departments and the share-based compensation for the company.

x € million	Pro forma 2023	IFRS 2023
Sales	66	68
Adjusted EBITDA	(79)	(78)

Insurances

We retain a limited part of our material damage, business interruption, (product) liability and other risks via our captive insurance companies. In 2023, the total retained damages were €25 million (2022: €15 million).

Corporate research

We centrally invest in a focused number of clearly defined disruptive technology platforms, managed by our Senior Science Fellows, through which we aim to create greater differentiation over the long-term. These underpin early-stage innovation projects that are co-funded with the relevant business, following the principles of co-leadership, milestone-based funding, and assumption-based working, in order to provide market-ready scientific breakthroughs in the future.

Share-based payments

Executives participate in the Long-Term Incentive (LTI) scheme. This links their compensation to the long-term interests of our company's stakeholders. It also provides a vehicle for the attraction and retention of suitable employees.

As shares / share units have become more prevalent in the market, we replaced stock options with shares / share units in 2017. This resulted in better alignment with the LTI vehicle already in place for the Board of Directors and the Executive Committee. The use of shares / share units also targets yet closer alignment with the interests of our stakeholders. For detailed information, see Note 27 Share-based compensation to the Consolidated financial statements.

Financial performance

Reporting period

The Financial performance section includes information from the combined entity since the beginning of the comparative period, which includes Firmenich as of 1 January 2022 (pro forma, see Concepts and ratios). It also includes information that is presented in accordance with IFRS, which includes Firmenich from the merger date onwards - whenever this is used this is specifically indicated.

At a glance

On a pro forma basis:

- -7% Sales versus 2022, with organic sales -5%
- -22% Adjusted EBITDA versus 2022
- €999 million Adjusted gross operating free cash flow, up 9% versus 2022
- €555 million Core adjusted net profit, down 45% versus 2022

On an IFRS basis:

- €2,153 million Net profit (total group) versus €1,715 million in 2022
- €9.14 Basic earnings per share (EPS) versus €9.80 in 2022

Navigating a tough environment

dsm-firmenich operated in a tough macro-economic environment in 2023, characterized by a solid performance across the company, significantly impacted by unprecedented low vitamin prices, persistent destocking by our customers and negative foreign exchange rate effects.

In light of these unprecedented economic conditions, we accelerated our plans for driving through profit improvement and cost reduction measures and advanced the review of all our business segments. This led us to the initiation of a process to separate out the Animal Nutrition & Health (ANH) business from the Group which we announced 15 February 2024. This should strongly reduce our exposure to vitamins earnings volatility and reduce our capital intensity in line with our long-term strategy. We believe that the full potential of the ANH business could be best realized through a different ownership structure. The process is subject to satisfying customary conditions, including consultation with works councils and employee representatives (as required) in all relevant geographies.

Our largest profit improvement and cost reduction measure in 2023 was the restructuring program in its vitamin activities, which we embarked on mid-year. This program is expected to result in an estimated Adjusted EBITDA contribution of around €200 million per year with the full run rate to be reached by the end of 2024. By year-end of 2023 dsm-firmenich already made strong progress in executing the program through the closure of the Xinghuo vitamin B6 plant in China and shutting down the Jiangshan vitamin C production in China. The sales model now supports a 'go-to-market' approach which is simpler and more efficient in the current market environment.

Delivering synergies through integration

In 2023 we made good progress in integrating the two legacy organizations, ensuring business continuity and our ability to deliver the announced synergies. We are on track to achieve our target synergies of approximately €350 million Adjusted EBITDA per year. Around half of this is expected to come from cost efficiencies, with the full run rate achieved by the end of year three. Initial benefits of about €15 million were delivered in the fourth quarter of 2023. The remaining synergies are expected from incremental revenues of €500 million, generated by an acceleration of innovation with customers. There has been good early progress and the full run rate is still expected by the end of year four. These revenue synergies are driven by complementary capabilities and realized in the three Business Units with the strongest strategic adjacency - Perfumery & Beauty (P&B), Taste, Texture & Health (TTH), and Health, Nutrition & Care (HNC) - with roughly the following balance:

- 60% in TTH Business Unit
- 25% in HNC Business Unit
- 15% in P&B Business Unit

Great future ahead

Supported by our exciting innovation pipeline, all these actions will help us to prioritize and accelerate the company's nutrition, health and beauty high-growth and higher-margin businesses, all of which is reflected in our mid-term financial targets of 5-7% annual organic sales growth and 22-23% Adjusted EBITDA margins.

> "In light of the unprecedented conditions with very low vitamin prices and a continued destocking cycle, we took a number of immediate and effective actions. We accelerated our plans for driving through additional self-help measures and advanced the review of all our business segments."

Ralf Schmeitz, Chief Financial Officer

Financial results

P&B recorded good performance while performance in TTH was solid. HNC, but especially ANH, were weak on exceptionally low vitamin prices and persistent destocking.

In 2023 net sales was €12,310 million which was 7% lower than in 2022. Organic sales declined by 5% year on year. The results for the full year were impacted by a combination of unprecedented market dynamics that led to very low vitamin prices, together with a deep destocking cycle.

Adjusted EBITDA, significantly impacted by the vitamin effect and foreign exchange was 22% lower than in the prior year, resulting in a 280bps margin decline. This includes a negative vitamin effect which is estimated at about €500 million. Without this effect, the Adjusted EBITDA would have been in line with prior year, despite a negative foreign exchange effect of about €90 million.

Income statement and key data – pro forma

x € million	Pro forma 2023	Pro forma 2022	Change
Continuing operations			
Sales	12,310	13,238	-7%
Adjusted EBITDA	1,777	2,275	-22%
Adjusted operating profit	666	1,361	-51%
Operating profit (loss)	(173)	1,111	-116%
Net profit (loss)	(321)	788	-141%
Adjusted net profit	365	1,013	-64%
Core adjusted net profit	555	1,013	-45%
Adjusted gross operating free cash flow	999	918	9%
Adjusted EBITDA margin (in %)	14.4	17.2	
Core adjusted ROCE (in %)	5.2	8.4	

Income statement and key data – IFRS

x € million	IFRS 2023	IFRS 2022	Change
Continuing operations			
Sales	10,627	8,390	27%
Adjusted EBITDA	1,443	1,395	3%
Adjusted operating profit	430	767	-44%
Operating profit (loss)	(497)	682	-173%
Net profit (loss)	(636)	555	-215%
Adjusted net profit	190	555	-66%
Core adjusted net profit	380	555	-32%
Adjusted gross operating free cash flow	856	310	176%
Adjusted EBITDA margin (in %)	13.6	16.6	

The below tables provide a reconciliation of the Alternative Performance Measures (APMs) on a pro forma basis to the APMs on an IFRS basis. For a reconciliation of these APMs to the closest reconcilable IFRS metric, see also Note 2 Alternative Performance Measures to the Consolidated financial statements.

Reconciliation pro forma with IFRS

x € million	IFRS 2023	Firmenich 1 January – 8 May	Inter-company eliminations	Pro forma 2023
Continuing operations				
Sales	10,627	1,697	(14)	12,310
Adjusted EBITDA	1,443	334	–	1,777
Operating profit (loss) (EBIT)	(497)	324	–	(173)
Adjusted operating profit (EBIT)	430	236	–	666
Core adjusted operating profit (EBIT)	614	236	–	850
Net profit (loss)	(636)	315	–	(321)
Adjusted net profit	190	175	–	365
Core adjusted net profit	380	175	–	555
Adjusted gross operating free cash flow	856	143	–	999
Adjusted EBITDA margin (in %)	13.6	0.8	–	14.4

x € million	2023
Average capital employed (IFRS)	**20,576**
Book value adjustments[1]	2,465
PPA adjustments[2]	(6,618)
Core average capital employed (pro forma)	**16,423**
Core adjusted operating profit (EBIT)	850
Core adjusted ROCE (in %)	**5.2**

1 Book value adjustments relate to the book value of Firmenich's assets and liabilities before the merger date and adjustments related to the buy-out of minority shareholders.
2 PPA adjustments relate to the fair value step-ups on Firmenich's identifiable assets acquired and liabilities assumed following the merger transaction.

Net sales and Adj. EBITDA per Business Unit - pro forma

	Net sales			Adjusted EBITDA			Adjusted EBITDA margin	
x € million	**Pro forma 2023**	Pro forma 2022	% change	**Pro forma 2023**	Pro forma 2022	% change	**Pro forma 2023**	Pro forma 2022
Perfumery & Beauty	3,709	3,792	-2%	783	748	5%	21.1	19.7
Taste, Texture & Health	3,038	3,174	-4%	556	549	1%	18.3	17.3
Health, Nutrition & Care	2,270	2,418	-6%	389	533	-27%	17.1	22.0
Animal Nutrition & Health	3,227	3,784	-15%	128	524	-76%	4.0	13.8
Corporate Activities	66	70	-6%	(79)	(79)	0%		-
Total, continuing operations	**12,310**	13,238	-7%	**1,777**	2,275	-22%	**14.4**	17.2

Net sales and Adj. EBITDA per Business Unit - IFRS

	Net sales			Adjusted EBITDA			Adjusted EBITDA margin	
x € million	**IFRS 2023**	IFRS 2022	% change	**IFRS 2023**	IFRS 2022	% change	**IFRS 2023**	IFRS 2022
Perfumery & Beauty	2,619			579			22.1	
Taste, Texture & Health	2,471	1,546	60%	437	266	64%	17.7	17.2
Health, Nutrition & Care[1]	2,246	2,939	-24%	377	546	-31%	16.8	14.4
Animal Nutrition & Health	3,223	3,788	-15%	128	678	-81%	4.0	23.0
Corporate Activities	68	117	-42%	(78)	(95)	-18%		
Total, continuing operations	**10,627**	8,390	27%	**1,443**	1,395	3%	**13.6**	16.6

1 The 2022 figures for Health, Nutrition & Care include the Personal Care & Aroma Ingredients business, which was transferred to Perfumery & Beauty following the merger.

Net profit (IFRS-based)

Adjusted net profit from continuing operations of €190 million was down by €365 million versus 2022. Next to the addition of Firmenich and the vitamin impact, this was mainly caused by the increase of depreciation and amortization, following the Purchase Price Allocation of Firmenich. The net profit available to equity holders of DSM-Firmenich AG increased by €437 million to €2,131 million. This increase was mainly a result of the net book profit of €2,796 million on the sale of DSM Engineering Materials (in comparison with 2022, where we had the net book profit of €1,018 million on the sale of DSM Protective Materials), partly set off by the higher Alternative Performance Measures (APM) adjustments of €746 million, mainly due to acquisition, integration and restructuring costs (including impairments). As a consequence of the above, the net earnings per ordinary share from continuing operations decreased to -€2.82 in 2023 (2022: €2.64) and for total dsm-firmenich it decreased to €9.14 (2022: €9.80).

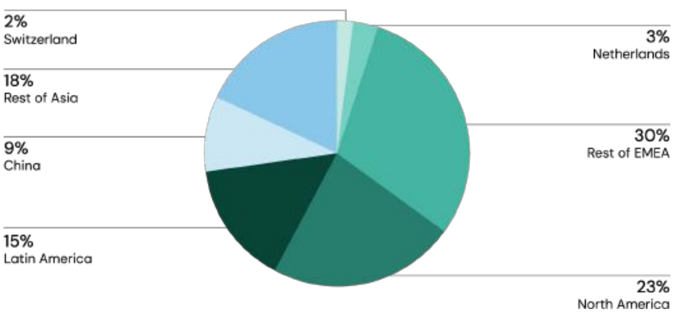
Financial income and expense increased by €62 million year on year to a net expense of €150 million. Next to the addition of Firmenich, this was mainly caused by the increase of the exchange differences by €71 million, largely caused by the development of the Argentinian Peso.

The total effective tax rate over taxable result 2023 for continuing operations was 2.8% (2022: 21.0%), excluding APM adjustments this was 37.3% (2022: 20.2%). This was mainly caused by the geographical spread, primarily due to the vitamin effect, and changes in tax rates.

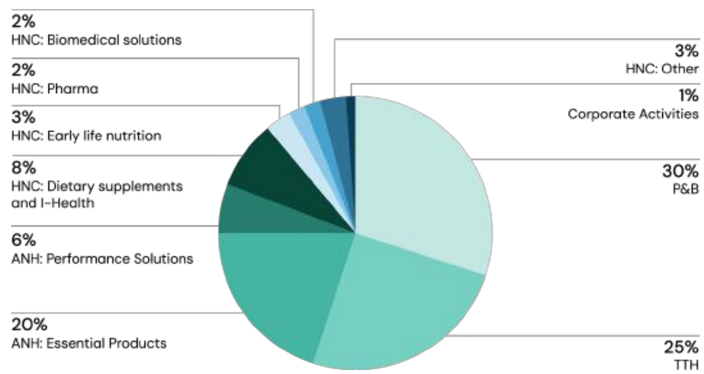
Adjustments made in arriving at dsm-firmenich's Alternative Performance Measures (IFRS-based)

Total APM adjustments from continuing operations for the full year amounted to a loss of €826 million (2022: a loss of €80 million), consisting of a loss in EBITDA of €633 million (including restructuring costs of €234 million and acquisition/ divestment/integration costs of €363 million), impairments of €294 million, financial expenses of €34 million and a related tax impact of -€135 million.

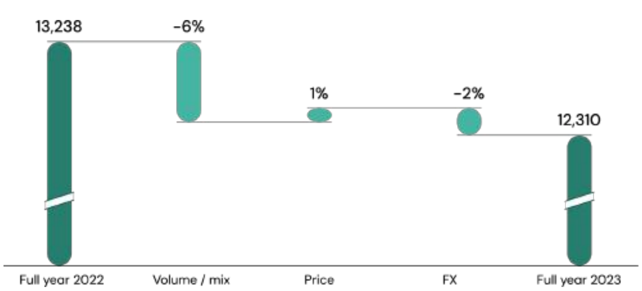
Sales by destination



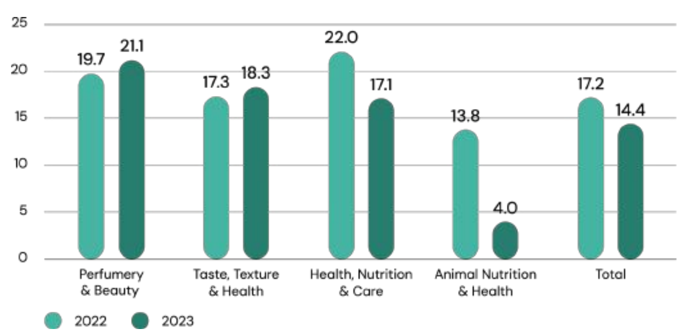
Sales by business segment



Sales bridge 2023



Adjusted EBITDA margin



Cash flow statement – IFRS

x € million	IFRS 2023	IFRS 2022
Cash and cash equivalents at 1 January	**2,755**	**1,561**
Cash provided by operating activities	1,265	965
Cash from / (used in) investing activities	(726)	876
Cash from / (used in) financing activities	(820)	(645)
Effect of exchange differences	(18)	(2)
Cash and cash equivalents at 31 December	**2,456**	**2,755**

Cash provided by operating activities of €1,265 million mainly consists of the EBITDA for the year (€3,610 million), excluding the net book profit from disposals of €2,843 million (mainly the sale of DSM Engineering Materials, recognized under investing activities) and the change in working capital of €160 million. Overall, the full-year operating cash flow increased by €300 million. Next to the various impacts of the merger, this was mainly due to the improvement in performance in relation to the working capital.

The cash used in investing activities consisted mainly of the acquisitions of subsidiaries (-€3,691 million, primarily the merger with Firmenich) and the capital expenditures (-€684 million), partly offset by the proceeds from the divestments (€3,533 million, mainly from the divestments of DSM Engineering Materials). The cash used in financing activities included the dividend paid (-€582 million), repayment of borrowings (-€549 million) and the repurchase of shares (-€256 million), partly offset by the proceeds from issuing new shares (€733 million). For the full cash flow statement, see the primary statement in the Consolidated financial statements.

Balance sheet (IFRS-based)

The balance sheet total (total assets) reached €34.3 billion at year-end (2022: €17.4 billion). Equity increased by €12.3 billion, which was attributable to the issuance of new shares (€11.5 billion) and the net profit of €2.2 billion, offset partly by the dividend payments of -€0.6 billion, the repurchase of shares of -€0.3 billion and the transfer to liabilities relating to the buy-out of non-tendered shares of -€0.6 billion. Equity as a percentage of total assets increased from 62% to 67%.

Compared to year-end 2022, net debt increased by €2,128 million to €2,215 million, mainly due to the acquisitions/merger, partly offset by the divestment of DSM Engineering Materials. The gearing at year-end 2023 was 8.8%, compared to 0.8% at year-end 2022.

Capital expenditure on intangible assets and property, plant and equipment amounted to €700 million for continuing operations in 2023 (€684 million on a cash basis). Including new leases the additions to intangible assets and property, plant and equipment was €844 million, which was roughly the same as the level of amortization, depreciation and impairments, excluding the impact of the purchase price allocation (PPA) of Firmenich.

Total working capital from continuing operations (excluding the liability relating to the statutory buy-out of non-tendered shares of DSM N.V.) amounted to €3,199 million compared to €1,992 million at year-end 2022. This represents 25.7% as a percentage of annualized fourth-quarter 2023 sales (2022: 23.8%). Cash-wise, the operating working capital (OWC) from continuing operations decreased €268 million compared to last year, which is mainly attributable to the reduction in inventories. The OWC percentage increased from 29.0% at year-end 2022 to 31.1% of annualized sales at year-end 2023.

Cash and cash equivalents came to €2,456 million at the end of the year; including current investments, this amounted to €2,563 million (2022: €2,880 million). Besides the regular cash flow elements, the large movements due to the acquisitions and divestment were almost in balance.

Balance sheet profile

	IFRS 2023		IFRS 2022	
	x € million	in %	x € million	in %
Goodwill and intangible assets	18,738	55	5,147	30
Property, plant and equipment	5,549	16	3,576	21
Other non-current assets	1,139	3	552	3
Cash and cash equivalents	2,456	7	2,755	16
Other current assets	6,388	19	5,373	30
Total assets	**34,270**	**100**	**17,403**	**100**
Equity	23,070	67	10,845	62
Provisions	176	1	95	1
Other non-current liabilities	6,539	19	3,950	23
Other current liabilities	4,485	13	2,513	14
Total equity and liabilities	**34,270**	**100**	**17,403**	**100**

Outlook 2024

As the global political and economic environment remains uncertain, and given that it is early in the year, we feel it prudent to base our full year outlook for the entire company only on those elements which are under our control, namely a €200 million step-up in Adjusted EBITDA from a combination of synergy delivery and the vitamin transformation program. Considering that the full negative vitamin effect emerged only in the second quarter of 2023, the effective Adjusted EBITDA run-rate in the period Q2-Q4 2023 on an annualized basis was about €1.7 billion, the company estimates for the full year 2024 an Adjusted EBITDA of at least €1.9 billion.

Sustainability

Reporting period

The Sustainability section includes information from the combined entity for 12 months (DSM and Firmenich are reported as of 1 January 2023). The sustainability data in this Report cover all entities that belong to the scope of the Consolidated financial statements. If this is not the case this is mentioned specifically. As this is the first year of reporting for dsm-firmenich, no comparative data is available for 2022. For more information, see **Sustainability statements**.

Letter from our Chief Sustainability Officer

Dear Reader,

The creation of dsm-firmenich brought together two market-leading companies and united two world leaders in sustainability. Both were uncompromisingly committed to delivering sustainable solutions not only in the form of their own products and processes but also via positive interventions throughout their respective value chains. The merger that created dsm-firmenich involved a meeting of minds, a fusion of sustainability agendas, and the development of a vision to bring progress to life by means of sustainable business steering.

> "Our commitment is uncompromising: We embed sustainability in everything we do. By delivering transformative and sustainable solutions to our customers, we not only help future-proof our company but also maximize our positive impact on society as a whole."

Pioneers in sustainable business steering

Within their respective fields of operation, the two legacy companies were recognized as pioneers in sustainable business steering long before the merger. DSM and Firmenich embarked on this course as long ago as the 1990s with, for example, the signing by Firmenich of the International Chamber of Commerce's first Business Charter for Sustainable Development in 1991 and the publication of DSM's first environmental report, the Responsible Care Report, in 1993.

After years of sustained public and audited reporting, most recently DSM introduced and developed its Brighter Living Solutions plus (BLS+) key performance indicator (KPI), while Firmenich launched its second 'Pathways to Positive' Environmental, Social and Governance (ESG) Strategy outlining its long-term ambitions and intermediate targets for measuring progress.

Going forward, we will define a consolidated portfolio steering approach that is in line with external practices, designed to meet the expectations of both our customers and our investors and to enable us to continue our course toward yet more sustainable business and business opportunities.

Our combined sustainability journey

Within the wider framework of dsm-firmenich, we shall continue our sustainability journey with unchanging determination as we move forward into 2024. We will continue to act in close collaboration with key thought-leaders such as the World Business Council for Sustainable Development (WBCSD) and the World Economic Forum (WEF).

We will maintain our well-established partnerships with organizations such as the United Nations World Food Programme (WFP). For insight into the type of partnerships and what impact we have with them, please refer to **Nutrition and Health**. Last but by no means least, we will work ever more closely with our suppliers and customers to deliver measurably sustainable solutions throughout the value chains in which we participate.

Bringing progress to life

The following section of this Report outlines in detail how *we bring progress to life* by combining the essential, desirable and sustainable to deliver transformative solutions that the world needs. It explains how we work toward three outcomes – futureproofing our business, delivering value for customers, and creating positive societal impact – by means of a range of sustainability programs predicated on Climate & Nature, Nutrition & Health, and Social Impact.

In 2023, we made progress on a range of initiatives that generate positive impacts for the planet and people. We further scaled up our innovative methane-inhibiting feed additive Bovaer®, for example. Combined with our other feed solutions for ruminants, we enable a 20.5% reduction of greenhouse gas (GHG) emissions in diary. We are now reaching 677 million people with fortified food, staples and specialist nutrition solutions to help close the micronutrient gap suffered by some of the world's most vulnerable populations. And we are helping to improve the lives of 92,000 smallholder farmers by means of commercial supplier and business contracts and training programs – for example, through our joint venture Africa Improved Foods, as well as by means of dedicated 'projects at source' for supply chains such as jasmine and mint.

These are just three examples of many in this Report. The following chapter explains in detail our ambition to drive change at scale and to maximize our potential for delivering measurably sustainable solutions, bringing progress to life and benefiting people and planet alike.

Warm regards,

Katharina Stenholm
Chief Sustainability Officer

Our approach to sustainability



Highlights

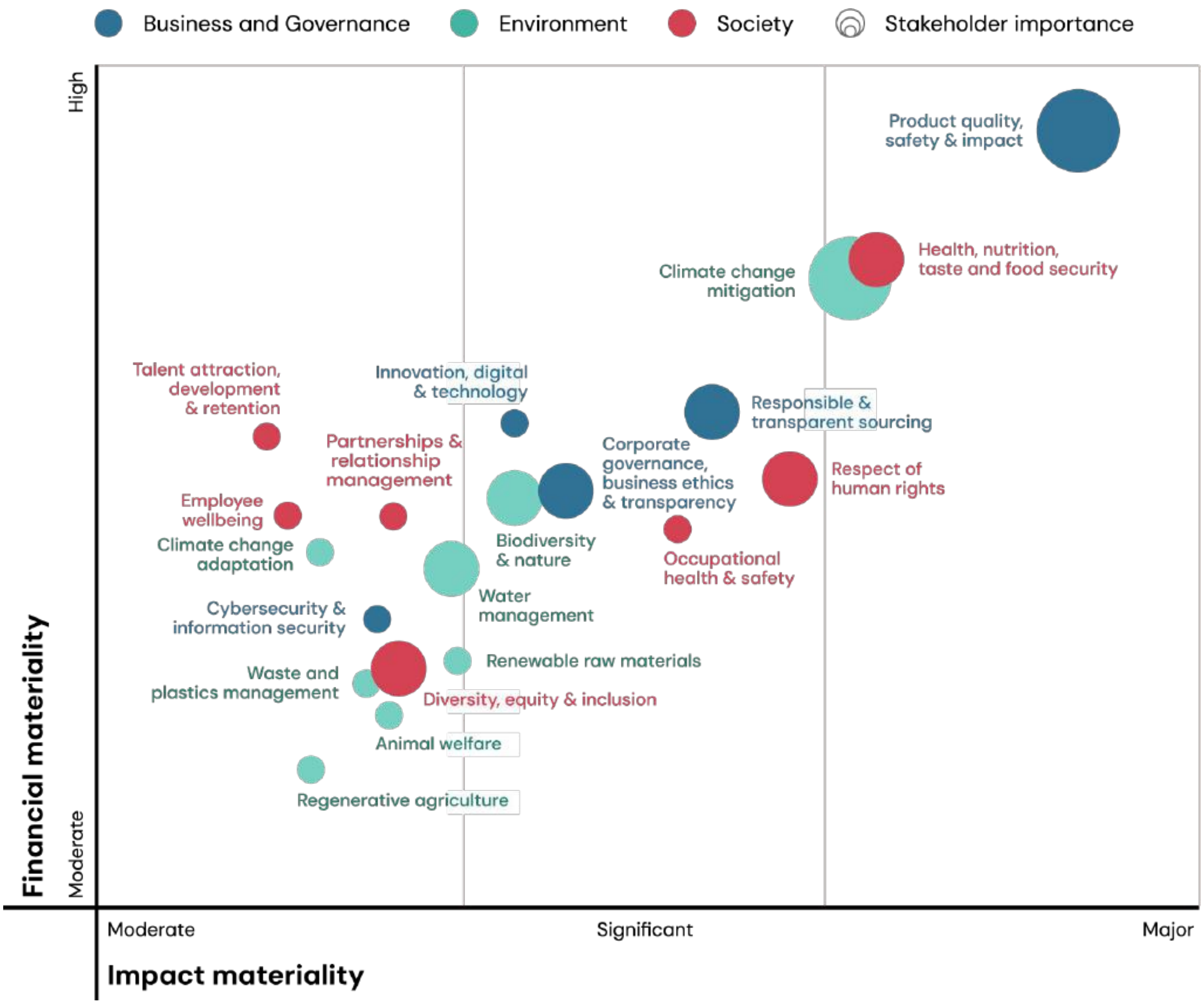
- We delivered strong progress on our GHG reduction program, and in early 2024, we submitted for validation our integrated science-based targets comprising absolute emission reduction targets for Scope 1 and 2, and Scope 3, and our net-zero by 2045 commitment
- We piloted the initial steps of the Science Based Targets for Nature guidance, including modelling of risk-based approaches to biodiversity restoration and engaging in the new SBTN materiality assessments
- Our partnership with UN World Food Programme has been in place since 2007, reaching 35 million beneficiaries each year with nutritionally improved products
- Our new dsm-firmenich values were announced in May 2023 together with our purpose: *We bring progress to life*. Having shared values is an essential driver for success in our integration.
- We engaged with 30,000 suppliers through our Responsible Sourcing Program, consisting of Supplier Sustainability Performance Management, Due diligence and Sustainability at source, and our Supplier Engagement Program
- We maintained Platinum ratings from EcoVadis, and were included in the Sustainalytics' 2024 Top-Rated ESG Companies List, across our businesses

Materiality Matrix and value creation model

Materiality Matrix

Within the dynamic landscape of sustainable business practices, our commitment to transparency and stakeholder engagement takes center stage. At the heart of our disclosure strategy lies the Materiality Matrix, a powerful tool that not only reflects our dedication to responsible corporate governance but also serves as a compass guiding our sustainability journey. It guides us to determine our sustainability priorities, and to adjust our goals and performance indicators in line with up-to-date sustainability issues and with our stakeholders' expectations and concerns. In addition, the consultation process is a valuable tool to engage our colleagues, customers, suppliers and investors on our sustainability journey by including them in defining its future direction.

Materiality Matrix



Our Materiality assessment process followed the approach described in the EU Corporate Sustainability Reporting Directive (CSRD) and the European Sustainability Reporting Standards (ESRS) and is in accordance with the GRI Standards. It applied a double materiality approach. Double materiality is composed of 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). Our materiality assessment is based on materiality assessments conducted at the Business Unit level supplemented with input from the Group. Our process in 2023 employed the following steps:

Defining a long list

- Desk research on frameworks legislation, ratings and trend reports
- Peer reviews and internal stakeholder interviews

Defining a list of material topics

- Apply materiality design principles
- Alignment with ESRS topics, sub-topics and sub-sub-topics
- Internal validation of the topic list

Impact Assessment

- External stakeholder interviews
- Internal regional interviews
- Business Unit and Group workshops
- Desk research on additional external stakeholders

Visualization and analysis

- Apply weighting logic across stakeholder groups
- Analyze raw data based on ESRS guidelines on materiality
- Compare the Materiality analysis with the Risk Assessment results
- Creation of Business Unit Matrices
- Consolidation across Business Unit and Group inputs

Validation and approval

- Validation with senior leaders and Board of Directors
- Approval by the CEO

Through a bottom-up approach, and the involvement of various stakeholder groups, we also identified the priority topics at Business Unit level, as well as the most important topics by stakeholder group.

Priority topics by Business Unit

Material topics	P&B	TTH	HNC	ANH
Climate change mitigation	✓	✓	✓	✓
Health, nutrition & taste, and food security		✓	✓	✓
Innovation, digital & technology	✓	✓		✓
Product quality, safety & impact	✓	✓	✓	✓
Respect of human rights	✓			
Responsible & transparent sourcing	✓	✓	✓	

Top 5 Material topics by stakeholder

	Customers	Employees	Investors	Suppliers	Public organizations[1]
1	Climate change mitigation	Product quality, safety & impact	Climate change mitigation	Climate change mitigation	Climate change mitigation
2	Product quality, safety & impact	Health, nutritious & tasty food, and food security	Corporate governance, business ethics & transparency	Responsible & transparent sourcing	Climate change adaptation
3	Responsible & transparent sourcing	Climate change mitigation	Respect of human rights	Occupational health & safety	Diversity, equity and inclusion
4	Health, nutritious & tasty food, and food security	Climate change adaptation	Product quality, safety & impact	Diversity, equity and inclusion	Waste and plastics management
5	Biodiversity & nature	Corporate governance, business ethics & transparency	Talent attraction, development & retention	Corporate governance, business ethics & transparency	Regenerative agriculture

1 Public organizations includes Business Associations, NGOs and International Organizations / Frameworks

Value creation model

Our value creation model visualizes how our business model takes capital inputs and converts these into value outputs and impact, enabling us to deliver on our purpose. At dsm-firmenich, value creation extends beyond financial metrics; it encapsulates the intricate interplay of economic, environmental, and social factors that define our commitment to sustainable and responsible business practices. Our value creation model is based on the value creation and capitals concepts of the Integrated Reporting Framework (the '<IR> Framework').

1 All financial information is for continuing operations. R&D expenditure includes Firmenich as of 1 January 2023 (pro forma). All other financial information is presented in accordance with IFRS, which includes Firmenich from the merger date onwards.

Our Business Model

We operate as one Group, united by a common purpose and values. Our four complementary Business Units – Perfumery & Beauty; Taste, Texture & Health; Health, Nutrition & Care; and Animal Nutrition & Health – have a high degree of autonomy and have fully accountability for manufacturing plants and Supply Chain. They are supported by Business Partners who enable excellence and efficiency. Through our business activities, we deliver on purpose to bring progress to life by combining the essential, the desirable and the essential.

Our guiding principles

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. Through measuring our impacts, we demonstrate how we contribute to positive outcomes for society and environment.

Product quality

People are critical to our success. This is why one of our four strategic areas of focus for 2023 involved enhancing and embedding a Quality culture within the business. This message was one of the key focal points when we proudly celebrated World Quality Day 2023, launching our new Quality Policy Statement, which introduces and defines our four Quality principles. These principles are Quality culture, Crafted with care, High standards and Continuous improvement. Our Quality Policy Statement highlights our commitment to empower our people to deliver excellence to our customers. Building on these principles, our Quality culture program will focus on the how of enabling our Quality community to achieve success. Quality is a key differentiator for business growth: it is every customer's right, and every employee's responsibility.

Product Stewardship

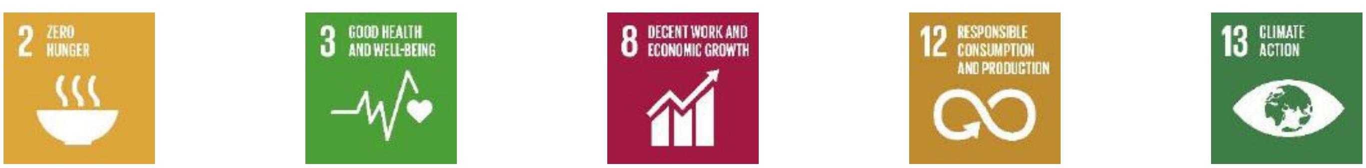
Our leading principle is that each of our products must be safe in terms of its production and application up to and including the end of its useful life. We make conscious choices about the substances we use and produce. We actively identify the risks attached to, and the potential impact of our products on people and the environment, including their production processes. We support our customers (and other interested stakeholders) in doing the same by providing them with clear information on potential health and environmental impacts.

In 2023, we reviewed the set-up of Product Stewardship within the context of the merger, identified the most critical processes, and started the alignment, standardization and integration of our approach. Product data and system integration are seen as key success factors.

Our company and the SDGs

The Sustainable Development Goals (SDGs) were launched by the UN in 2016 to provide a roadmap toward a more environmentally and 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 serve for 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.

Through our business activities, we believe our company contributes to the following SDGs:



And for our people and operations, we focus on the following SDGs:

Business Ethics

We do business honestly, transparently, and ethically. 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.

Code of Business Ethics

Our Code of Business Ethics comprises our values and our commitments to each other, our communities, and our planet. It is a reference document as well as a day-to-day manual to guide our people on how we do business (and how we do not). This is elaborated in our business principles, which clarify key issues, help us do the right thing, and underline how we expect everyone at dsm-firmenich to act with integrity in their daily work. Our Code is universal. It applies to everyone in our company and everywhere: at our offices, sites, warehouses, and when engaged in any company business. In 2023, we launched a campaign to request and require all dsm-firmenich employees to read and acknowledge our Code of Business Ethics.

"We're all responsible for setting the highest standards of honesty, fairness, and integrity. Together, we can make integrity key to how we bring progress to life."

Jane Sinclair, Chief Legal, Risk & Compliance Officer

Group Policy Framework

For the implementation of our business principles more detailed explanations are provided by the documents of our Group Policy Framework. The Group Policy Framework is also used to foster efficient and effective business processes, and to mitigate risks.

Position Statements clarify the company's positioning on ethical topics related to specific areas of our business for our external stakeholders and can be found on our website.

Group Policies explain the why, the high-level management intent, the key elements of the governance structure, and define the requirements for employees of our Business Units and Business Partner functions.

Group Standards provide further detailed instructions on how to comply with the requirements of the Group Policies in a harmonized way. Group Policies and Standards are usually only published internally.

Supplier Code

As a trusted partner to our business stakeholders, we strive always to operate to the highest standards. We only want to engage with others who commit to operate according to the same standards, with the objective of achieving an ethical, traceable, and sustainable value chain. These standards are captured in the principles set forth in our **Supplier Code**. All suppliers are expected to follow the dsm-firmenich Supplier Code and all relevant laws and regulations. We confirm the adherence to the principles of our Supplier Code via Supplier Self-Assessment Questionnaires and on-site or desktop audits. A breach of this Code could lead to the discontinuation of the collaboration with dsm-firmenich and to possible legal sanctions and proceedings.

Likewise, to ensure ethical business conduct of agents and distributors when acting on our behalf or dealing with dsm-firmenich products further down the value chain, dsm-firmenich expects them to work according to the highest ethical principles and comply with all relevant laws and regulations, in particular those related to fighting bribery and corruption

Identifying and managing bribery & corruption risks

Bribery and corruption are both illegal and unethical: they have a negative impact on individuals, businesses, and wider society. Therefore, we do not tolerate bribery or any form of corruption.

Our Code of Business Ethics and Supplier Code help employees and supply chain partners to understand the values and principles that are relevant to their work at and with dsm-firmenich. Any act or omission on the part of an employee or supply chain partner that is in contradiction with the Codes shall be regarded as a potential breach and may lead to disciplinary action up to and including termination of employment, or termination of the business relationship, respectively.

The dsm-firmenich Code of Business Ethics and Supplier Code are complemented by the legacy policies and procedures to fight corruption, which explain the behaviors that are prohibited, the situations that should alert employees and supply chain partners, what the good practices are, as well as additional compliance requirements depending on the type of third party. In 2024, a new anti-bribery and corruption Group policy and new Group standards will be launched to replace legacy policies and procedures.

As part of the Business Ethics Program, ethics and compliance-related risks are periodically evaluated, particularly with a view to anti-corruption and bribery. Moreover, dsm-firmenich has a strong culture of risk management, internal control, and audit.

Awareness of bribery and corruption is also ensured by mandatory trainings. Course completions are monitored and management is informed as to completion rates. A process is in place to deal with uncompleted training cases. A unified common training related to combat bribery and corruption is to be developed.

Finally, there are grievance mechanisms to report any misconduct related to a potential or actual violation of dsm-firmenich's Code of Business Ethics, Supplier Code and applicable policies and standards.

Speaking up

At dsm-firmenich, we all have a responsibility to speak up if we have a concern regarding compliance with our Code of Business Ethics. In the event people are not sure about a particular matter or have witnessed behavior that could be seen to be at odds with our values or business principles, it is vital to report it.

We encourage open and honest communication, and therefore, where possible, we recommend that employees address their concerns directly with the person involved or with their local contact from HR, their line manager, their Legal partner, or the Business Ethics team. If this is not feasible, our whistleblowing channel can be used.

In 2023, we still used our legacy notification systems for whistleblowing, Firmenich Speak-Up and DSM Alert. Since January 2024, our dsm-firmenich SpeakUp platform is available. The platform is operated by an external provider and can be accessed 24/7. It offers the possibility to report anonymously and is also available for third parties. All investigations will be conducted impartially, respecting the principles of confidentiality and the presumption of innocence.

We do not tolerate any form of retaliation against individuals who, in good faith, seek guidance, raise a concern regarding misconduct, or cooperate in an investigation. We have zero tolerance for retaliation, no matter the circumstance. Disciplinary action will be taken against anyone who engages in retaliatory behavior toward those who have spoken up in good faith.

Whistleblower notifications

In 2023, we received 100 notifications via our legacy notification systems for whistleblowing (Speak-Up, Alert). All notifications were reviewed and followed up, and investigations were started if admissible. Of the 75 notifications that have been closed, 24 notifications were substantiated and 51 notifications could not be substantiated. Actions taken included providing training, disciplinary actions, terminations, and policy/process review. Another 25 notifications are still under investigation.

Reported allegations were primarily related to ‘Discrimination, Harassment, Bullying and Retaliation’ and ‘Misconduct or Inappropriate Behavior’. There was one report related to bribery and corruption, investigation of which did not lead to the further substantiation of the reported concerns.

Whistleblower platform	Notifications	Substantiated	Not substantiated	Under investigation
Speak-Up	59	14	31	14
Alert	41	10	20	11
Total	100	24	51	25

Impact measurement and reporting

We measure and monitor the impact of our businesses through our Food System Commitments and our Portfolio Steering mechanism. These impact measurements enable us to demonstrate the role that our businesses play in society. In the wake of our merger, we will re-evaluate these approaches to ensure that how we measure our impact is future-proof, and for our portfolio, in line with external practices.

The Food System Commitments

Our Food System Commitments were launched in 2021 to outline our dedication to transforming food production and consumption by 2030. These were aligned with our business priorities, to showcase the positive environmental, social and health impacts of our business, where feasible. In 2024, the Food System Commitments will be re-evaluated for their strategic fit with the company given the context of the merger.

677 million people
Enable the micronutrient gap closure of 800 million vulnerable people

227 million people
Support the immunity of half a billion people

20.5%
GHG reduction per kg of dairy

20%
Nitrogen reduction per kg of poultry

6.8%
Phosphorus reduction per kg of pork

Enable double-digit on-farm livestock emission reduction

92,000 farmers
Support the livelihoods of 500,000 smallholder farmers

Basic commitments

71%
Deforestation-free primary supply chains, Tier 1

63%
Access to food

Global Reach
Nutrition education

Workforce Nutrition: education and healthy food

Due to the impact of the merger and the alignment of our plant-based proteins businesses, our plant-based protein commitment will not be reported on over 2023.

Portfolio steering

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 Ecotools 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

Climate and Nature

Climate and Nature are two sides of the same coin. The loss of our natural ecosystems and the climate crisis are interconnected issues, and they need to be tackled together. The extreme climate impacts we see around the world today - warmer temperatures, drought, rising sea levels – these, and other extreme consequences of climate change, are contributing to an unprecedented destruction of biodiversity and the loss of the natural resources on which we all depend. At dsm-firmenich we are increasingly looking at Climate and Nature as one interlinked topic to ensure we develop the required solutions with an equally interlinked approach.

Climate

dsm-firmenich has brought together two companies that are both industry leaders in their commitment to ambitious climate change mitigation targets but also their unrelenting drive to deliver against these targets. During 2023, we continued to successfully execute against the individual plans of the two companies and built on our combined expertise to develop plans for 2024 and beyond. In early 2024, we submitted our dsm-firmenich net-zero science-based targets for validation by the Science Based Targets initiative (SBTi), aiming to achieve net-zero by 2045, aligned with the ambition of keeping global warming below 1.5°C.

We take our global environmental responsibilities very seriously both in our own operations and in our broader value chains as a significant part of our emissions are either upstream or downstream of our operations. In 2023, we delivered:

Scope 1 and 2	**46%** Reduction in CO_2e versus 2016 in former DSM	**35%** Reduction in CO_2e versus 2017 in former Firmenich	**65%** Reduction in CO_2e versus 2020 in former DRT
Scope 3	**11%** CO_2e intensity improvement versus 2016 in former DSM	**17%** Suppliers with validated SBT for former Firmenich	**20%** Suppliers with validated SBT for former DRT
Renewable electricity	**88%** Purchased renewable electricity for dsm-firmenich		

Our climate approach

At dsm-firmenich our climate approach is focused on both climate change mitigation and climate adaptation in both our own operations and our value chain, as indicated in the figure below.

	Climate change mitigation			Climate adaptation
	Reduce our own emissions	Reduce the emissions of others	Increase permanent carbon removals	Increase resilience
In our own operations	Reduce our direct emissions and Procure Renewable electricity (Scope 1 and 2)	Collaborative customer and consortia projects on waste, transport, renewable energy, etc.	Carbon removals in our operations	Protect our operations from physical risks
In our value chain (up/down stream)	Reduce our indirect emissions (Scope 3)	Reduce the emissions of others through our products and services ('avoided emissions')	Carbon removals in our supply chains	Protect key supply chains from physical risks

Our climate mitigation activities, guided by the latest 1.5°C global warming science, includes:

- The reduction of direct emissions in own operations (Scope 1 and 2) through operational efficiency improvements and our renewable electricity transition strategy
- The reduction of indirect emissions in our value chain by driving Scope 3 improvements through engaging and collaboration with our suppliers and driving additional value chain improvements
- Collaborating with our customers to avoid emissions in their own operations through the products and services we offer
- Ultimately, in alignment with SBTi standards, using carbon removal technologies to deliver our net-zero target

With respect to climate adaptation, a risk-based approach helps us identify and access risks and opportunities and therefore where we need to build further resilience into our own operations and value chain.

Climate change mitigation

In 2015, the Paris Agreement first established a common ambition to take urgent action on greenhouse gas (GHG) emissions to limit average temperature increases to well below 2°C. Later in 2018, the Intergovernmental Panel on Climate Change (IPCC) provided a clear and compelling case to redouble efforts to limit warming to 1.5°C. Our fair share of this ambition resulted in our objective to achieve net-zero by 2045 (subject to SBTi validation) by rapidly accelerating the rate of our emission reductions over the coming decade.

Our key climate targets for both legacy companies are our Science Based Targets

Until they are replaced by dsm-firmenich targets, the existing Science Based Targets (SBTs) from both legacy companies describe our key climate targets and our contribution to climate change mitigation. Both legacy companies have validated near-term SBTs, developed in line with levels prescribed by the special report of the IPCC on the impacts of global warming of 1.5°C. Additionally, former Firmenich also achieved validation of its net-zero SBTs in 2022, further highlighting our ambition to be leaders in the climate change agenda.

The SBTs from former Firmenich include a 55% reduction in our absolute Scope 1 and 2 emissions by 2030 versus 2017 and a Scope 3 commitment of engaging 80% of suppliers by 2026 to validate their own SBTs. SBTs exist also for the former DRT business (acquired by Firmenich in 2020), and they include a 54% reduction in our absolute Scope 1 and 2 emissions by 2030 versus 2020 and a Scope 3 commitment of engaging 80% of suppliers by 2027.

Former DSM's SBTs are an absolute reduction of GHG emissions from own operations (Scope 1 and 2) by 59% (increased in 2022 from previous ambition of 50%) and a value chain (Scope 3) intensity reduction of 28%, both by 2030 versus a 2016 baseline.

In January 2024, dsm-firmenich submitted to the SBTi for validation an update to the near and long-term science-based targets following the Net-Zero Standard. This is aimed at harmonizing the varied legacy targets and to reconfirm our ambition of being a climate leader. With this new commitment, we aim to reach net-zero emission in our direct operations and value chain (i.e., Scope 1, 2, and 3) by 2045. This SBTi's Corporate net-zero Standard implies a minimum 90% decarbonization and the use of high-quality offsets for up to 10% of base year emissions. Additionally, aligned with our historic approach, we have committed to new harmonized and simplified near-term targets, aiming to achieve an absolute emission reduction of 42% for Scope 1 and 2, and 25% for Scope 3, by 2030 from a 2021 baseline, without the use of carbon offsets. Within Scope 2, we have also built on our ambition to be a front runner in the transformation to renewable electricity (RE) and have set a new target to reach 100% purchased RE by 2025.

Ownership of climate actions is at Executive Committee level

The dsm-firmenich climate agenda and transition plan bring together all our key climate actions. Progress of the agenda, including the implementation of the Taskforce on Climate-related Financial Disclosures (TCFD) recommendations, the GHG reduction program, our portfolio development and efforts to advocate accelerated transition with partners, are managed and actively reviewed by the Executive Committee as well as the Sustainability Committee of the Board of Directors at various moments during the year.

Aligning our climate approach with science

Meeting our long-term ambition to reach net-zero GHG emissions aligned with climate science will require us to structurally reduce emissions across our operations and value chains by at least 90% in absolute terms by our target date of 2045. To neutralize any residual emissions in 2045, up to a maximum of 10% as prescribed by the Net-Zero Standard, we may deploy permanent carbon removal solutions to bring us to net-zero. These removals will need to meet the highest quality criteria and social and environmental safeguards. Our updated near-term 2030 targets are the intermediate step to achieve this goal, supported by our ambitions regarding renewable electricity and energy efficiency, and by working intensively with our key suppliers to reduce our large Scope 3 footprint. Our ability to meet these targets will require us to transform our own operations and value chains.

We acknowledge the challenge we have set by aligning with a science-based approach and are working with long-term innovation roadmaps that will bring us as close as possible to zero emissions in the coming decades. These investments will support us on our own emission reduction journey through developments in terms of processes, solutions and materials but will also deliver a portfolio of solutions that can help avoid emissions through reductions in our customers' operations and value chains. In parallel, we are also exploring high-impact instruments for additional contributions to accelerate the global net-zero transition beyond our own value chain - for example, high-quality carbon credits. In alignment with the current SBTi standards, any contributions related to carbon credits or avoided emissions within our value chains are not claimed against our own emissions.

Scope 1 and 2

In 2023, our Scope 1 and 2 market-based GHG emissions amounted to 915 kt CO_2e, with 606 kt CO_2e related to Scope 1 emissions and 309 kt CO_2e related to Scope 2 emissions.

Legacy ompany	Near term (2030) Scope 1 and 2 SBTs Absolute Scope 1 and 2 emissions reduction	Scope 1 and 2 progress
DSM[1]	59% versus a 2016 base year	46% reduction
Firmenich	55% versus a 2017 base year	35% reduction
DRT	54% versus a 2020 base year	65% reduction

1 DSM SBT reporting excludes businesses divested in 2023. Our Scope 1 and 2 reporting includes divested businesses in line with our non-financial reporting policy.

To achieve our current results and continue to progress toward our targets, we have developed a roadmap consisting of mainly three improvement pillars:

- Reduce our energy consumption through energy efficiency measures
- Transition toward renewable electricity
- Transition toward renewable heat, using renewable fuel sources and the electrification of our heat demand

Energy efficiency improvements result from the development and implementation of multi-year project plans that are continuously improved in order to generate maximum savings per investment, thereby also supporting business resilience. Energy efficiency projects can be of a wide-ranging in nature: from process optimization, ensuring basics in place (such as insulation or heat recovery) and implementing best-available techniques in support of innovation and the implementation of digital solutions.

Contributing to 2023 results, many projects were implemented in several sites in 2022-2023, such as:

- Generation of flash steam in the powerplant in Grenzach (Germany) saving ~2 kt CO_2e
- Implementation of steam trap monitoring technology, allowing us to identify in real time leaking or malfunctioning steam traps, in Sisseln (Switzerland), Village-Neuf (France), Dalry (United Kingdom) and Kingstree (USA), saving approximately 4 kt CO_2e
- Reduction of power signal quality losses in Chifeng (Inner Mongolia, China) and Tongxiang (Zhejiang province, China) saving close to 1 kt CO_2e
- Recovery of boiler waste heat in Gujarat (India), saving ~200 t CO_2e

The 2023 results were also impacted by reduced production volumes, and plant closures. The fire incident at our Pinova site in Brunswick (Georgia, USA) was not included in our emissions as no guidance relating to the inclusion or calculation of such as incident is available.

Our 2023 delivered program consists of more than 50 projects that will mostly contribute to the reduction of our Scope 1 and 2 emissions in 2024 and beyond. They also cover a wide range of sites and technologies, examples are improvement of the steam distribution in Yimante (Hubei province, China), Delft (Netherlands) or La Plaine (Switzerland) the generation of steam out of reaction heat losses in Lalden (Switzerland).

Energy and electricity

We are a member of RE100, the Climate Group's initiative comprising leading companies that have committed to obtaining 100% electricity from renewable sources as early as possible. Our new commitment is to purchase 100% of our electricity from renewable sources by 2025. In 2023, we realized **88%** purchased renewable electricity, well on track to achieve our target.

Purchased renewable electricity in Europe and North America

For our operations in Europe, we maintained 100% renewable electricity through existing agreements, pre-production guarantees of origin (GOs) from the Power Purchase Agreement (PPA) in Spain, and fewer separate GOs. In the Netherlands, we have two PPAs with wind parks that are in operation.

The PPA in Spain combines three assets of which the wind park and one solar park are operational while another solar asset is under construction.

In the US, we have concluded three PPAs. The first is operational and produces electricity from wind, while the assets for the other two are under construction and will provide solar-powered electricity. The production from the first agreement and the pre-production renewable energy certificates (RECs) from the two other agreements provided 100% purchased electricity from renewable sources in the US and Canada in 2023. We were able to identify and implement merger synergies in PPAs in North America and Europe.

Progress on purchased renewable electricity in China

For 2023, we purchased 44% of our electricity from renewable sources. In addition, we concluded several five-year agreements that will further improve the amount of renewable electricity from 2024 onwards.

Renewable electricity in the rest of the world

Besides Europe, North America and China, 93% of our purchased electricity in Brazil is from renewable sources, and we have several local renewable electricity contracts at smaller sites around the world. The amount of non-renewable electricity in the rest of the world represents less than 1% of our total purchased electricity.

Working on the decarbonization of heat

We also continue to use renewable sources for steam and heat, including the biomass cogeneration plant in Sisseln (Switzerland), purchased steam from local biomass residues in Chifeng (Inner Mongolia, China), purchasing by-product heat from a neighboring company in Yimante (Hubei province, China), combination of biomass from a local reforestation and bio-based by-products in Vielle Saint Girons (France), as well as use of forestry residues and by-products in Castets (France). The focus on low-carbon heat solutions has become more prominent in our GHG reduction program; we are working to optimize the use of waste streams and collaborating with external providers to explore opportunities. See below overview of renewable heat / low-carbon fuels initiatives that are currently in place in several of our sites across the globe.

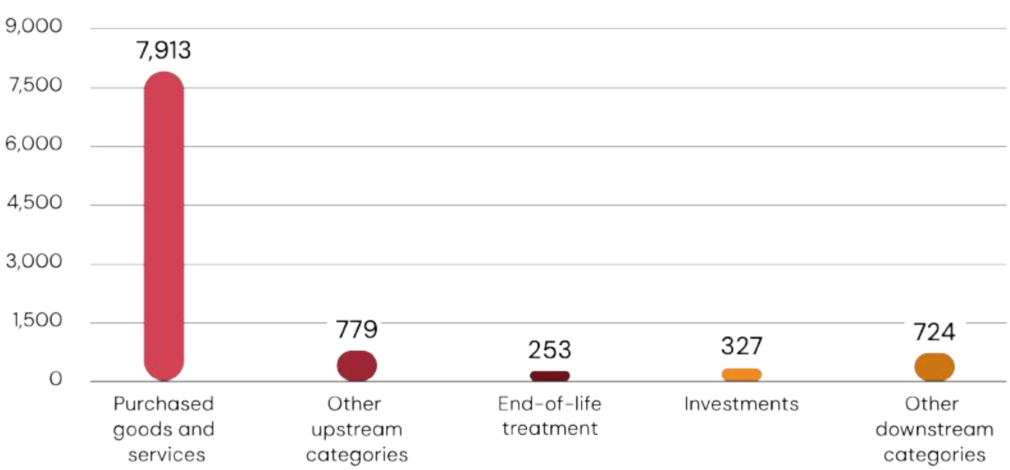
dsm-firmenich sites using renewable or low-carbon steam

Scope 3

Our commitment to sustainability extends across the entire Scope 3 value chain and we are pleased to report progress in reducing greenhouse gas emissions beyond our own operations. Our absolute Scope 3 GHG emissions across both legacy companies amount to 9,996 kt CO_2e.

Scope 3 emissions by category (aggregated)[2]

(x 1,000 tonnes)



2 Scope 3 emissions reporting excludes emissions from businesses divested in 2023.

The Scope 3 results are presented for dsm-firmenich; however, the legacy companies have different targets and scopes, thus progress is reported separately for each legacy company. During the year, we began aligning the Scope 3 accounting approaches, and developing integrated Scope 3 reduction roadmaps.

Currently, we report against the multiple SBTs within the company that have been validated by SBTi. We have submitted our combined, accelerated absolute reduction target, which is based on a harmonized baseline and improved accuracy, with a significant improvement of volume coverage. Further Scope 3 emissions reductions are expected following the development and implementation of our roadmap. In the meantime, the following Scope 3 progress can be shared for each legacy company and its SBT:

Company	Near-term validated Scope 3 SBTs	Scope 3 progress
DSM	Reduce Scope 3 emissions from relevant categories[3] 28% per ton of sold product by 2030 from a 2016 base year	11% reduction versus 2016
Firmenich	80% of suppliers by spend covering purchased goods and services will have SBTs by 2026	17% of raw material suppliers have validated SBTs
DRT	80% of suppliers by spend covering purchased goods and services, will have SBTs by 2027	20% of raw material suppliers have validated SBTs

3 Relevant categories are Purchased goods and services, Upstream transportation and distribution, and Waste generated in operations.

Value chain engagement initiatives and progress

Our value chain engagement initiatives include targeted sustainability workshops, joint goal-setting sessions, and ongoing collaboration to identify and implement emission reduction strategies in the value chain together with our suppliers and customers.

Upstream

Our programs across both legacy companies are being combined and will form part of our integrated business reduction roadmaps. These roadmaps will be the foundation for our absolute Scope 3 emissions reduction targets that are aligned with SBTi's guidance and Corporate net-zero Standard, and which were submitted for validation by SBTi in January 2024. The existing roadmaps for the main seven value chains in former DSM have been developed with over 100 opportunities for reduction identified, and more than 100 suppliers being engaged for delivering reductions, covering 30 purchasing categories.

Additionally, according to former Firmenich's 2022 CDP supplier statistics, 85% of requested suppliers are reporting operational emissions and 69% of requested suppliers are reporting active targets and engaging their own suppliers. The supplier statistics also indicated that 19% of requested suppliers have validated near-term SBTi targets compared to 16.8% of former Firmenich's raw material suppliers in total.

We have committed to Scope 3 upstream action plan to step our Scope 3 decarbonization efforts, driven by the world's largest CEO-led climate Alliance - the Alliance of CEO Climate Leaders - to scale collaborative action across value chains and drive above-average impact.

Downstream

We share our carbon footprint through Environmental Product Declarations (EPDs), *Imp'Act Card™* and Ecotools for our businesses. These cover our main product forms.

In ANH we have 58 EPDs in the new marketing format which are accessible for customers via the digital portal. We share most relevant information at the ingredient level through Imp'Act Card™ in HNC, which our help our customers drive their sustainability journey. At P&B, we recognize the imperative to reduce carbon emissions, and this commitment extends throughout our entire value chain – from sourcing ingredients to delivering perfumes to clients and consumers. For example, in Ingredients, we explore new innovations, such as the low-carbon bio-based alternative, Dihydroestragol RC. We also foster partnerships, such as the joint development agreement signed in August 2023 with Bloom Renewables, aimed at expanding biomass feedstock sourcing and accelerating the development of key low-carbon bio-based ingredients. Our dedication to sustainability goes beyond the ingredients and into our product range also at TTH. We actively engage in eco-designing fragrances and flavour solutions with low carbon emissions, utilizing our digitally integrated tool, EcoScent Compass® and EcoFood Compass®.

Avoided emissions

At dsm-firmenich, we put the primary focus of our climate agenda on the reduction of our own GHG emissions in Scope 1, 2 and Scope 3, following the SBTi. In doing so, we also contribute to the reduction of the Scope 3 GHG emissions of our customers further down the value chains, supporting their net-zero journey.

As a key supplier in nutrition, health and beauty, we see the opportunity to partner with our customers in each of the industry sectors, to help transform the value chain with products that can help tackle the most urgent, sector-specific climate challenges. Before looking at any downstream impacts, we support our customers with their emission targets by providing them with products with an improved carbon footprint. We do so by setting ambitious corporate climate targets and implementing emission reduction roadmaps in our own operations as well as our value chains. In addition to this, we are giving increased attention to identifying, developing and strengthening the products that can create impact through avoided emissions. These are emissions that are not part of our own Scope 1, 2 or Scope 3, but which can be reduced due to our unique product performance. The ways avoided emissions are realized are driven by the global challenges in the business context in the specific sectors we serve and how our products can best help address them in their market applications. We use Life Cycle Assessment (LCA) studies to quantify and substantiate the benefits of avoided emissions enabled by our products, when sufficient reliable data is available.

Our performance solutions, including feed enzymes, eubiotics and mycotoxin deactivators improve animal performance and feed efficiency and reduce waste, thereby reducing emissions related to animal protein production. Farmers can accurately and credibly quantify their own environmental footprint reductions associated with these solutions by means of their primary farm and feed data, using our intelligent sustainability service, Sustell™. LCA studies carried out with Sustell™ show that applying our feed enzyme solutions Ronozyme® HiPhos and Ronozyme®WX products in representative pig diets in Spain reduced the carbon footprint of pig production by up to 7%. If applied to all Spanish pork production, approximately 1,200 kt CO_2e emissions could be avoided.

Our innovative waterless formulations for scalp and hair care provide the same level of performance that consumers expect from liquid formats, while significantly reducing their environmental impact, by transporting less water and minimizing packaging. Compared to a standard liquid shampoo, a powder shampoo with dsm-firmenich ingredients requires the transportation of 91% less water, thereby saving 42% of GHG emissions along the supply chain, considering that the use and manufacturing stages are equivalent.

Brewers Clarex® is an enzymatic solution that prevents chill haze formation while maintaining the quality of beer. The efficiency of the brewery process as well as it's eco-footprint can be improved by using enzymes to replace traditional treatments in the production process. Our Brewers Clarex® solution helped our customers to reduce their GHG emissions by approximately 120 kt of CO_2e in 2023. This happens without any impact on the desired properties of the end-product.

Climate adaptation and transition plans

Climate-related risks such as heatwaves, drought and water stress may impact our sites and our value chain. As a complement to our efforts on climate change mitigation – reducing and stabilizing greenhouse gas emissions to combat the root cause of climate change– we also assess the vulnerability of our assets and value chains. We are mapping the impact of physical climate change, both upstream (suppliers, agricultural commodities) and downstream (end-market). We also assess risks and opportunities related to the transition to the net-zero economy for our business.

Scenario analysis

In line with TCFD, we use climate scenarios to assess risk and opportunities for our business, over different time horizons, up to 2050. The scope is not limited to our own operations but includes the impact along the full value chain. Scenarios are based on IPCC temperature models – the Representative Concentration Pathways (RCP):

- 1.5°C (RCP 2.6)
- 2°C (RCP 4.5)
- 3+°C (RCP 8.5)

For transition to a net-zero world, we enrich the IPCC scenarios with forward-looking business context (e.g., regulations on land and or water use, eco-footprint of products, shifts in consumption patterns).

Approach to assess climate risks & opportunities

- For physical climate risk assessments, we use desk studies for a high-level screening of physical hazards - extreme heat, drought/water scarcity, flooding/precipitation, high winds, wildfire (RCP 4.5, RCP 8.5). This provides us with the major impact factors for our portfolio. We do onsite deep dives to obtain a more detailed understanding of the actual risks for our assets.
- For transition climate risk assessments, we organize separate sessions, with input from experts and senior management, to assess risks and opportunities for each scenario.

The material risks identified through the physical and transition climate risk assessments are integrated and managed as part of our regular risk management processes. For more information on our risk management process, see **Risk Management**.

Physical and transition climate risks assessments

Own operations

Our physical climate risk assessment journey started in 2020, where we screened 19 sites that are part of dsm-firmenich today. We identified flooding and water scarcity as the highest impact factors. The journey continued at former Firmenich in 2022 with a desk study, screening 46 operational sites. This study highlighted heat stress, extreme precipitation, and drought as the primary hazards. We are using the results to improve the business continuity planning of our sites and the water stewardship program (see **Nature**).

In 2022-2023 we completed nine on-site deep dives to understand the (future) climate risks in more detail. For example, the Grenzach (Germany) site assessment showed that 1) increased precipitation could lead to site drainage issues and that 2) increase of drought conditions (not predicted in the desk study) will limit ground water availability and hamper discharge of cooling water to the river Rhine.

In 2022, we performed transition climate risk assessments for the three business groups of DSM (ANH, HNC and F&B, now part of TTH). Risks & opportunities with the highest impact were related to policy and legal (carbon pricing, emission regulations, animal farming practices) as well as market (demand for renewable energy/sustainable raw materials, carbon footprint, dietary shifts).

Value chain
We employed desk studies to screen the impact of physical hazards on our value chain:

- In 2022, study of a case for one of our downstream markets for ANH, the Brazilian dairy market
- In 2023, screening of 150 main suppliers' manufacturing sites
- In 2023, investigation of the climate change impacts on main agricultural commodities: pine, orange, lavender, vanilla, clove and maltodextrin (corn/potatoes)

The exercise run at agricultural level highlighted three take-aways:

- Almost one third of our screened supplies (in volume consumed) are already affected by climate change and the risk will intensify by 2030, and under the worst scenario (RCP 8.5), 40% of our screened supplies (in volume consumed) will be considered at risk in 2030
- Most of the seven crop-sourcing areas are becoming more at risk, but potatoes, lavender and corn will deteriorate the most
- Climate risk varies from crop to crop as this is intrinsic to the individual crop cycle, e.g., corn will be hit by drought, impacting the flowering and grain production, while pine trees will be mainly impacted by wildfires and storms

On these screened commodities, we had the opportunity to go deeper with our procurement team so they can take informed decisions for their strategy and reach out to our suppliers.

Nature

We increasingly address Climate and Nature as one interlinked topic, as discussed in **Climate**. Nature, whether it be biodiversity, or the ecosystem services provided by nature more broadly, helps us adapt to and mitigate climate change. Working with rather than against nature brings multiple benefits, such as its role in regulating our climate.

Nature is firmly embedded in our strategy. We believe that we can contribute to the **protection and restoration** of nature by acting on three pillars: **water, biodiversit**y and r**esource efficiency**. Nature provides us with critical ecosystem services such as water access, biodiversity as our source of inspiration and innovation for new ingredients, and resource efficiency as a critical lever in securing the sustained supply of raw materials.

Our evolving approach to nature is aligned with the **Nature Positive Roadmap** published in November 2023 by Business for Nature, the World Business Council for Sustainable Development (WBCSD), World Economic Forum (WEF) and Union for Ethical BioTrade (UEBT).

The protection and restoration of nature cannot be delivered by any company in isolation. Collaboration between various actors along our value chain is critical to scale up positive impact in any protection and restoration activity. Therefore, we follow a value chain approach from our environment to our products, and in our own internal operations, whether Science & Research, Operations or Responsible Sourcing. These functions, along with valued external parties, are envisioning a new future for how we protect and restore nature, as well as building the revised roadmaps and targets to show progress toward this future.

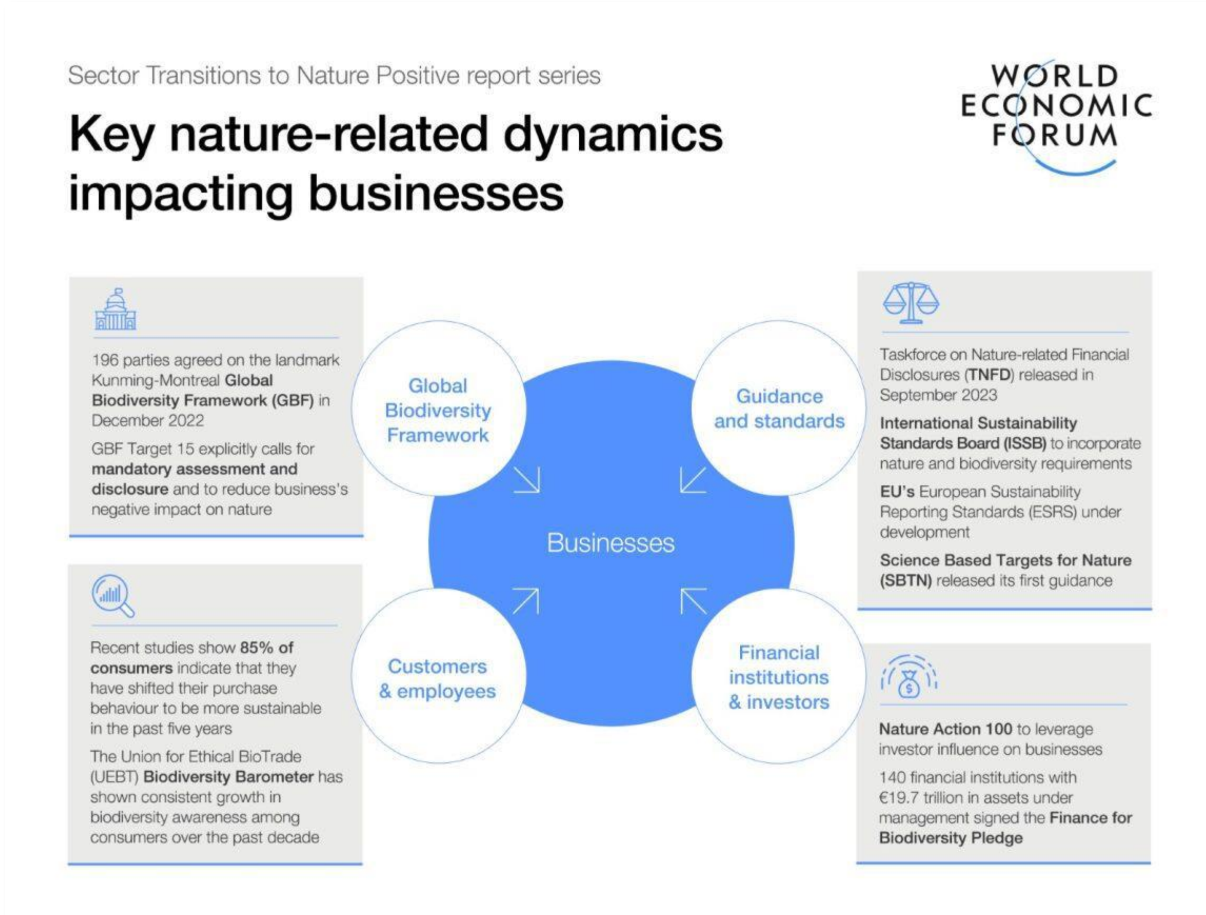
In 2023, our key activities included:

- **Restore**: as part of our biodiversity restoration program, we engaged eight new operating sites in restoration projects, which measure key nature indicators as part of baseline and monitoring activities
- **Protect**: in addition to our existing deforestation- and conversion-free ambitions, we are working toward compliance with the new EU Deforestation Regulation (EUDR) and supporting our suppliers in their journey
- **Both Protect and Restore**: we continue to develop and sell products that contribute to the protection and restoration of nature, for example, by reducing pressure on natural resources through UEBT-verified, ethically-sourced edelweiss for our ALPAFLOR® EDELWEISS CB product

Building an enabling environment

Following the UN Convention on Biological Diversity (CBD) COP15 in Montreal, where dsm-firmenich was represented, there is a clear and loud call to transition toward 'Nature Positive'. Nature Positive terminology has evolved since 2021 but nevertheless still refers to all the efforts society is making to reduce the negative impact on the environment, and therefore our contribution to the protection and restoration of nature.

To ensure our work on nature is in line with this evolving environment, dsm-firmenich closely follows the work of Business for Nature (BfN), WEF, WBCSD and UEBT. The latter two support companies in setting their own nature strategy. Additionally, as the impacts of nature-related dynamics on business are still evolving, as depicted below, we are closely monitoring the changing landscape of nature related frameworks.



Source: WEF Report, Sector Transitions to Nature Positive

Within this evolving environment, we recently piloted the initial steps of the Science Based Targets for Nature (SBTN) guidance. Our involvement in these pilots included modelling of risk-based approaches to biodiversity restoration and engaging in the new SBTN materiality assessments. This gave us an early engagement with the standards which could soon be adopted more universally. With these learnings we, along with 20 other pilot companies, can enhance our evolving nature strategy in line with '**It's Now for Nature'** campaign and SBTN's proposed target-setting guidance. We work with partners to support us in defining our nature strategy.

BfN is a global coalition of influential partner organization and leading companies to drive credible business action and policy ambition to achieve a nature-positive economy for all by 2030. Engaged since 2020 in view of COP15 in Montreal and more recently in 2023, dsm-firmenich was among the tens of businesses who contributed to the elaboration of guidance for sector-specific actions. This guidance aims to support businesses to identify the actions they should take to credibly help halt and reverse nature loss and contribute to an equitable, nature-positive economy.

UEBT is a non-profit association that promotes sourcing with respect. UEBT works to regenerate nature and secure a better future for people through ethical sourcing of ingredients from biodiversity. UEBT is our historical partner since 2013 to support dsm-firmenich in our work on Natural ingredients sourcing. This membership will continue to support our commitments toward Protect & Restore Nature.

In our operations

In our own operations, whether in our manufacturing or pre-mix sites, we focus on water stewardship, resource efficiency and any biodiversity areas that are at risk near to our operations. We deploy a risk-based approach using tools such as the Worldwide Fund for Nature (WWF) Risk Filter on Water & Biodiversity, and the World Resource Institute (WRI) Aqueduct tool to design actions to protect and then restore nature.

Water stewardship

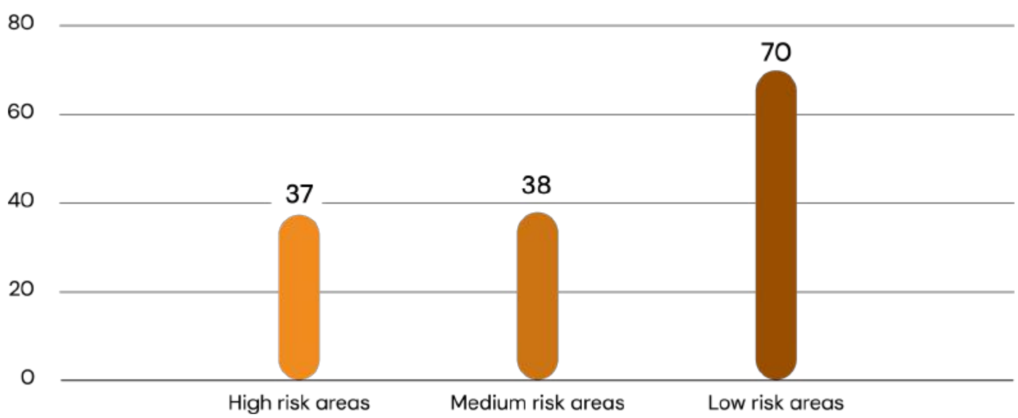
Climate change is altering weather patterns and water security around the world, causing shortages and droughts in some areas and floods in others. The availability of water is a widespread problem, with the WWF estimating that two-thirds of the world's population may face water shortages by 2025.

At dsm-firmenich, we also depend on access to water and strive to strengthen our water stewardship in the areas in which we operate. Our direct dependency is related to our withdrawal of water for our processes and our responsibility regarding the quality of the discharged water (for more information on water, see the **Sustainability statements**). Our dedicated actions with respect to water stress areas will be linked to our below actions on Biodiversity management.

Biodiversity management

Faced with the alarming pace of degradation of vital natural environments, we have a role to play in biodiversity protection, and biodiversity conservation and restoration, especially in areas where we operate directly. Although our manufacturing sites are mainly located in already industrialized areas, some of them may be close to protected areas. We identify the sites that are located close to protected areas using the WWF Risk Filter methodology. Based on the location of our site, this tool informs us of which of our sites are potentially overlapping with identified protected areas.

Number of dsm-firmenich sites located close to protected areas based on WWF Risk Filter



Using these methods, we can be more informed and take the necessary actions to protect and restore these protected areas. As an initial step in restoring nature, we engaged eight additional locations with restoration projects, for which we started to measure key baseline indicators and implemented monitoring activities. For example, our restoration program in Kunming aims to safeguard the water source that nourishes Shanglongtan Village from pollution and flooding risks. Through this program, we help mitigate local biodiversity risk and enhance local biodiversity, ensuring the protection of this vital resources for the community.

Signage to be implemented in our Kunming program area to create local awareness about the program

Resource efficiency

Resource efficiency is a critical lever to secure the sustained supply and use of raw materials, water access and waste management. We strictly manage our hazardous and process waste to protect nature by minimizing negative impacts on human health and the environment. All our sites are required to implement a management system to ensure compliance with all local regulations, and beyond when possible. Waste management is one of the first steps toward to increased resource efficiency processes: such waste can also be valorized as starter for other industrial processes. For more information on waste, please see the **Sustainability statements**.

In our value chain

Our procurement

We recognize the importance of sourcing practices for raw materials which are dependent on water and natural feedstocks. We showcase our approach toward preservation of nature, among other positive impact drivers, in our story **Mint with Purpose**.

Through Responsible Sourcing, we will continue to strengthen and promote the protection and restoration of nature in our sourcing practices. This will include efforts such as avoiding deforestation and the degradation of natural ecosystems, promoting sustainable agriculture, and supporting forest conservation when we use non-timber forest products.

More information our current progress related to Responsible Sourcing and the implication of environmental impact in our procurement decision-making is provided in **Supplier engagement**.

We maintain our commitments to no deforestation and no conversion of natural land ecosystems. In order to deliver on these, we utilize 3rd party sustainable schemes such as:

- Palm Oil – Roundtable for Sustainable Palm Oil (RSPO)
- Sugarcane molasses – BonSucro
- Soy – ProTerra
- Corn – Farmer Self-Assessment (FSA) from the Sustainable Agriculture Initiative (SAI)
- Crude Sulfate Turpentine (CST) from paper-industry waste – Forest Stewardship Council (FSC) or Program for the Endorsement of Forest Certification (PEFC)

These may not necessarily be sufficient for the upcoming EUDR. As such we are working to reach compliance within the prescribed timelines, as well as supporting our suppliers through the process.

Our 2023 first assessment demonstrates that in most cases, we are not sourcing from high-risk categories in the EUDR, however, we will remain diligent and engage with our suppliers by requesting guarantees from them on the due diligence they take in their value chains on deforestation and engage in subsequent reviews with them.

In 2024, in support of achieving compliance to the regulation:

- We request all suppliers to acknowledge our Supplier Code which lay-out our requirements in deforestation
- We train suppliers on the regulation of which the topic of deforestation will be a key part of the agenda for dsm-firmenich's first supplier sustainability day in early 2024
- We ensure that concrete actions are taken in our supply chains when specific nature related risks are identified by leveraging our due diligence and actions at source with our suppliers on the ground. This all together helps us to reinforce our traceability capabilities and feedstock certification

In our products

Nature plays a key role in providing us with the inspiration in new product development as well as the resources necessary to produce our products. We leverage our actions toward the protection and restoration of Nature:

- To inspire the creation of products such as organically and UEBT-verified, ethically-sourced edelweiss from the Swiss Alps for ALPAFLOR® EDELWEISS CB, and to contribute to the protection of the planet's natural resources such as offering via our 'Circular Collection' fragrances made 100% with upcycled ingredients. Read more in **Perfumery & Beauty**
- In the way we think about our products, we strive to promote and valorize waste from within our own operations or from other industries such as from cocoa harvest and post-harvest processes. Our upcycled cocoa extract is obtained by valorizing a condensate recovered during the cocoa processing. It delivers an authentic roasted profile with caramelic and creamy notes. Read more in **Taste, Texture & Health**
- In contributing to reduce and avoid the risk of overfishing and its related negative impact on marine ecosystems thanks to *life's®OMEGA* O3020. Read more in **Health, Nutrition & Care**
- In increasing animal feed efficiency, which consequently supports less feed consumption for similar animal proteins production. Read more in **Animal Nutrition & Health**

Nutrition and Health

As part of our purpose of bringing progress to life, we aim to help address malnutrition in all its forms, including micronutrient deficiencies, by helping to strengthen food systems globally, to improve equitable access to adequate nutrition, and consequently to improve health outcomes.

In 2022, a report by The Lancet Global Health concluded that one in two preschool aged children and two out of three women of reproductive age worldwide suffer from at least one micronutrient deficiency. According to WHO, improved nutrition leads to improved infant, child and maternal health, stronger immune systems, safer pregnancy and childbirth, lower risk of non-communicable diseases (such as diabetes and cardiovascular disease), and longevity.

Solving malnutrition is a global challenge, and one that we cannot address alone. We work together with our global partners, including the World Food Programme (WFP), UNICEF, the Bill & Melinda Gates Foundation (BMGF), and World Vision International to address the root causes of malnutrition, and shape more just and sustainable food systems across Africa, Asia, and Latin America. Furthermore, we participate in global networks such as Partners in Food Solutions (PFS) by leveraging our technical expertise to help increase the growth and competitiveness of African food companies. For example, our HNC business is proudly supporting the Millers for Nutrition (M4N) initiative, in collaboration with BMGF and other partners. Lastly, we have made several investments, such as in Africa Improved Foods (AIF) to help increase the local production of nutritious foods in the African continent.

Partnerships for Nutrition and Health

UN World Food Programme

The dsm-firmenich-WFP partnership ‘Improving Nutrition, Improving Lives’, in place since 2007, aims to solve malnutrition and contribute to achieving SDG2 (Zero Hunger). During more than 15 years of partnership, both organizations have helped fight nutritional deficiencies that stunt growth, hinder development, and threaten the lives of one in two people globally, greatly limiting their potential. Through the partnership we reach 35 million people annually with nutritionally improved products.

We offer WFP our technical and scientific expertise in nutrition, quality assurance and marketing, as well as financial assistance, to improve the availability and affordability of fortified, nutritious foods for people in need. dsm-firmenich and WFP are working together to drive the transformation of food systems, supporting local food companies and value chains in developing countries to deliver more affordable, fortified, nutritious food options to communities in need. To give one country example, in Peru, the partnership has supported 67 millers with technical assistance since January 2022 to produce fortified rice that looks, cooks, and tastes like ordinary rice, but crucially includes essential vitamins and minerals that help curb micronutrient deficiencies. Fortified rice is now included in three food-based social protection programs in Peru, resulting in 3.5 million school children receiving fortified rice in their school meals. Additionally, 256 retailers were trained since mid-2022 to promote the commercialization of fortified rice, enabling greater access to nutritious foods in the open market.

Through the rice fortification and retail projects of WFP country offices under the partnership, WFP and national stakeholders leveraged existing platforms to reach an estimated 14 million indirect beneficiaries with fortified rice and Social Behavior Change and Communication (SBCC) campaigns, with more than 320 million people receiving fortified rice through social protection programs globally. Furthermore, approximately 450 retailers and millers received technical support since January 2022 through the partnership.

Photo: WFP/Mehedi Rahman

UNICEF

Since 2013, UNICEF, dsm-firmenich, and Sight and Life (SAL) have partnered to improve nutrition for women and children. Built on multiple pillars, the partnership aims to expand the scientific evidence base and proof of viability of targeted nutritional interventions, to increase awareness of the importance of good nutrition, and to make nutritious food products accessible to those who need them most. Some examples of the work we do together in Nigeria, India and Mexico are below.

Creating an enabling environment and scaling up micronutrient powder uptake

The partnership's main focus in Nigeria is to increase access to vital nutrients during the critical first 1,000 days of life in order to support optimal physical and cognitive development.

In 2023, we supported the Nigerian government in the following areas: (i) working toward the integration of micronutrient powders (MNPs) in the essential drugs list, (ii) starting the development of a social behavior change strategy including MNPs and multiple micronutrient supplementation (MMS) and (iii) defining and managing a pathway to certification for technically qualified and interested vendors to locally produce MNP / small quantity lipid-based nutrient supplements (SQLNS). By 2024, we aim to reach up to one million additional children aged 6 to 23 months and up to 200,000 pregnant women in UNICEF-supported humanitarian states.

The social movement on nutrition program

In India, we have worked together since 2019 to enable the platform ImpAct4Nutrition (I4N). This platform engages the private sector for workforce nutrition and aims to create a social movement around nutrition literacy in support of the National Nutrition Mission (*POSHAN Abhiyaan*). At November 2023, I4N had more than 490 pledged corporate partners and through them the platform has been able to reach more than 2.7 million employees (and families) by using the ACE (Assets, CSR and Employees engagement) card for Nutrition. Additionally, I4N have reached over 120 million citizens of India through good nutrition literacy by various means of mass/print and electronic media since January 2023.

Scaling up maternal and child health interventions among vulnerable population groups in Mexico

In 2023, through the partnership the MMS landscape in Mexico was mapped. This mapping enabled an alignment with other actors and helped avoid overlap in efforts around demand generation for maternal and child health interventions and efforts targeted at improving the relevant regulatory environment. In 2023, MMS reached women throughout the state of Yucatán. By 2024, the partners aim to expand the work in Yucatán and to further states across Mexico.

World Vision International

Our partnership with World Vision International and SAL, with the slogan of 'Joining Forces for Last-Mile Nutrition', aims to bring prosperity and good nutrition to the most vulnerable communities in the Global South. Leveraging the unique capabilities and know-how of each partner, we design and implement sustainable market-based solutions that bridge the gap between public and private efforts for improving nutrition and fostering local economic development. In 2023, the partners continued together in, among others, Rwanda, Ethiopia, and Brazil.

The maize value chain in Rwanda

In Rwanda, the partners collaborate to transform the local maize value chain, by supporting smallholder farmers with improved post-harvest processes to increase the quality and quantity of their produce. Through a partnership AIF, smallholder farmers have access to a stable market, while increasing AIF's access to local, high-quality maize in Rwanda. In 2023, the program reached over 11,000 farmers, and after positive results, the pilot will be scaled to 20,000 maize farmers through World Vision's own programming.

The EGGciting project

In Ethiopia, the partners collaborated on the EGGciting project, focusing on training smallholder farmers in poultry farm operation and feed management for improved nutrition, safety, quality, sustainability, and livelihoods. Simultaneously, the program aims to increase the accessibility of nutritious eggs in the local community. After a successful pilot, World Vision is exploring the scale-up of the model in Ethiopia, in collaboration with local governments.

Social distribution of nutrition in Brazil

In Brazil, the partners aim to empower women in last-mile communities through a distribution model for micronutrient-enriched products. In this model, women in vulnerable communities are provided with trainings in entrepreneurship and nutrition, and can sign up to become last mile entrepreneurs to sell nutritious products in their communities. The pilot was launched in 2022, In collaboration with Omnilife, a producer of cosmetic and nutritionally improved products. Since then, 50 women have participated in the pilot, with a door-to-door business model. An additional 500 women were supported with nutrition and entrepreneurship training. A successful closing ceremony of the pilot was held in December 2023.

Africa Improved Foods

AIF is a social enterprise with the mission of helping people in Rwanda and the wider region achieve their full potential through improved access to nutritious, locally sourced foods. These foods include mineral and vitamin rich porridges that help meet the nutritional needs of vulnerable population groups such as pregnant and breastfeeding mothers, older infants, and young children. AIF addresses the food challenges facing Africa by building resilient food systems through sourcing, manufacturing, and selling nutritious, affordable, and accessible products.

AIF was launched in 2016 in Rwanda as a public private partnership between the Government of Rwanda and a consortium comprising former DSM, the Dutch Development Bank (FMO), DFID Impact Acceleration Facility managed by CDC Group plc (CDC), and the International Finance Corporation (IFC), the private sector arm of the World Bank Group.

A recent report published by the Harvard Kennedy School and Endeva, entitled **Fortifying Food Markets***: Unlocking the potential of food fortification partnerships to improve nutrition* highlighted AIF's role in increasing accessible and affordable nutritious foods by improving food safety, reducing malnutrition, and contributing to broader development. AIF reaches 1.6 million consumers and beneficiaries daily through the WFP, and more than 90,000 children over six months old, as well as pregnant and lactating women in Rwanda, now have access to nutritious complementary foods. Additionally, AIF has contributed more than USD 900 million in discounted net incremental benefits to the African economy.

AIF's Kigali factory contributes to the local and regional economy

AIF's mission is to produce high-quality nutritious foods from local ingredients. Working with smallholder farmers in Rwanda and across the region, AIF improves their productivity and product quality, and is scaling this further with partners. AIF is focused on developing robust value chains that address the challenges of climate change and employment creation in the African food value chain. AIF's Kigali factory employs over 470 skilled workers, and the regional procurement of goods and services (such as transportation) has led to indirect economic development across East Africa. Reaching more than 1.6 million consumers daily, AIF has proven that this model can be profitable while contributing to SDG 1 (No Poverty), SDG 2 (Zero Hunger) and SDG 13 (Climate Action).

Partners in Food Solutions

PFS works to increase the growth and competitiveness of food companies in Africa. These aims are achieved by inspiring business leaders and linking highly skilled corporate volunteers from a consortium of leading companies including dsm-firmenich, Cargill, General Mills, Hershey, Bühler, Ardent Mills, and J.M. Smucker Company with promising entrepreneurs and other influencers in the food ecosystem. The seven corporate partners have empowered hundreds of entrepreneurs to work toward stronger, more resilient food value chains across the African continent.

In 2023, dsm-firmenich employees contributed more than 1,894 volunteer hours working with 95 African customer organizations across eight countries. By sharing expertise, the volunteers were able to assist local entrepreneurs in growing their businesses and supporting a supplier base of more than 294,000 farmers. In total, 103 dsm-firmenich volunteers supported 126 service offerings to clients, of which 31 customer organizations are owned or managed by women (39% of the 95 worked with).

Project B.E.N.®

Project B.E.N.®, which stands for Better Eggs for Nutrition, is a cross-cutting innovation that addresses the entire egg value chain – from producer to consumer – saving lives and livelihoods. It smartly increases the production and consumption of eggs to greatly reduce childhood malnutrition in vulnerable. At the same time, farmers are able to increase their income due to increased egg productivity, lower production costs enabled by consistent high-quality inputs (feed, layers, technical assistance and veterinarian support), access to credit, and access to local more profitable markets, for example, school feeding programs.

Through an innovative business model called the Egg Hub, we collaborate with local poultry producers to help transform families into smallholder farmers that produce and sell eggs in vulnerable communities. The program started in 2021 and so far has engaged over 250 smallholder poultry farmers (60% women) across more than 80 farms in Peru, Brazil, and Kenya. The smallholder farmers on average experience a doubling of their income. The farmers reach their break-even point after two years, enabling them to finance at least 30% of the initial inputs for the next cycle by themselves, while paying back their loans, therefore ensuring the sustainability of the project. The economies of scale created by the egg hub also help increase the accessibility, affordability, and aspiration for eggs in the local community.

In 2023 Project B.E.N.® farmers in Latin America and Africa produced more than 22 million eggs impacting more than 450,000 people who consumed at least one egg per week, especially children and women at childbearing age. In Peru, we conducted a nutritional impact study in 2023 that proved that introducing eggs early on significantly improved growth velocity and gross motor development in infants who are experiencing growth faltering.

People

As DSM and Firmenich announced their merger in May 2022 we set forth creating a new, integrated and engaged organization making us a great company to work with and work for. Close to 30,000 colleagues make the difference every day to bring progress to life. Their engagement, commitment and dedication ensure that we can delight our customers and offer innovative solutions.

Coming together as dsm-firmenich has kickstarted an inclusive and comprehensive program to shape a new, shared culture, carried by values and behaviors that will underpin what we stand for and how we make choices in our day-to-day delivery with our customers and stakeholders. We announced our new dsm-firmenich values in May 2023 together with our purpose: *We bring progress to life*. Having shared values is an essential driver for success in our integration.

Additionally, our priorities have centered around landing a new operating model for dsm-firmenich in which we work together as a newly formed Group, made of Business Units and Business Partners. Providing clarity to our colleagues around the world on their new roles and responsibilities has been paramount and we successfully finalized most of our people appointments by year-end 2023, while executing on our plans for integrated rewards, people development, well-being, engagement, inclusion and diversity.

The legacy companies have historically put their people at the heart of their organizations. With this shared heritage we are committed as dsm-firmenich to continue on this track. We are proud of the shared passion and capabilities that will enable our long-term success.

Safety, health & well-being

The safety, health and well-being of our employees is our key priority and is anchored in our new Safety, Health and Environment (SHE) policy. The merger provides us with the opportunity to learn from each other and harmonize approaches and systems to higher maturity levels. Continued volatility in the world around us resulted in additional challenges, making safety, health and well-being more important than ever.

The merger and global developments in 2023 had a profound impact on our people throughout the year, from higher levels of personal uncertainty to increased workload levels. In turbulent times like these, we maintained a continuous focus on the safety, health, and well-being of our employees. The attention for safety & health focuses on three areas to ensure that they are embedded across our organization. It is our mission to provide an injury-free, healthy and secure workplace to everyone working in dsm-firmenich. As part of the merger process, new company targets on these three areas are under development. The first target to be set under this process will be the Frequency index Total Recordable Incident Rate for employees and contractors (TRIR-all).

	2023
Occupational safety	
Total Recordable Incident Rate (TRIR)-all	0.31
Total Recordable Incident Rate (TRIR)-own	0.29
Process safety	
Process Safety Incident rate	0.28
Occupational health	
Health rate-all	0.14
Health cases-all	50

Safety

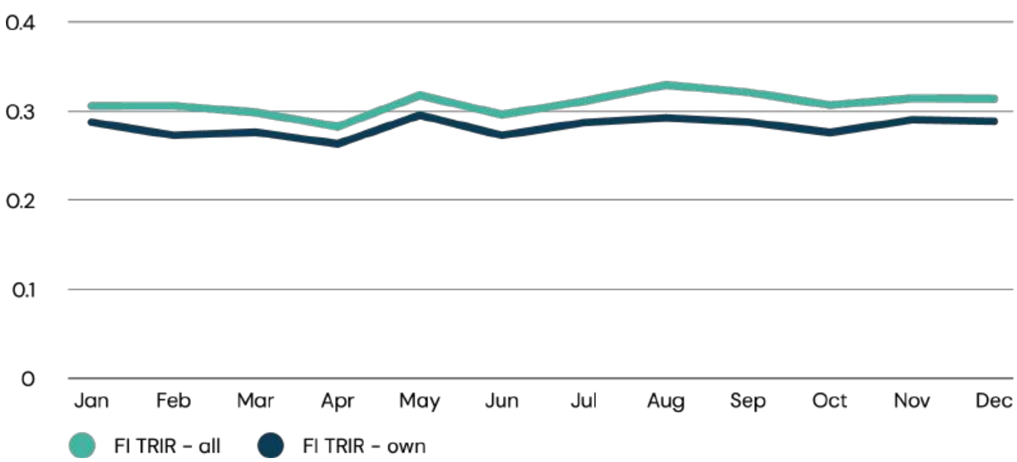
Occupational safety

Occupational safety is the **safety of our employees and contractors** in the workplace.

With a 2023 **Safety performance** TRIR of 0.31 (for the post-merger period of June – December, 0.30), our result is well above our long-term target level of 0.20 and clearly not where we want to be. Most (~60%) of the 2023 incidents were easily avoidable cases (e.g., slips/trips/bumps/handling of tools and equipment) resulting in only minor injuries. The investigations showed that they were not caused by a lack of procedures, training, or information, but mainly by individual behavior and awareness.

SHE leadership and SHE culture are key to addressing the continuing rise of behavioral incidents. Therefore, company-wide initiatives and discussions took place in many different leadership teams focusing on creating the right mindset and behavior of our people. To support that, we continued improving our SHE culture through the continuing roll-out and strengthening the effectiveness of our Behavior-Based Safety program (Safestart®).

Frequency Index of Recordable Injuries



Key initiatives

We initiated several close-the-loop activities focusing on intense safety dialogues, especially during the shift handover at our manufacturing sites. We also started scavenger hunts on the shop floor for hand safety risks and the identification of slip, trip and fall situations. Additionally, we kept programs running that we benefitted from in recent history like our issue site programs where we focus on the sites with the most incidents to run dedicated improvement programs. To ensure our programs, initiatives and systems are fit for purpose for the new company, a detailed review, alignment and shaping exercise has been conducted after the merger. Priority was given to get the new organization in place, embracing SHE policy, Life Saving Rules, personal protective equipment (PPE) alignment, reporting and continuation of leadership and culture development programs. We plan to expand this in 2024 to create one set of policy requirements, procedures, and a common language for all of dsm-firmenich.

In the first quarter of 2023, we were honored to receive the prestigious Chemical Industry Sector Award for occupational health and safety excellence in former Firmenich from the Royal Society for the Prevention of Accidents (RoSPA). This world-leading accolade is a demonstration of our approach of continuous improvement toward the goal of zero harm and ensuring that all our colleagues and contractors go home safely each day.

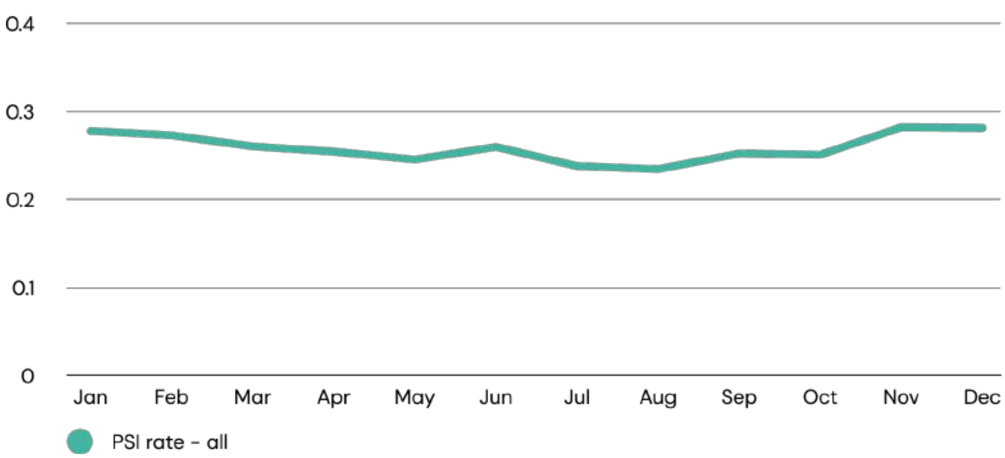
To keep our contractors safe, we employ the same strategies as for our own organization, with a **focus on learning** from past incidents and on the robust implementation of our **Life-Saving Rules**.

Process safety

Process safety refers to the technical safety of our facilities. In 2023, the **Process Safety Incident rate** ended at 0.28. Despite improvements in many sites, we had a serious fire incident at our Pinova site in Brunswick (Georgia, USA). Fortunately, there were no injuries, but the facility damage was so significant that it resulted in the closure of the site.

As with occupational safety, we focused on the sites with the highest number of process safety recordable incidents in 2022 and they delivered a significant 77% incident reduction. Improvements were achieved by self-assessment tools addressing common technical root causes and specific site improvement plans. The continuing activities around our behavior-based programs and integration improvement programs contributed as well to this improvement.

Frequency Index of Process safety incidents



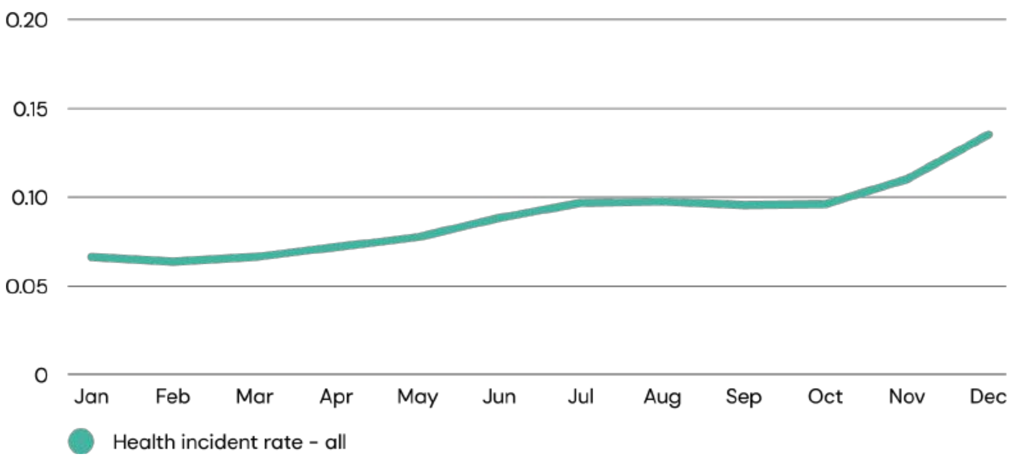
In addition to the above, sites integrated all process safety information into a single process safety management system. We continued to monitor and manage the process safety life cycle, including promoting a 'first-time-right' approach and evaluating its effectiveness. Alongside merger activities we adapted the networks for process safety experts, started to review our process safety procedures and guidelines.

We continued to strengthen the development of regional and local competences. For example, we delivered dedicated process safety training modules for shop floor teams and staff, for example, on LOTOTO (Lock Out, Tag Out, Try Out), handling of self-heating materials, safe powder handling, and bonding and grounding. Furthermore, we conducted 39 fire protection integrity assessments at affiliates world-wide, reflecting the importance placed on protecting our people and assets from fire and natural hazards. Audits cover both organizational and technical readiness.

Health & well-being

Occupational health and industrial hygiene

Industrial hygiene focusses on eliminating or minimizing work exposure to health hazards by engineering controls and/or personal protective equipment while occupational health deals with the effects of exposure, avoiding occupational diseases and providing needed health care for our workers. In 2023, we recorded a health incident rate for employees and contractors of 0.14 consisting of 50 occupational health incidents of employees and contractors.



A significant share of health incidents recorded this year (8 out of 50) involved hearing losses recorded in one of our production sites located in China. This site was acquired in the recent past and this was the first time that hearing tests had been carried out locally based on dsm-firmenich standards, which are stricter than local legal standards.

Ergonomics remained the leading cause for occupational health injuries. In total 63% of the recorded cases were related to ergonomics issues. To address that, we are implementing in selected sites a program dedicated to ergonomics, which covers elements such risk assessment, engineering controls, medical surveillance, and training. In addition, we are rolling out an innovative training method based on the use of wearable devices that can detect and immediately feedback unhealthy posture and movements. These devices provide the opportunity to train workers on what constitutes healthy movement, and to identify tasks that might need to be reengineered.

Besides ergonomics, we have continued to focus on prevention of health hazards in the workplace. We have established an internal committee that brings industrial hygienists, toxicologists, and product stewardship experts together. This committee oversees our internal occupational exposure limits for substances not regulated by government agencies. Another preventive action in 2023 was participating in the global Mental Health and Well-being Program in alignment with the Global Vitality Office and HR.

To strengthen industrial hygiene for the years to come, we initiated the implementation of a single management system for all industrial hygiene risk assessments. The system will be rolled out in 2024 and will enable a better sharing of relevant health data, to easily find and implement our best practices as well as identifying needs for further improvements.

Employee health & well-being

At dsm-firmenich, living our purpose starts with creating a culture of health and well-being at work, where every employee is encouraged to make healthy choices. We continuously strive to support our people in pursuing a proactive and preventative approach to health and well-being, especially during periods of change.

The Global Vitality Office was established in 2023 to help our people make positive choices for their long-term health, creating a culture of health at work. Drawing on dsm-firmenich's expertise in nutrition, health and beauty, the Office will use the health, beauty and nutrition knowledge and experience from the dsm-firmenich organization, and 'walk the talk'. It supports this by providing 'state of the art' health and vitality information, creating create global campaigns, frameworks, and standards to guide preventative healthcare measures across the company. Most importantly, it will connect all Vitality ambassadors in the organization to learn from each other and to make more impact for all colleagues.

Recent activities and implementations include:

- BoostYourVitality: a dsm-firmenich global vitality platform which connects all vitality initiatives and offers exclusive access to many informative articles, engaging webinars, lifestyle test, and cutting-edge products to all dsm-firmenich employees free of charge, as well as, access to products in an integrated webshop for reduced prices
- dsm-firmenich's partnership with Thrive Global, a leading behavior change company, to support our people with resources to improve their well-being and productivity, available to all employees
- To mark World Mental Health Day in October 2023, we organized a global webinar together with Thrive to help employees spot the warning signs of mental health challenges so that they can build mental resilience, make the changes they need, and live a happier, healthier, more productive life
- In 2023 we set up a global Mental Health and Well-being Program in alignment with the SHE and HR departments. In 2024 we will launch this further aiming to increase both employee and leadership awareness, fostering a supportive and safe workplace, and to provide a support system

We will also develop, implement and sustain practices in this area and monitor their effectiveness and positive impact.

Creating our new organization

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) – and Group Business Partners such as Science & Research, Finance, Human Resources, Digital & Tech, Communications and are applying the following principles to our operating model.

We **operate as one group**, united by a common purpose & 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 & Efficiency**, by partnering with the Group and the Business Units, helping them to deliver on their ambitions, 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.

Transforming principles into organizational designs

We made progress at pace to translate the operating model principles into how our Business Units and Business Partners are structured and how they operate, ensuring transversal alignment across the company. By the end of 2023, the implementation of most of the new organizational structures and operating models were completed. In the spirit of being a force for good and ensuring fairness and equal treatment of candidates from both legacy companies, we followed a fully transparent selection process for the placement of our employees into new positions. Employee representation bodies and the relevant works councils were consulted as part of the redesign process.

Our new values

Organizational culture is the combination of several factors including purpose, values, behaviors and working norms. Culture has a key role to play in the success of any merger, helping to create a unifying platform to accelerate integration and achieve synergy value. For that reason, we created a new set of values and will create a new set of behaviors through the use of an employee survey, top leadership interviews, regional focus groups and external perspectives. Our values and behaviors approach ensures a systemic narrative, connecting purpose, brand, and values, and underpinned the launch of our new company.

An employee Pulse Survey conducted in May 2023 showed that 77% of respondents were familiar with our values within a month. The Survey furthermore showed that 85% found our values inspiring, while 60% believed they were easy to put into practice. Finally, people viewed our value 'shape the future' as the most inspiring (87%).

From September through to the end of the year, the activation campaign continued via a 'Culture Catalyst' series of missions to extend engagement with the values across all regions and enable people to put them into practice.

"I am deeply proud of our purpose, which is embodied in our values emphasizing innovation, integrity, accountability, and collaboration. They guide us in our endeavors to bring progress to life and create a sustainable and prosperous future together with our people, our customers, and our communities."

Mieke Van de Capelle, Chief Human Resources Officer

Developing new behaviors
'Shaping the Future' became a reality for our employees in October, when they were invited to participate in a 72-hour 'Behavior Jam' session, designed to elicit input for a new set of behaviors and Employee Value Proposition. In total, 21% of the employee population registered, resulting in 6,668 contributions (comments) in seven languages. We aim to launch our new behaviors in 2024.

People engagement and development
Employee engagement
Our Pulse Survey also provided us with additional insights on how people felt, how they experienced our integration and how we could improve the process for them. Almost 17,000 people (59%) responded.

They told us they were proud (83%), engaged (82%), and experienced many positive emotions toward our merger. Through their comments, people expressed excitement about the future of dsm-firmenich, hope toward the products we can develop together and curiosity to get to know each other. On top of that, they told us that they believe in our company purpose and values. Eighty-five percent of respondents consequently said they intended to stay with our company for the next 12 months.

At the same time, 22% of respondents expressed feelings of uncertainty. We saw a need to increase the change support to our managers (59%), build trust (70%) and raise value awareness (77%).

In total, over 130 plans were established within our countries to improve our results. The actions we took ranged from local town halls to communicating transparently about our challenges as a company. A follow up survey was planned for January 2024 to evaluate the outcomes of these actions.

People development
With the creation of dsm-firmenich, we are building on our existing people development practices and shaping them more broadly for the integrated organization. Before the merger, each legacy company created various learning opportunities.

For both legacy companies, extensive learning content remained available throughout the entire year, also post-merger.

In 2023, dsm-firmenich spent on average eight hours on learning.

In total, more than 220,000 learning hours were recorded, including more than 170,000 hours of digital learning and more than 16,000 hours of classroom training.

Continuing an earlier initiative of planting trees in ratio to the number of hours our employees spent on development digital learning, 11,750 trees will be added to the existing forests.

Leadership and leadership development

We provided our leaders with a platform called ‘The Leadership Connection’, where we host carefully curated resources, tools, and knowledge-sharing platforms to empower our leaders to excel. Several development tools were made available post-merger to support the development of our leaders including Gallup Clifton Strengths and Coach Hub:

- Gallup Clifton Strengths – to help individuals and teams identify, understand, and optimize their unique strengths
- Coach Hub – an online coaching platform that supports individual development through a wide range of topics including leadership skills, career development, personal growth and more

We also merged our partnership with IMD School for Business Management Development (Switzerland) across both legacy organizations and continued to offer nominated talents the opportunity to participate in IMD leadership, strategy, digital transformation & innovation and/or operations development programs.

In addition to joint dsm-firmenich leadership development offerings, in 2023 former DSM continued to host leadership development programs, with a total of 15 run across regions in addition to the Bright Mentoring Program. In former Firmenich, we continued with the deployment of the ‘Engage People During Change’ leadership development initiative as well as ‘A Step Forward’, an internal women acceleration program which encompasses mentoring, external coaching, and community events.

Performance management process

To move toward consistency for dsm-firmenich, we aligned the key principles and timelines for performance management in 2023. This enabled HR to provide a consistent level of communication and support for both People Managers and employees. It also ensured that 100% of employees who were eligible to do so, were able to discuss their performance during the transition to one company process for 2024. Non-eligible employees included those who are on a prolonged leave of absence (e.g., maternity or sick leave), or newcomers.

Performance discussions remain the foundation to ensure we reach our collective goals and empower personal development for our employees. A completely aligned performance management process will be launched for the 2024 cycle.

Rewards

One of our key focus areas for the year was to introduce a Short-Term Incentive (STI) framework for the transition year 2023. This framework provides one global and standardized approach, linking STI to the achievement of company objectives. This means employees eligible for STI will be rewarded based on the same dsm-firmenich objectives for the transition year 2023. Similarly, a new common Long-Term Incentive (LTI) plan was introduced in 2023.

On Day 1, all employees received a certificate symbolizing ownership of one share in dsm-firmenich, which will result in a cash settlement through payroll on the first anniversary of the merger.

Another focus was developing our new reward strategy, which will be the foundation for our new, unified reward policies and practices. This strategy sets out what our rewards aim to do: contribute to optimal well-being by combining the essential, the desirable and the sustainable – the dsm-firmenich needs, wants and musts. We reward progress in innovation, growth and achieving winning outcomes together.

We will start implementing our new rewards policies and practices on a country-by-country basis during 2024.

Diversity, Equity and Inclusion

At dsm-firmenich, being a force for good is not optional. Diversity, Equity and Inclusion (DE&I) is a shared responsibility woven into our daily work to not only benefit our people, customers and communities but to also drive business value.

Equal access to opportunities is a given, belonging is a shared feeling, authenticity is celebrated. Our DE&I strategy focuses on three pillars:

Building diverse teams	Providing equal opportunities	Fostering an inclusive culture
We ensure that leadership teams and the workforce reflect the demographics of customers, communities, and the global footprint	We raise awareness and offer inclusive benefits to provide equal opportunities	We create an environment where everyone is treated with respect, feels valued, heard, and safe
We meet the needs of diverse customers and promote diversity in the supply chain by collaborating with diverse suppliers	We uphold our commitment to pay parity and to address bias and discrimination to create an equitable workplace	We regularly assess our culture's inclusivity, take steps for improvement, and empower our leaders, managers, and colleagues to promote inclusivity through education and skills development

We believe a diverse Global Management Team (GMT, consisting of approximately 400 leaders) is an essential component of business success that deepens our understanding of our global customer base and workforce, and allows us to attract, retain and develop top global talent. In September 2023, we conducted a voluntary self-identification survey among our GMT in line with data privacy rules in in the countries of employment. Thirty-five percent of respondents self-identified as female or non-binary and 40% as ethnically diverse leaders (non-European).

To further promote Gender and Ethnic Diversity within our GMT, the dsm-firmenich Long-term Incentive Plan contains a Diversity Key Performance Indicator (KPI). For more information, see the **Compensation report 2023**. We have set the targets to reach 36% female or non-binary colleagues, 41% of ethnically diverse leaders (non-European) in our GMT at the end of 2025.

We aim to achieve a gender-balanced organization across all levels. Today, 10,811 women work at dsm-firmenich. The dsm-firmenich Board of Directors consists of 12 Members, representing eight nationalities, with 33% being female and 67% male. In addition, three out of nine Executive Committee Members are women.

In February 2023, we resecured our Global EDGE certification for former Firmenich for gender equality to the MOVE level for the second time in a row and reached EDGE 'LEAD' certification, the highest obtainable level of certification, for our efforts on diversity, equity and inclusion in Brazil and Mexico, meeting every single standard across the four pillars of EDGE's rigorous assessment: Gender representation, Pay equity, Effectiveness of policies & practices as well as the inclusiveness of the culture. Additionally, Firmenich USA was awarded 'EDGE Plus' for their commitment and effective policies to eliminate ethnic pay inequality. In 2024, we will run an integrated exercise on pay equity as part of our commitment on fair and equitable gender pay across the organization. For certain countries, this exercise also addressed ethnicity, and where possible, will be continued.

Our newly developed DE&I governance model is a structured framework with clear roles and responsibilities to drive sustainable change, ensuring that our commitments translate into meaningful actions.

We are proud of our five Employee Resources Groups encompassing generations; gender; race, ethnicity and nationalities; people with diverse abilities; and LGBTIQ+ communities. Through global, regional and local activism and events, they actively contribute to community building and create an inclusive work environment that fosters engagement among colleagues with shared backgrounds or interests.

For example, in June, we celebrated Pride Month with our colleagues, fostering meaningful discussions and educational webinars to explore strategies for promoting inclusivity within our LGBTIQ+ community.

In November, we celebrated International Day for Tolerance with a week of activities, sponsored by our CEO, focused on advancing diversity in race, ethnicity, and nationality (REN) as we support a culturally diverse global landscape.

In our Consumer Insights & Sensory teams, we have integrated Visually Impaired Panelists into our sensory teams in six different affiliates (five different countries) for nearly a decade, contributing to our teams in P&B, TTH, and Science & Research (S&R).

Our 36 Visually Impaired Panelists' sensory abilities bring invaluable insights that enrich our consumer research, demonstrating that diversity is a competitive advantage and how inclusivity fuels excellence.

Human rights and fair remuneration

Social impact

We want to move through the world in a way that leaves a positive impact on everyone dsm-firmenich touches, allowing a more equitable and just society. By doing so we positively contribute to creating a world where everyone has the opportunity to lead a fulfilling life, where communities thrive, and where the planet is sustained for future generations.

We act with intent and create opportunities to make the world more equitable wherever possible, starting with the workplace. We commit to workplaces where business goals are achieved with respect for people's dignity and their human rights.

Human rights

Across our activities, and the activities of our broader value chain, we always remain committed to the highest international standards in human rights. These standards include the International Bill of Human Rights (consisting of the Universal Declaration of Human Rights, the International Covenant on Civil and Political Rights and the International Covenant on Economic, Social and Cultural Rights) and the International Labor Organization's Declaration on the Fundamental Principles and Rights at Work. In addition, the UN Guiding Principles for Business and Human Rights and the Organisation for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises help us implement our commitment to our ongoing due diligence practices within Responsible Sourcing practices. As a signatory of UN Global Compact, dsm-firmenich promotes decent work in global supply chains and works toward this goal with our suppliers.

The above is further stipulated in our **Global Human Rights Policy**. In our policy annex, we have highlighted the salient issues to which we will pay heightened attention in our ongoing due diligence process practices. We have structurally identified human rights risks for our own operations, our supply chain and within our markets. We did this by looking at severity (scale, scope, irremediability) and likelihood, following the framework set by the United Nations Guiding Principles. This has resulted in the following list of salient issues, in no particular order:

- Occupational Health & Safety
- Child Labor
- Forced Labor
- Living Wage
- Working Time
- Diversity, Equity & Inclusion
- Discrimination & Harassment
- Freedom of Association & Collective Bargaining
- Community Impacts

Human rights in our operations

With respect to internal human rights due diligence, our Code of Business Ethics serves as an overarching guidance for all our employees acting on minimum behavioral and ethical principles. With the Human Rights policy as a core foundation, including the separate internal procedures on labor rights working conditions, we will focus on holding internal entities accountable for meeting legal and regulatory requirements, adhering to established standards, and being responsive to the needs and concerns raised by customers. This will be assessed by our internal control framework and our operational audits. Furthermore, behavior that is at odds with our values can be reported via our 'speak up' tools.

For more information, see **Business Ethics**.

Human rights in our supply chain

Within our Responsible Sourcing practices, we have adopted a human rights due diligence approach. We believe it is critical to stimulate transformation and positive change through field-based collaborations at source to learn what can be further improved, but moreover to align on where further embedding on social topics is required in our existing supplier screening and monitoring.

This includes the following steps:

- Identify actual and potential human rights impacts, including emerging risks
- Address our findings by implementing respective policies and processes
- Track the effectiveness of our actions and disclose the progress made
- Communicate regularly to our stakeholders on our progress

We recognize that human rights due diligence is a continuous process, and we are eager to continuously evolve our efforts to further improve our responsible business practices.

For more information on our Responsible Sourcing and our due diligence approach, see **Supplier engagement** and **Mint with Purpose**.

Equitable living standards

We care for our employees and their families by securing a decent standard of living. That is why we commit to pay a living wage to all our employees in our own operations.

A living wage is the wage required to purchase the goods and services needed to meet a minimum acceptable living standard for workers and their families. This includes proper access to health, food and nutrition, housing, and education.

Ensuring that people earn a living wage is a critical step toward building a more equitable and inclusive society.
In 2023, we started designing and incorporating a Living Wage approach that would be applicable for dsm-firmenich. In 2024 we will further incorporate the Living Wage approach as part of our integration. And as a next step, we want to secure the same for more people beyond our workforce, specifically focusing on the most vulnerable workers in manufacturing and agriculture. We will work with our suppliers, other businesses, governments, and NGOs to create change and encourage the global adoption of living wage practices.

Stakeholder engagement

Supplier engagement

Responsible sourcing

At dsm-firmenich, we are committed to driving the most ethical, traceable, and sustainable value chains to achieve our purpose of bringing progress to life. We leverage our purchasing power to impact people and environment, positively reinforcing our positive contributions for all our stakeholders across our value chains. Sustainability is intrinsically embedded in our procurement decision-making processes and is a key factor in meeting the expectations of our stakeholders.

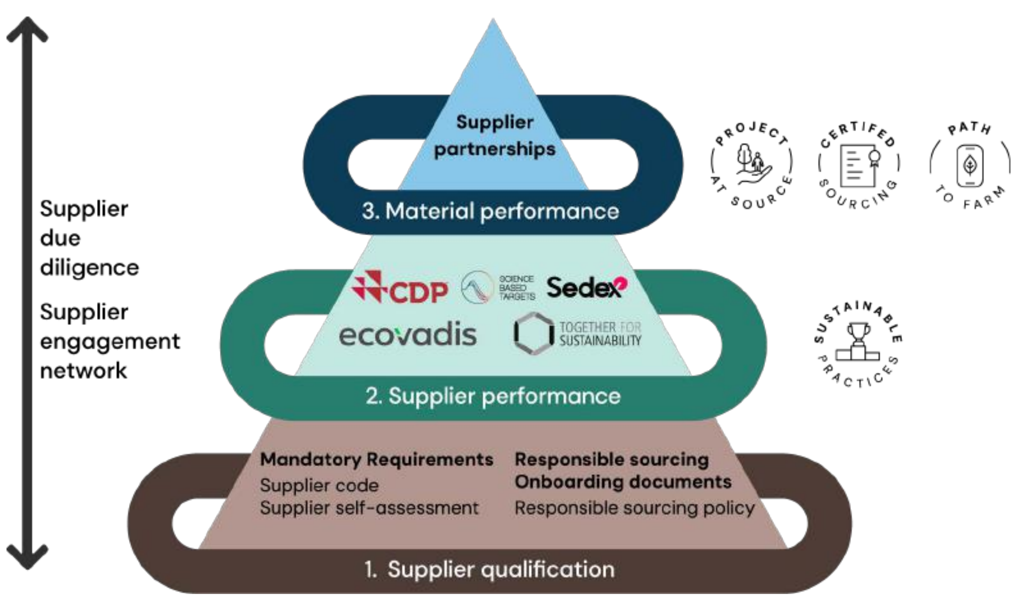
To support our business growth and maximize our shared value creation, together with our suppliers, customers, and partners, we have shaped a robust Responsible Sourcing Framework. It serves as a roadmap to drive meaningful progress.

Our supply chain consists of more than 30,000 suppliers, who all play an essential role in developing our business. We work closely with them through our Responsible Sourcing Program, which strives to support a fact-based and data-driven strategy to deliver sustainability impacts. It is built on three main intervention pillars through the strategic supply chains:

- Supplier Sustainability Performance Management
- Due diligence and Sustainability at source
- Supplier Engagement Program '*Joining Forces: dsm-firmenich and Suppliers in Sustainable Action'*

Supplier Sustainability Performance Management

Our Supplier Sustainability Performance Management program embeds climate, nature and people dimensions from the supplier and material qualification process through to supplier performance monitoring and evaluation. We leverage ratings such as EcoVadis and CDP to assess supplier performance on company level. At the same time, we scale up our certification efforts and material certifications coverage through labels such as Roundtable for Sustainable Palm Oil (RSPO), BonSucro and Union for Ethical Biotrade (UEBT) chain of custody standards to ensure the highest degree of sustainability and ethics.



We leverage best-in-class sustainability ratings such as EcoVadis to verify our supply chain partners' performance on environmental management, labor and human rights, ethics, and sustainable procurement. If our minimum expectations are not met, we engage with the relevant supplier to see how we can enable them to improve their score, offering support where feasible. In 2023, we screened 1,210 of our suppliers on environmental and social criteria through EcoVadis. Of these, 1,026 were reassessments and 63% of these reassessments received an improved score compared to last year, highlighting the fact that continuous improvement is also a priority for our suppliers.

As a trustworthy partner to our business stakeholders, we strive to always operate to the highest standards. We only want to engage with others who commit to operate to the same standards, with the objective of achieving an ethical, traceable, and sustainable value chain. These standards for suppliers are captured in the principles set forth in our **Supplier Code**. All suppliers are expected to follow the dsm-firmenich Supplier Code and all relevant laws and regulations. We will confirm the adherence to the principles of our Supplier Code; a breach of this Code could lead to a discontinuation of dsm-firmenich collaboration and to possible legal sanctions and proceedings.

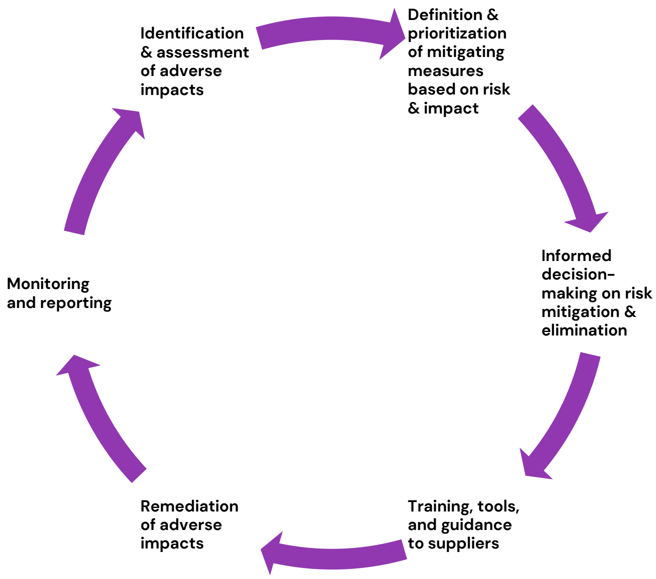
Due diligence and Sustainability at source

We also drive transformation and positive change through field-based collaborations at source for value chains with increased exposure to sustainability risks or upon request by customers. The latter underlines our belief that driving sustainability needs to be addressed throughout the full value chain and requires resources and expertise from us, our customers, and our suppliers. Collaborations materialize in, for example, Sustainability at source projects, conducting upstream due diligence exercises, supporting our suppliers in obtaining third party verification (on raw material certification level), or implementing traceability tools and processes.

Sustainability at source projects flowing out of these collaborations typically last three years and should contribute to:

- Nutrition, health, safety, and social impact (ensuring living wages are paid, empowerment of women, empowerment of local communities, advocating entrepreneurship, abolishing forced labor and/or preventing child labor)
- Improving climate and the natural environment through sustainable farming practices, regenerative agriculture, biodiversity conservation or improvement, responsible water consumption, and/or greenhouse gas emission reductions
- A combination of both of the above

Due diligence assessments are triggered following below-par EcoVadis assessments, risk alert systems, non-conformities identified during supplier audits, concerns raised by whistle-blowers, or NGO/media investigation, and are aligned with international standards such as the United Nations Guiding Principles (UNGPs) and the Organisation for Economic Co-operation and Development (OECD) Guidelines. Based on the findings of these assessments, preventative or remedial actions are defined in collaboration with the impacted suppliers and are monitored on progress for at least three years. Suppliers are integrated into the project team, which follows a structured approach to addressing negative impact. This ensures that all relevant stakeholder requirements are met and sustainability frameworks respected.



When there is a customer request for increased assurance regarding certification or traceability of a material, our expert team guides our suppliers through the process. Traceability studies will also support us in preparing for new legislation like the EU Deforestation Regulation (EUDR) and EU Carbon Border Adjustment Mechanism (CBAM).

At the end of 2023, the Responsible Sourcing team was working on 73 projects (Sustainability at source and due diligence projects) including field-based collaborations with suppliers to enhance positive impacts for all the stakeholders:

- In Turkey, we raised awareness on the benefits of education for parents active in the rose-plucking industry, and contributed to building a network of daycare facilities, allowing woman to work on the fields while ensuring a safe environment for their children during working hours
- We supported the implementation of labour contracts between farmers and seasonal workers, ensuring fair working conditions and a living wage the seasonal workers, in Bulgaria where we source rose oil
- In Madagascar, we trained our suppliers on conducting human rights due diligence assessments and how to implement corrective actions
- We conducted a living wage assessment and implementation of corrective actions for our jasmine suppliers in India

A further elaboration of actions we took in our mint supply chains is described in our story **Mint with Purpose**. In 2024, the Responsible Sourcing team will perform the baseline calculations in order to measure the achievements and impacts.

Supplier Engagement Program 'Joining Forces'

The global challenges of the next decade are such that dsm-firmenich cannot succeed alone: we must engage our suppliers on our journey. We seek to inspire our suppliers with a collaborative approach that reinforces the resilience of our supply chain and contributes to the Group's strategic objectives. We want to offer our supply chain partners assurance that they are not on their own, and that they can connect with us, their industry peers and their customers to jointly drive continuous improvement.

In June, we gathered over 100 industry partners from our most important global suppliers, leveraging the existing setup of our Leadership Event. With the theme 'joining forces to *bring progress to life*', the purpose of this supplier event was to strategize, exchange ideas, and jointly devise innovative solutions to benefit our valued customers and enhance our sustainability journey.

During the event, we showcased our newly established organization, shared our purpose and ambitions, presented our inspiring vision of innovation, outlined our four Business Units, and importantly, emphasized the significance of robust partnerships.

Hosted by our Chief Procurement Officer (CPO) and Deputy CPO, and kicked off by our CEO Dimitri de Vreeze, the event revolved around the three main pillars of our Procurement organization: Value delivery (the essential), Innovation (the desirable) and Responsible sourcing (the sustainable).

We further connected with suppliers throughout the year by means of events, knowledge-sharing sessions, and capacity-building workshops. For example, in July, we organized a workshop where our scientists, process improvement managers and commercial leads got together with the manufacturing experts of one of our key suppliers to jointly identify and plan opportunities to reduce the carbon footprint of benzoic acid, a feed additive supporting digestive capabilities and the absorption of nutrients.

Going forward, we aim to further raise the bar by launching our Supplier Engagement Program '*Joining Forces: dsm-firmenich and Suppliers in Sustainable Action*' with focal points on climate change, nature, and human rights, to support our partners in their sustainability journey by aligning commitments and actions. Our program will be launched in April 2024, where we invite more than 500 of our key suppliers to connect with us and our customers, jointly kicking off a journey toward science-based target setting and improving human rights within our value chains. Our objective is to see the investments return through long, sustainable business relations and stimulate continuous improvement throughout the industry, not only providing benefits to dsm-firmenich but also to our suppliers' other customers through materials with a low (carbon) impact.

Tackling climate change with our value chain

Beyond our own operations, we invite key suppliers to develop detailed plans to reduce their environmental impact, and we join forces with our supply chain partners to tackle climate change. We continue to develop emission reduction roadmaps for our raw materials together with key suppliers as part of our reduction ambitions and have also continued to engage with suppliers to set their own targets. We will continue with this approach going forward. More information on our achievements and our targets can be found in **Scope 3**.

Additionally, dsm-firmenich received a top ranking on the CDP Supplier Engagement Leaderboard in 2023 based on our disclosures in 2022. This recognition highlights our excellence in working with our suppliers to reduce environmental impacts and risks across our value chain. We will continue to engage with our suppliers and work toward our SBTi in our direct operations and beyond.

Moving toward deforestation-free supply chains

To achieve deforestation-free supply chains by 2030 (one of our Food System Commitments) we ask our suppliers to certify their crop-based raw material through third-party, independent certification schemes. In 2023, 71% of our relevant sourced volume was assessed as deforestation-free. This relates to our Tier 1 supply chain for the crops we source that are prone to deforestation risks: palm oil and derived products, sugarcane, and direct soy and corn products. We assess 'deforestation-free' through certification schemes issued by NGOs such as RSPO, BonSucro and Proterra. We also leverage RSPO MB certificates for our Palm Oil and derivatives as a way of mitigating risk in our supply chains. However, as the Segregation model is considered the best approach to demonstrate deforestation-free, we do not include these in the calculated percentage.

Obtaining a (supply chain) certificate enables our suppliers to highlight their dedication to deforestation, biodiversity preservation, and tackling human rights issues, and will be an integral part of dsm-firmenich suppliers' performance criteria. We carefully monitor the developments of the EUDR, securing our supply chains for the future. More information on how we contribute to protecting nature can be found in Nature.

Leveraging the power of partnerships

To scale up our impact, we are an active partner in strategic responsible sourcing coalitions such as Together for Sustainability (TfS). This industry-leading initiative encourages its members to share their supply chain scores, so we can leverage the information obtained by other members to improve insights into our supply chain sustainability performance. We are also active in other forums, such as Sustainability Leaders and Procurement Leaders, where we take part in cross-functional and cross-industry working groups to learn from like-minded companies' best practices and receive in-depth research to integrate into our strategy and daily operations. We continue our sponsorship of the United Nations Global Compact (UNGC) Decent Work Platform as worldwide impact sponsor to build consensus in the business community on key principles of decent work.

Investor engagement

We strive to create value for all our stakeholders today and for generations to come through our business and all along our value chain. This includes our capital providers, who appreciate an increase of the company's value.

Transparent communication

Transparent and open communication of the accurate financial and relevant non-financial information to the financial markets is crucial for us. All information is easily publicly accessible via the company website. We actively engage with investors not only through General Meetings of Shareholders but also through events such as our Investor Days and Teach-in events, roadshows, and conferences (in person and virtually) as well as individual meetings.

We reach out to both financial and ESG advisors who cover dsm-firmenich on behalf of their financial market clients, such as brokers, credit rating agencies, proxy advisors, shareholder representative organizations, and ESG rating agencies.

We highly value the investors' feedback. It is periodically discussed and assessed by the Executive Committee and the Board of Directors and helps up improve our communication.

In 2023, we engaged with our investors and their representatives on sustainability topics such as the Sustainable Development Goals (SDGs), climate change, biodiversity, governance, sustainability in supply chain management, human rights, and diversity, equity and inclusion.

Updating investors on our progress

Since the Capital Markets Day in 2022 in Paris, during which former DSM and former Firmenich outlined the strategic rationale of the merger, we have kept our analysts and investors updated on the progress of the merger as well as business, financial and ESG performance during roadshows, conferences, as well as during other one-on-one meetings.

In November 2023 we organized a Teach-in event in Geneva. The event offered the chance to showcase how the two companies had come together both operationally and culturally using the example of two of our four Business Units – Perfumery & Beauty and Taste, Texture & Health. We gave multiple presentations and demonstrations on bringing together the essential, the desirable and the sustainable.

In 2023, our Investor Relations function was ranked again at the top of its sector by Institutional Investor EMEA Research. dsm-firmenich also was recognized by Mergermarket, winning the main category 'Deal of the Year' in their annual European M&A awards.

Engaging with the market about sustainability

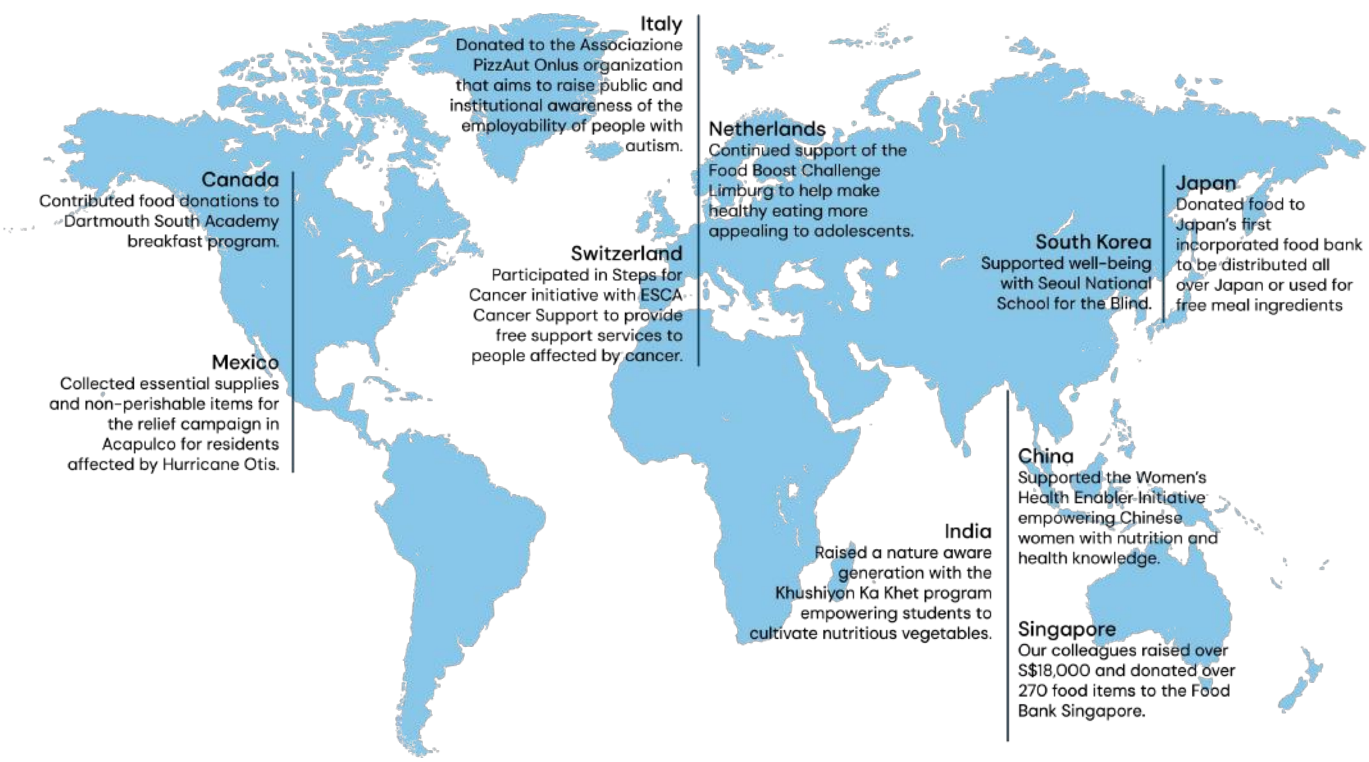
As a company formed of two global sustainability leaders, we are determined to keep growing our positive impact – for the good of people, climate, and nature.

In 2023, we engaged with investors, including pension funds, to discuss their responsibility in long-term value creation for their customers, but also for the society and the environment their participants live in. We actively participated in projects of the World Business Council for Sustainable Development (WBCSD). We also participated in FCLT (Focusing Capital on the Long Term) projects. We are committed to staying ahead in sustainability reporting and ensuring we report against new and future requirements of regulating authorities. These include the EU Sustainable Finance Action Plan, EU Green deal, EU Taxonomy, EU Corporate Sustainability Reporting Directive and Sustainable Finance Disclosure Regulation (SFDR).

We continued our engagement with leading ESG Ratings and Benchmarks advisors to the financial sector, including Sustainalytics, MSCI, Moody's-Vigeo and ISS-ESG. We also engaged with IIGCC (Institutional Investors Group on Climate Change) on a net-zero transition plan, as well as with Share Action, an organization working directly with investors to drive up standards for responsible investment.

Community engagement

We engage with the communities and regions where we are located. These engagements address local needs across a variety of topics. While it is not possible to list all of our engagements, below we highlight a few examples from across our global footprint.



Partnerships

World Business Council for Sustainable Development

We are a member of the World Business Council for Sustainable Development (WBCSD) and participate in various working groups and coalitions. Our Chief Sustainability Officer (CSO), Katharina Stenholm, is a WBCSD Council member, and a Board member of the Agri-Food pathway.

In 2023, we played a role in various programs such as the Agri-Food pathway, the CFO Network, the Business Commission to Tackle Inequality, and Reporting Matters.

In May 2023 WBCSD and 60 business and civil society leaders published 'Tackling inequality: an agenda for business action'. Specifically, within the Agri-Food pathway, we participated in stakeholder dialogues with private sector, NGO and academics about scaling up nutritious and sustainable plant-based and diversified proteins, summarized in the publication in 'Meat & dairy analogues: Opportunities, challenges and next steps'. We contributed to the insights to living incomes in the Equitable Livelihoods project, further shaping of Regenerative Agriculture metrics within the Positive Agriculture group and participated in the Positive Nutrition group.

World Economic Forum

dsm-firmenich is a strategic partner of the World Economic Forum (WEF) and we actively participated in both virtual and in-person events throughout 2023, including the Annual Meeting in Davos in January. Both Dimitri de Vreeze and Geraldine Matchett were present during the International Business Council (IBC) meeting in August 2023. We are a member of the Agriculture, Food and Beverage industry community. Next to this industry group we participate in initiatives of WEF's Centres for Nature and Climate, Health and Healthcare and New Economy and Society, as well as C-suite communities that bring together leaders fulfilling the same position across organizations to collaborate and drive progress on common issues.

Within the Centre for Nature and Climate a very active leadership community is the Alliance of CEO Climate Leaders. This community, that our CEO is a member of, is committed to reaching net-zero emissions by 2050 at the latest. We as dsm-firmenich have committed to the Scope 3 upstream action plan of the Alliance to scale collaborative action across value chains and drive impact. The action plan offers a guiding framework to achieve near-term supply chain emissions reductions by collaborating with suppliers toward decarbonization. We remain actively engaged with the Alliance, driving forward decarbonization initiatives by setting key priorities for 2024.

The SDG Tent

During the 2023 Annual Meeting in Davos we convened for the last time the SDG Tent, a venue for discussing business engagement for achieving the SDGs. Joining forces with Proctor & Gamble, Bain, Salesforce, Philips, The Nature Conservancy and others, the SDG Tent was again home to several successful events on resilient food systems and the future of food, regenerative farming, climate action and carbon in healthcare systems. As of the 2024 Annual Meeting Royal Philips N.V. has taken over the baton in setting up the SDG Tent during the WEF Annual Meeting in Davos.

UN Global Compact

We have been a signatory to the UN Global Compact (UNGC) through DSM since 2007, and through Firmenich since 2008 and commit to annually communicate on progress in implementing The Ten Principles of the UNGC in the areas of human rights, child and forced labor, the environment and anti-corruption. We were members of the Global Compact CFO Taskforce, UNGC Network Switzerland & Liechtenstein, Global Compact Network Nederland, and were a Global Compact Impact Sponsor for Labour and Decent Work. Within the latter for example, we joined the Think Lab on Living Wage and contributed to the Living Wage Analysis Tool. We also joined the Business and Human Rights Accelerator to learn about Living Wage in the supply chain.

Swiss Food & Nutrition Valley
Swiss Food & Nutrition Valley (SFNV) is a purpose-driven, nationwide, not-for-profit association that strengthens and promotes food system innovation, with international engagement. Firmenich, now dsm-firmenich, was one of the Valley's founding partners and has been represented on the Executive Committee since its creation. With 150 Valley partners from corporates, governments, accelerators, academia and research, SMEs and startups, SFNV is the reference in the area of food and nutrition in Switzerland. Partners collaborate to address the most pressing challenges in food, agriculture and nutrition through five Impact Platforms focused on Precision Nutrition, Sustainable Proteins, Food Systems 4.0, Sustainable Farming, and Sustainable Packaging.

At the end of 2023, as part of an SFNV initiative to demonstrate the uniqueness of the Swiss food ecosystem by leveraging a broad, value chain driven approach, we submitted two proposals to explore how 'nutrition personalization' can be incorporated into daily breakfast habits and how consumers can enjoy a plant-based or hybrid dairy drink as a part of a healthy diet. Subject to project approvals, we look forward to actively developing these collaborative projects in 2024.

ERT
In 2023 dsm-firmenich joined the European Round Table for Industry (ERT). The ERT focuses on creating a strong, open and competitive Europe, promoting sustainable growth, jobs and prosperity for all. ERT members include CEOs and Chairs from around 60 of Europe's largest companies in the industrial and technological sector.

Dutch Sustainable Growth Coalition
The Dutch Sustainable Growth Coalition (DSGC) is a CEO-led coalition of eight multinational corporations which aims to drive sustainable growth business models that combine economic profitability with environmental and social progress. The coalition of CEOs uses their leadership for the development toward a future-proof world and sustainable growth. The DSGC stimulates activities and international cooperation, in value chains and between sectors, that contribute to the achievement of the SDGs. Every year the DSGC organizes a meeting with the Dutch government. In 2023, this meeting focused on climate, circular economy and international corporate responsibility. Moreover, the DSGC organized knowledge exchange sessions between company experts and ministries, for example around Scope 3 emissions. DSGC is supported by VNO-NCW and facilitated by Accenture.

ESG ratings
Sustainability is at the heart of our business, but we like to think of it in also in material terms. This is reflected by our inclusion in several ESG benchmarks and ratings, many of which rate us a (sector) leader. Given the large number of prevailing ESG benchmarks, participating in each and every one of them is not feasible for any company, so we annually review and prioritize our participation. We are in favor of further consolidation and standardization of the ESG benchmarks, as we believe this will encourage more companies to participate than is currently the case. Our annual review of the ESG benchmarks in which to participate is based on the following criteria:

- Recognition and use by our stakeholders, including our investors
- Transparency of methodology
- Primary reliance on publicly accessible information
- Avoidance of additional administrative work
- Provision of sufficient feedback to participating companies to enable them to make meaningful year-on-year improvements

Our priorities in 2023, and the outcomes, are listed below:

- For 2023, **CDP** assessed DSM as A- for climate and A- for water, and Firmenich as A- for climate, A for water and A- for forests
- We hold Platinum CSR Ratings from **EcoVadis** for DSM and Firmenich. The Platinum ratings places us in the top 1% of companies assessed in our industries
- dsm-firmenich received a low-risk rating from **ISS QualityScore** since our creation, including lowest risk (1 out of 10) in Governance. **ISS ESG** confirmed dsm-firmenich as 'Prime' according to its rating methodology. Our rating of B- puts us in the top decile relative to our industry group
- dsm-firmenich is a constituent of the **FTSE4Good Index**, which is designed to measure the performance of companies demonstrating specific ESG practices
- At the time of publication, MSCI had not assessed dsm-firmenich. **MSCI's** most recent rating of DSM was 'AAA',
- **Sustainalytics** assessed DSM and Firmenich as being at low risk of experiencing material financial impacts from ESG factors, with both companies included in the Sustainalytics' 2024 Top-Rated ESG Companies List

Sustainability statements

Non-Financial Reporting Policy

Reporting policy and justification of choices made

This is the first Integrated Annual Report of dsm-firmenich, which was formed by the merger between DSM and Firmenich. In this report, we report for the calendar year 2023. Our previous reports were the DSM Integrated Annual Report, published on 2 March 2023 and the Firmenich ESG Report, published on 12 September 2022.

We publish our Report exclusively in a digital format. It is available as an online version and as a pdf.

In the Management Report, we explain our vision and policy with respect to sustainability practices and report on our activities. We are in favor of convergence in reporting standards and frameworks, moving to globally accepted non-financial reporting standards. Currently, we recognize and participate in a number of initiatives that are driving toward that goal.

The basis for the non-financial reporting is the Swiss Code of Obligations - the Sustainability Report as described in Article 964b consists of all the information within the Sustainability section of this Report. Our double materiality approach and our disclosures in the Sustainability Statements use elements from the EU Corporate Sustainability Reporting Directive and European Sustainability Reporting Standards. However, they are not yet in compliance with these Standards, as they are only applicable for reporting over 2024 in 2025. We highlight areas of relevance to our company in the Sustainability Performance section, namely Climate and Nature, Nutrition and Health, and People. Our reporting is also based on voluntary non-financial reporting guidelines as follows.

Global Reporting Initiative

dsm-firmenich has reported in accordance with the Global Reporting Initiative (GRI) Standards for the period 1 January 2023 to 31 December 2023. A detailed overview of how we report according to the GRI Standards indicators, including a reference to relevant sections in this Report, is provided in the GRI Content Index, available on our Integrated Annual Report website. Due to the merger, many of the policies, procedures and metrics have not been integrated yet. As such, we are reporting an omission on information being unavailable or incomplete. This will be developed in the coming period, with further integration. Any gaps in the GRI disclosures in the GRI Content Index below are currently not available due to this reason. dsm-firmenich provides information on the Management of material topics (GRI 3-3) for the most material topics only. We do not provide detailed information on the Management of other topics as we do not believe they are material enough to do so. These topics are managed through our standard business processes and policies.

UN Sustainable Development Goals

We have also aligned our approach with the Sustainable Development Goals (SDGs). We are familiar with the opportunities and responsibilities that the SDGs represent for our business. We embrace all the SDGs, but we have chosen to highlight the goals which most closely align with our business activities, and our people and operations. In this Report, we include the SDGs in our reporting process, for example by mapping SDG reporting priorities in our value creation model, in Our approach to Sustainability, and in the solutions that we highlight.

The Taskforce on Climate-related Financial Disclosures

The recommendations from the Taskforce on Climate-related Financial Disclosures (TCFD) are a set of climate-related financial disclosures for use by companies to provide information to their stakeholders which are mandatory under Swiss law. This Report contains our TCFD-relevant disclosures on Governance, Strategy, Risk Management, and Metrics and Targets. For information on how we report against the TCFD recommendations, see the Sustainability Statements.

Other reporting frameworks

We align with the recommendations of the International Integrated Reporting Council <IR> Framework where possible. The intention of the <IR> Framework is to provide additional guiding principles and content elements for an integrated report. We use this framework to present an integrated view of how the company creates value for stakeholders.

UN Global Compact

We are a signatory to the UN Global Compact (UNGC) and commit to annually report on progress in implementing The Ten Principles of the UNGC in the areas of human rights, child and forced labor, the environment and anti-corruption through the UNGC Communication on Progress (CoP) platform. Our Code of Business Ethics, our Supplier Code, and, until they are replaced with new Group policies, our legacy policies and procedures are the current foundations on which we apply the standards of the UNGC.

Selection of topics

The topics covered in this Report were selected on the basis of our materiality analysis, which assessed the relevance and impact of selected topics for our company and various stakeholders. The sustainability data in the Integrated Annual Report is qualitative as well as quantitative – the qualitative information can also contain quantitative elements. The Materiality matrix and the process by which it is created is reported on in Our approach to sustainability, with the management approach in the Sustainability statements.

Scope

The sustainability data in this Report cover all entities that belong to the scope of the Consolidated financial statements. As this is the first year of reporting for dsm-firmenich, no comparative data is available for 2022.

Acquisitions and divestments

The People data for newly acquired companies are reported from the first full month after the acquisition date. The Safety, Health and Environmental data for companies acquired in the:

- First half of a given year ('year x') are included in the reporting scope of the year after acquisition ('year x+1')
- Second half of a given year ('year y') are included in the reporting scope of the year following the first full year after acquisition ('year y+2')

Divested companies

Environmental data are reported until the moment control of the company is transferred, and social data until the end of the month in which control of the company is transferred. The date in which control of the company is transferred generally coincides with the date a divestment is closed, and control of the shares is transferred to the new owner.

Environmental methodology

Our progress on the key environmental performance indicators is collected and evaluated twice a year for all sites. The data are based on these sites' own measurements and calculations, which in turn are founded on definitions, methods and procedures established at group level. Due to the merger, some of these may be based on definitions, methods and procedures defined prior to the merger.

The site managers of reporting units are responsible for the quality of the data. Data are collected using measurements and calculations in the production processes, information from external parties (e.g., on waste and external energy) and estimates based on expert knowledge. Reporting units have direct insight into their performance compared to previous years and are required to provide justifications for any deviations above the threshold. For most parameters, the threshold is set at 10%.

Scope 3 greenhouse gas emissions are calculated on the basis of activity data and emission factors (greenhouse gas emitted per unit of material or activity, usually kg, km or euro, depending on the category). Emission factors are obtained from a variety of sources, including suppliers, in-house LCA models and from industry databases. Emission factors are chosen that are considered most representative and reliable. Activity data is based on spend, volume, distance or number of employees, depending on the category. Data is on the basis of a 12-month timeframe and is obtained from a number of internal systems.

The year-on-year comparability of the data can be affected by changes in our portfolio as well as by improvements to measurement and recording systems at the various sites. As this is the first year of reporting, no comparative data is available, however, in subsequent year, whenever impact is relevant, this will be stated in the Report.

Social methodology

Social data are collected per Business Unit and consolidated at corporate level.

Metrics on workforce and workforce composition, and inflow and outflow are reported based on the year-end figures. Due to the merger, inflow and outflow is measured versus the first full month after the merger.

Employee engagement and the Inclusion index are measured via a survey that is conducted on an annual basis.

Safety and health metrics are reported on a 12-month rolling average. Divestments are included in the rolling average for the months prior to transfer of control of the company. Occupational health cases and training hours are reported on the basis of the year-end figures.

Sustainable Portfolio Steering

Due to the merger and ongoing integration activities, quantitative reporting on portfolio steering will be paused while a review of the methodology is undertaken. A qualitative update on the progress of this review will be provided in the meantime.

Food System Commitments

The Food System Commitments are a set of measurable commitments that make the company's societal impact explicit. The Commitments are aimed at addressing urgent societal and environmental challenges linked to how the world produces and consumes food. They are grouped into the areas: Health for People, Health for Planet, Healthy Livelihoods.

Health for People

- Help close the micronutrient gap of 800 million vulnerable people by 2030
- Support the immunity of half a billion people by 2030

Health for Planet

- Enable double-digit on-farm livestock emission reduction by 2030
- Reach 150 million people with nutritious, delicious, sustainably produced plant-based foods by 2030

Healthy Livelihoods

- Support the livelihoods of 500,000 smallholder farmers by 2030

Our Basic Commitments are:

- Deforestation-free in our primary supply chains by 2030
- Good workforce nutrition for all employees by 2030

The impact of the Commitments is based on scientific or other third-party evidence demonstrating a link between the products and services provided by the company to its customers and the substantiated societal impact of the commitment. The calculation of the level of impact is based on estimates and assumptions. The required level of supporting evidence for estimates and assumptions is assessed using a risk-based approach, looking at objectivity, sensitivity, and the underlying basis of the estimate. The assessment and supporting evidence for the estimates and assumptions are documented and are updated annually.

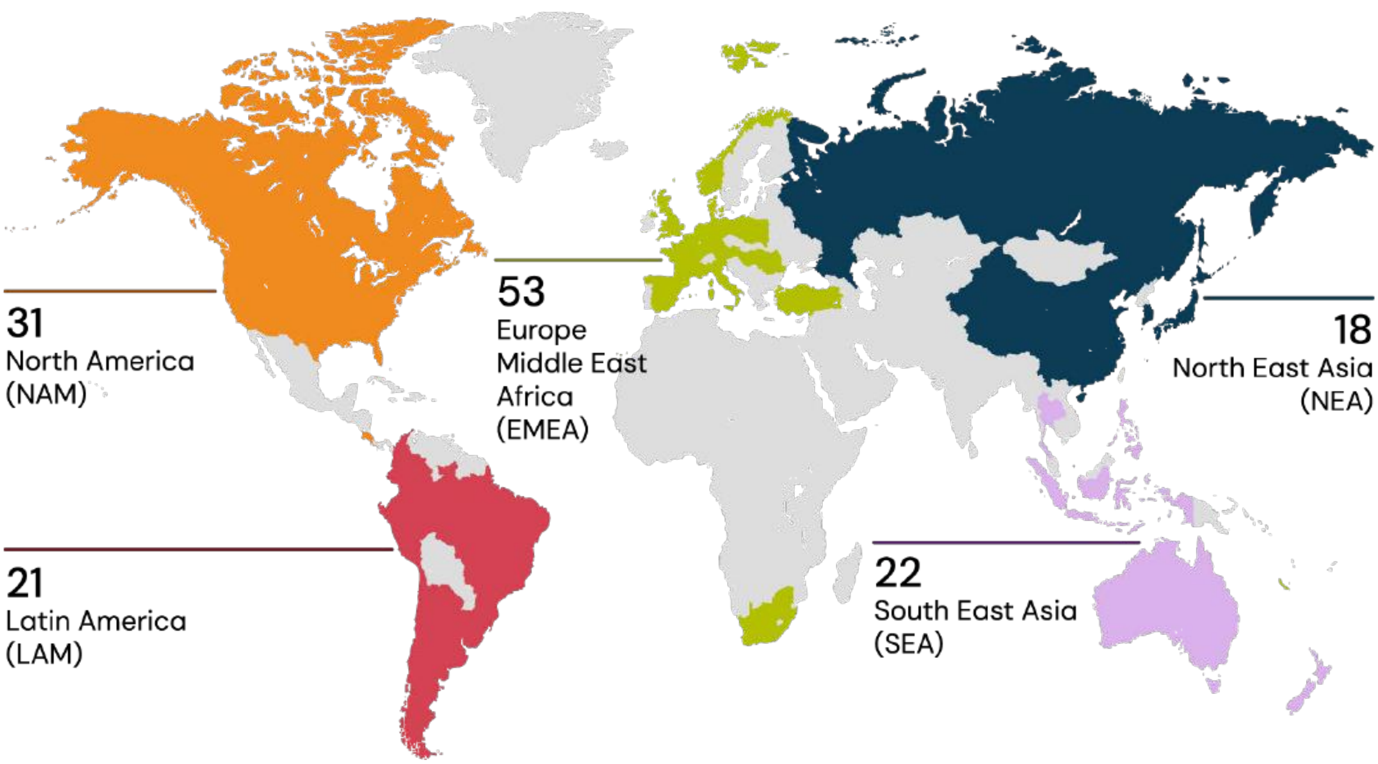
In 2024, the Food Systems Commitments will be re-evaluated for their strategic fit with the company given the context of the merger.

General Information

The Sustainability Statements have been structured using the topics of a selection of the topical standards of the European Sustainability Reporting Standards (ESRS), however, they are not reported according to the ESRS Disclosure Requirements. We have actively participated in various consultations and engagements regarding the ESRS and collaborated on consultation feedback through groups such as the Dutch Accounting Standards Board ('Raad van de Jaarverslaggeving') since the first drafts were published in early 2022.

In 2023, dsm-firmenich performed a detailed gap assessment against the Disclosure Requirements of the ESRS to prepare ourselves for the legislation. The gap assessment indicated that we are aligned with a substantial part of the ESRS that are in our reporting scope. Through closing reporting gaps over 2024, we aim to achieve full compliance, taking into account the phase-in requirements.

Geographic distribution of manufacturing and premix locations



Environmental information

Climate Change

Scope 1 and 2 emissions

	2023
	(x 1,000 tonnes)
Total CO_2e emissions (Scope 1 and 2)	
– Market-based	915.4
– Location-based	1,208.9
Total Scope 1 CO_2e emission	**606.6**
Total Scope 2 CO_2e emissions	
– Market-based	308.8
– Location-based	602.3
Total biogenic CO_2 emissions from combustion of biofuels	**66.0**

Scope 3 emissions

	2023
	(x 1,000 tonnes)
Total CO_2e emissions (Scope 3)[1,2]	9,996.0
1 Purchased goods and services	**7,912.5**
Other upstream categories	**779.4**
– 2 Capital goods	97.6
– 3 Fuels	204.2
– 4 Transport & Distribution	242.7
– 5 Waste treatment	129.6
– 6 Business travel	23.0
– 7 Employee commuting	63.4
– 8 Leased assets	18.9
12 End-of-life treatment	**252.5**
15 Investments	**327.0**
Other downstream categories	**724.3**
– 9 Transport & Distribution	303.4
– 10 Processing of sold products	40.1
– 11 Use of sold products	380.8

1 Scope 3 emissions reporting excludes emissions from businesses divested in 2023.
2 Non-reported categories (13 and 14) are considered not material in line with 'Guidance for Accounting & Reporting Corporate GHG emissions in the Chemical Sector Value Chain' for Scope 3 GHG reporting published by WBCSD.

Energy

	2023	
	TJ	MWh
Total (net) energy consumption	19,300	
Total fuel consumption	**10,500**	
– Non-renewable fuel consumption	9,800	
– Renewable fuel consumption	700	
Total electricity purchased	**4,700**	**1,316,000**
– Purchased non-renewable electricity		160,500
– Purchased renewable electricity		1,155,500
Renewable electricity self-generated with ownership	**20**	**5,500**
Total purchased heat and cooling	**4,100**	
Total energy exported	800	
– Non-renewable + renewable electricity, exported		146,000
– Total heat exported	300	

Pollution

Emissions to air and water

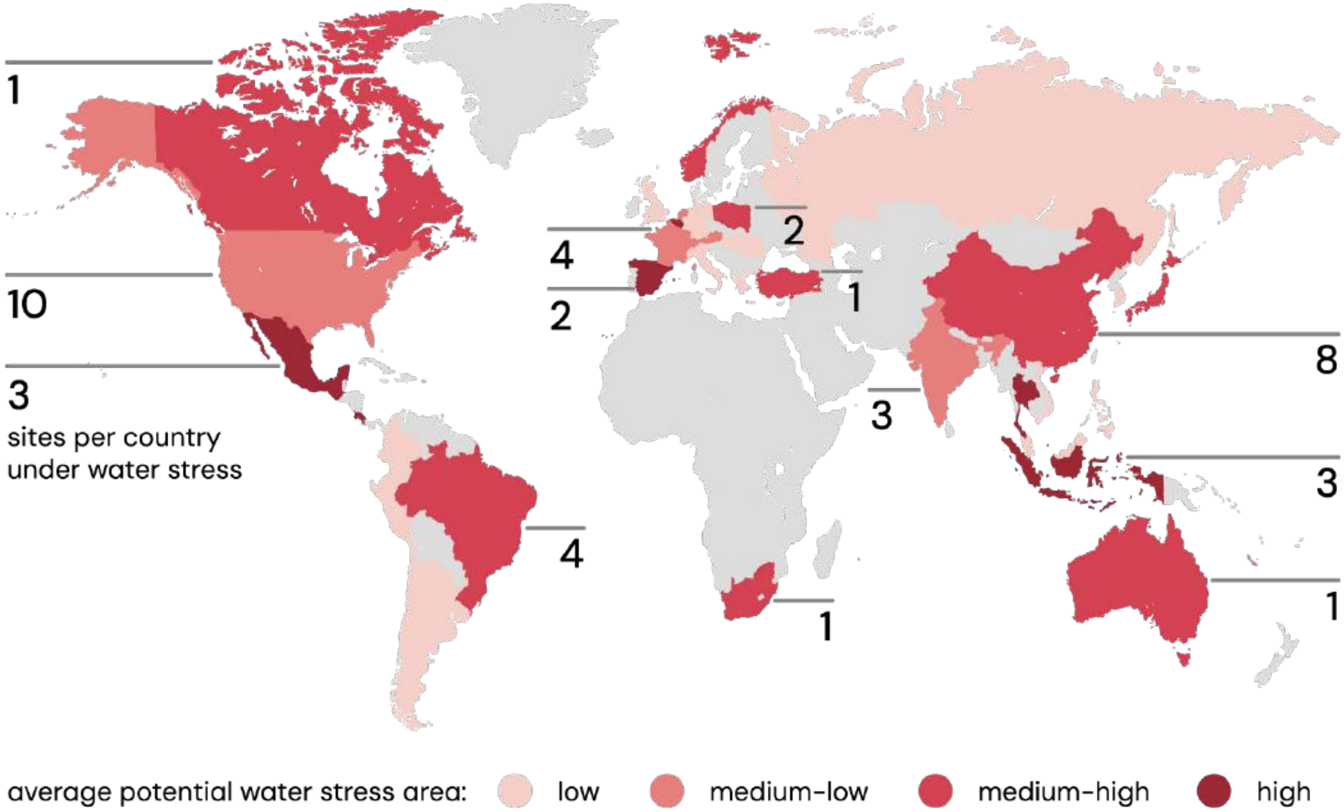
	2023
	(tonnes)
Emissions to air	
Volatile Organic Compounds (VOC)	2,700
Nitrogen oxide (NO_x)	600
Sulfur dioxide (SO_2)	20
Emissions to water	
Chemical Oxygen Demand (COD)	3,000

Water and marine resources

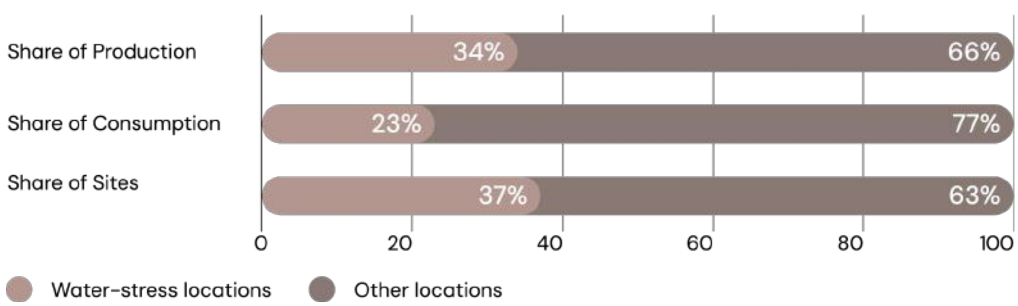
Our approach to define water-stress locations is based on WRI Aqueduct (v4.0 - World Resources Institute) freshwater data. Following an extraction of the database based on our locations, we retain those with ‘Extremely High’ or ‘High’ risks based on the time horizon of today or by 2030 using the scenario ‘Business as usual’. More information on the tool can be found here. Below analysis excludes the Materials divestments.

Once-through cooling (OTC) refers to the continuous flow of water used only for cooling purposes which is returned to the same source immediately after use.

Water stress - distribution of our sites linked to water-stress areas



Share of dsm-firmenich locations by water-stress



Water withdrawal, discharge and consumption

	2023
	(x 1,000m³)
Total water withdrawal	104,400
– Fresh surface water (OTC)	77,400
– Fresh surface water (non-OTC)	5,500
– Fresh ground water	9,100
– Brackish water/sea water	0
– Third party source	11,500
– Other[1]	800
Total water discharge	98,600
– to environment (OTC)	77,400
– to environment (non-OTC)[2]	9,800
– to offsite treatment (3rd party destinations)	11,400
Water consumption	5,800

1 Other withdrawal includes water from processing of raw materials, and rain water.
2 Water discharge to environment (non-OT) is to fresh and brackish water.

Resource use and circular economy

Waste by disposal method

	2023
	(tonnes)
Process-related non-hazardous waste excluding recycled waste	34,700
Landfill	9,000
Offsite incineration with heat recovery	19,600
Offsite incineration without heat recovery	3,500
Other[1]	2,600
Process-related hazardous waste excluding recycled waste	67,500
Landfill	1,400
Offsite incineration with heat recovery	51,700
Offsite incineration without heat recovery	13,500
Other[1]	900
Total recycled waste (hazardous and non-hazardous)	129,700

1 Waste reported as 'other' refers to waste sent for a disposal method or path that does not precisely align with the main categories.

Other Environmental Information

Environmental fines and non-monetary sanctions

	2023
Fines (in €)	259,000
Non-monetary sanctions	13

Social information

Own workforce

Workforce by gender

	Female		Male		Not disclosed/ Unknown		2023 Total
	#	% of row	#	% of row	#	% of row	#
Permanent	**9,462**	**35.5%**	**17,178**	**64.5%**	**3**	**0.01%**	**26,643**
Temporary	**372**	**60.4%**	**244**	**39.6%**	**0**	**0.0%**	**616**
Total	9,834	36.1%	17,422	63.9%	3	0.0%	27,259
Non-integrated acquisitions	977	47.8%	1,065	52.2%	0	0.0%	2,042
Total headcount	10,811	36.9%	18,487	63.1%	3	0.01%	29,301

Workforce by region

	Female		Male		Not disclosed/ Unknown		Non-integrated acquisitions		2023 Total
	#	% of column	#	% of column	#	% of column	#	% of column	#
Switzerland	1,091	11.1%	2,556	14.7%	0	0%	0	0%	3,647
Netherlands	769	7.8%	1,014	5.8%	0	0%	0	0%	1,783
Rest of EMEA	2,788	28.4%	4,889	28.1%	0	0%	169	8.3%	7,846
North America	1,534	15.6%	2,627	15.1%	0	0%	100	4.9%	4,261
Latin America	1,184	12.0%	2,170	12.5%	3	100.0%	263	12.9%	3,620
China	1,253	12.7%	2,280	13.1%	0	0%	1131	55.4%	4,664
Rest of Asia	1,215	12.4%	1,886	10.8%	0	0%	379	18.6%	3,480
Total headcount	9,834	100.0%	17,422	100.0%	3	100.0%	2042	100.0%	29,301

Additional workforce diversity metrics

	Female	Male	Not disclosed / unknown	2023 Total
% by age category[1]				
<26 years	2.8%	3.4%	0%	6%
26-35 years	10.4%	15.3%	0.01%	26%
36-45 years	11.3%	19.3%	0%	31%
46-55 years	8.1%	16.2%	0%	24%
>55 years	3.5%	9.6%	0%	13%
Unknown[2]	0.0%	0.1%	0%	0%
% by nationality[1]				
Chinese	4.8%	8.4%	0%	13%
American	4.7%	7.9%	0.01%	13%
French	4.0%	8.2%	0%	12%
Brazilian	2.8%	5.1%	0%	8%
German	1.6%	4.5%	0%	6%
Dutch	2.2%	3.5%	0%	6%

Indian	1.5%	3.7%	0%	5%
Swiss	1.4%	3.6%	0%	5%
British	0.8%	2.0%	0%	3%
Mexican	0.9%	1.6%	0%	3%
Other[2]	11.4%	15.2%	0%	27%
% female by seniority[1]				
Executives	34.4%	65.6%	0%	2%
Management	37.4%	62.6%	0%	11%
Other[2]	36.0%	64.0%	0.01%	87%

1 Due to the merger, some of the definitions, methods and procedures may be based on definitions, methods and procedures defined prior to the merger.
2 Non-Integrated Acquisitions are excluded from the breakdowns.

Inflow and outflow

	Female	Male	Not disclosed / unknown	2023 Total
Inflow[1]				
Total number of new hires (excluding acquisitions)	547	1,011	2	1,560
Acquisitions	45	44	0	89
Total inflow	592	1,055	2	1,649
% new hires by region				
Netherlands	0.6%	1.2%	0.0%	1.7%
Switzerland	2.8%	6.3%	0.0%	9.0%
Rest of EMEA	9.3%	17.3%	0.0%	26.6%
North America	9.0%	18.8%	0.1%	27.9%
Latin America	5.2%	9.0%	0.0%	14.2%
China	1.7%	4.4%	0.0%	6.0%
Rest of Asia	6.6%	7.8%	0.0%	14.4%
Outflow				
Voluntary resignations	349	708	0	1,057
Total outflow (excluding divestments)	548	1,360	2	1,910
Divestments	24	42	0	66
Total outflow	572	1,402	2	1,976
Voluntary resignations (%)	**3.2%**	**3.8%**		**3.6%**
Total turnover (%)	**5.3%**	**7.6%**		**6.7%**

1 Inflow and outflow are only reported as of the first full month following the date of the merger.

Governance information

Reporting period

This section describes the Sustainability governance framework starting from 18 April 2023, the first day of trading of the Company's shares on Euronext Amsterdam (the '**First Trading Date'**).

Sustainability 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 Sustainability, including climate. Furthermore, the Board of Directors has established a Sustainability Committee that is responsible for reviewing sustainability and the sustainability performance of the company. See the **Board of Directors** and **Sustainability Committee** for more information on their responsibilities and activities.

Executive Committee

By way of delegation of the Board for Directors, the Executive Committee, led by our CEO, is responsible for the management of the company, including pursuing leadership on sustainability, and implementing the sustainability strategy. Among other items, the Executive Committee approved, with the Board of Director's endorsement, the science-based targets that were submitted for validation in early 2024 to the Science Based Targets initiative. See the **Executive Committee** for more information on the composition and roles of the Executive Committee.

Functional Leadership of Sustainability

Functional Leadership Teams (LT) have been established to manage specific sustainability-related topics. These teams are chaired by a senior executive.

Sustainability at Group level

At Group level, sustainability is steered by the Global Sustainability Leadership Team (GSLT). The GSLT is comprised of a group of senior sustainability leaders representing Group Sustainability, the Business Units, and relevant functions. The GSLT is chaired by the Chief Sustainability Officer (CSO) who has a direct reporting line to the CEO. The GSLT drives the sustainability agenda of the company and ensures that this is translated into the Business Units' and functions' sustainability strategies. Key topics on the GSLT agenda include climate, nature, social impact (including human rights), nutrition and sustainability reporting.

The GSLT is supported in their work by the Group Sustainability function, under the leadership of the CSO, a group of experts that identify emerging sustainability trends, provide topical expertise, and support the company on cross-cutting sustainability themes. Furthermore, Business Unit sustainability teams ensure the identification and management of Business-Unit-specific topics, priorities and strategies.

Operations, and Safety, Health and Environment & Security

The Operations Leadership Team drives excellence and competitive advantage in operations. It defines our Operations strategy and ensures a consistent application of our operational standards, through providing joint direction, community building, and identifying and jointly executing synergies and value creation. The SHE & Security (SHE&S) Leadership Team ensure our SHE&S are fit for purpose to safeguard people's and customer's safety and health, and to protect the environment and out assets. It sets the relevant strategy, policy, requirements, and standards to deliver on these. These Leadership Teams are supported by Functional Leadership Teams and Functional Networks that connect the overarching strategies and standards with the functional and Business Unit planning and execution.

Human Resources

The Human Resources Leadership Team (HRLT) is responsible for the holistic human resources (HR) agenda. It is chaired by the Chief Human Resources Officer, who is a member of the Executive Committee. The HRLT, comprised of the Heads of the Group HR expertise areas and Business Unit HR Heads, sets the strategic direction for HR and ensures alignment between the Group and the Business Unit HR agendas. It is supported by the extended LT which discusses cross-cutting HR projects, and provides inspiration and expertise on HR topics, including improvement opportunities and best practices.

Procurement

The Procurement Leadership Team (PLT) is responsible for ensuring the implementation of our Responsible Sourcing Framework, and reviews progress on a regular basis. Our Chief Procurement Officer (CPO), who chairs the PLT, reports directly to the CEO, and is responsible for deploying the Framework within our supply chain. The Framework and strategy, together with guidance and priority setting, is defined by the Responsible Sourcing team, which is overseen by the Head of Responsible Sourcing, who maintains a dual reporting line to the CPO as well as the CSO. The Sustainability Leadership Team (SLT) acts as a sparring partner to ensure our Responsible Sourcing strategy is in line with the Group's ambitions and commitments.

Other information

Material topic explanations

Environment

Animal welfare

Having practices and rules in place for the consistent care, welfare, treatment and testing of research animals. This topic also covers enhancing lifetime animal performance and general animal welfare by producing high quality food for them.

Biodiversity & nature

Sustainably managing and minimizing dsm-firmenich's impact on ecosystems and biodiversity, which includes activities such as resource use, land cultivation, deforestation and food supply chains. This topic focuses on preserving and restoring natural diversity and ecosystems in land, water and marine environments. This is essential to ensure business sustainability, particularly in perfumery, which relies on natural ingredients. Dsm-firmenich must assess and address biodiversity risks and impacts to ensure its long-term success.

Climate change adaptation

The management of physical risks associated with climate change by building an adaptive business model and capacities as well as having resilience plans in place.

Climate change mitigation

Reducing the impact on climate change by reducing pollutants, especially the greenhouse gas emissions generated directly and indirectly (Scopes 1-3) through, i.e., purchased materials, agricultural activities, transportation, energy consumption (efficiency and use of renewable energy) or travel. Setting ambitious emission reduction targets, developing a robust decarbonization program, supporting to reduce emissions along the value chain and implementing other mitigation activities additionally ensure environmental compliance and overall emission reductions to move towards net zero.

Regenerative agriculture

Addressing the issues of agricultural expansion and unsustainable farming practices by adopting sustainable and regenerative methods to cope with growing land and water scarcity and decreasing soil health in agricultural systems (i.e., more sustainable animal protein production).

Renewable raw materials
Trading off social and environmental impacts against costs is becoming more important with a strong focus on moving away from scarce raw materials to renewable, available and accessible ones.

Waste and plastics management
Minimizing waste production, designing out waste and plastics (especially single-use plastics), increasing waste reuse and recycling and managing the lifecycle impacts of dsm-firmenich's products, including hazardous and non-hazardous waste, effluents and pollution generated by the company's operations and manufacturing processes. Integrating circularity and next-life use principles into all aspects of business strategy from raw material/ingredient procurement, packaging and product design to go-to-market, after-sales service and end-of-life treatments to maximize and maintain the value of dsm-firmenich's products for as long as possible.

Water management
Limiting withdrawal, consumption, use, waste-water generation and discharges in dsm-firmenich's own operations and developing solutions to support their value chain partners in water stewardship. This topic refers to reducing the reliance on water resources and minimizing impacts of operations on water, which may be influenced by regional differences in the availability and quality of and competition for water resources (i.e., areas of high water stress).

Society

Diversity, equity & inclusion
Promoting the values of diversity, equity and inclusion within dsm-firmenich and beyond by guaranteeing equal treatment, equal pay for equal work and equal opportunities to all employees, indifferent of race, gender, ethnicity, religion, sexual orientation, disabilities or other personal traits. It is about building a workplace free from any form of discrimination, harassment or violence that ensures fair and transparent hiring and promotion practices and respectful interactions between employees.

Employee well-being
Fostering and contributing to employee health and well-being at work and beyond, including physical, mental, social, financial and purpose-related aspects (i.e., fulfilment). This also includes treating all employees equally, especially with regards to living wage, and respecting employee rights, conducting empowerment and engagement activities and ensuring work-life balance.

Health, nutrition, taste, and food security
Contributing to nutrient sufficiency as well as the health and well-being of end-consumers and society as a whole by providing access to ingredients used in health-promoting beauty and wellness products as well as nutrient-dense, tasty foods. This topic also entails deploying methods and tools to conserve scarce land and water resources to ensure long-term food security. Moreover, it refers to preventing food loss and waste, through bio-protection and a focus on extending shelf life.

Occupational health & safety
Creating and maintaining a safe and healthy workplace environment that is free of injuries, fatalities, and illness (both chronic and acute). Measures to achieve this are having safety management plans in place, developing training requirements for employees and contractors, and conducting regular audits of own operations.

Partnerships and relationship management

This topic refers to a variety of stakeholders and how to engage with them, i.e., by ensuring transparent cooperation with partners and parties within the value chain, minimizing negative impacts on local communities and protecting their economic, social, cultural, civil and political rights, or addressing changes in consumer behavior, educating consumers in making the right diet choices and elevating the customer and consumer experience.

Respect of human rights

Ensuring that human rights and universal workers' rights are respected in dsm-firmenich's own operations and across its value chain, i.e., through the abolishment of human trafficking, forced or child labor and modern slavery, while guaranteeing the freedom of association, right to collective bargaining and a fair salary, among others. This is achieved by implementing strong due diligence and risk assessment processes, as well as mitigation and remediation measures where needed.

Talent attraction, development & retention

Dsm-firmenich sees people as differentiators, therefore talent attraction, development, engagement and retention are key success factors. The topic includes, but is not limited to, recruitment, career path offerings, performance and compensation management and skills and competency development. It additionally refers to strengthening employer as well as brand attractiveness through competitive wages, fringe benefits, attractive working conditions and initiatives that foster employee engagement and human capital development.

Governance

Corporate governance, business ethics & transparency

Having clearly defined (sustainability) governance structures in place that ensure oversight through the Board of Directors and adequate execution at operational level. Establishing good business conduct and integrity through the highest professional and ethical standards and complying with international standards to fight anti-competitive practices, i.e., fraud, corruption and bribery. It is also about acting with integrity and being transparent in all company-related activities, including reporting, non-misleading sales and marketing practices and transparent tax management.

Cybersecurity & information security

Guaranteeing that the rights to data privacy as well as the protection of the data of individuals, companies and other entities are safeguarded and access to IT systems, networks and data is assured at all times. Robust processes and systems as well as strict data handling and security practices are needed to prevent IT system failures and major information security/cybersecurity incidents, among others.

Innovation, digital & technology

Promoting innovation at dsm-firmenich and along the value chain to reduce the environmental footprint of products, increase climate resilience, optimize the use of inputs (i.e., towards more sustainable agricultural practices), contribute to sustainable and healthy solutions, improve organizational efficiency as well as enhance customer satisfaction while incorporating new technologies in an ethical and constructive manner. This topic also includes benefitting from digital tools and Artificial Intelligence to advance own operations, business models and activities across the value chain by strengthening (internal) scientific capabilities, managing innovation effectively, and promoting eco-friendly innovation.

Product quality, safety & impact

Guaranteeing the highest product quality, safety, including ingredient disclosure and certification standards. This involves controlling and minimizing all possible safety risks and adverse effects on customers, consumers, animal health, the environment and society as a whole. In detail, it involves liability, product testing, data transparency, customer support and market withdrawals. Principles of responsible and sustainable product stewardship and governance, sustainable portfolio steering, and responsible value creation can create positive impacts and competitive advantages.

Responsible & transparent sourcing

Minimizing exposure to sustainability-related risks in the supply chain and corresponding financial and reputational damages while maximizing the supply chain's reliability. Ensuring quality and traceability (i.e., of ingredients) throughout supply chains by screening, selecting, monitoring, auditing and engaging with suppliers on issues such as environmental protection, responsible raw material sourcing, business conduct and human rights.

Taskforce on Climate-related Financial Disclosures

The mapping table provided below provides guidance on how dsm-firmenich has reported against the TCFD Requirements. These disclosures are aligned with the Swiss Ordinance on Climate Matters which came into force on 1 January 2024.

TCFD elements	Recommended disclosures	References in this report
Governance	1. Management's oversight on climate-related risks and opportunities	Sustainability governance framework
	2. Management's role in assessing and managing climate-related risks and opportunities	Climate adaptation and transition plans Sustainability governance framework
Strategy	1. Description of climate-related risks and opportunities	Climate adaptation and transition plans
	2. Impact of climate-related risks on the company's business activities and strategic and financial planning	Climate adaptation and transition plans
	3. Resilience of the organization's strategy	Climate change mitigation Climate adaptation and transition plans
Risk management	1. The company's processes for identifying and assessing climate-related risks	Climate adaptation and transition plans Risk Management
	2. The company's processes for managing climate-related risks	Climate adaptation and transition plans
	3. Integration of processes for identifying, assessing and managing climate-related risks into the company's general risk management system	Climate adaptation and transition plans Risk Management
Metrics and targets	1. Metrics with which the company assesses climate-related risks and opportunities	Climate change mitigation
	2. Disclosure of Scope 1, Scope 2 and Scope 3 GHG emissions	Scope 1 and 2 Scope 3
	3. Targets used to manage climate-related opportunities and risks against performance	Scope 1 and 2 Scope 3

Assurance report of the independent auditor

To: the General Meeting and the Board of Directors of DSM-Firmenich AG

Report on the assurance engagement on the sustainability information 2023 included in the Integrated Annual Report

Our qualified opinion

We have performed a reasonable assurance engagement on the non-financial information in the sections 'About dsm-firmenich', 'Letter to our Stakeholders', 'Strategy' and 'Sustainability' included in the Integrated Annual Report for 2023 (hereafter: the 'sustainability information') of DSM-Firmenich AG. (hereafter 'the Company'), based in Kaiseraugst, Switzerland.

In our opinion, except for the effects of the matter described under 'Basis for our qualified opinion' section of our report, the sustainability information is prepared, in all material respects, in accordance with the GRI Standards and the Company's internally developed supplemental reporting criteria as included in the 'Reporting Criteria' section of our report and as disclosed in the section 'Non-Financial Reporting Policy' included in the chapter 'Sustainability Statements' of the Integrated Annual Report.

Basis for our qualified opinion

Scope 3 emissions are calculated amongst others on the basis of spend data and emission factors. We have observed limitations with regards to the reconciliation of the spend data with the financial information underlying the consolidated 2023 financial statements of the Company. Consequently, we have not been able to perform sufficient assurance procedures over the completeness of spend data and therefore an uncertainty remains regarding the completeness of Scope 3 emissions as included in the sustainability information.

We have performed our reasonable assurance engagement on the sustainability information in accordance with Dutch law, including Dutch Standard 3000A 'Assurance-opdrachten anders dan opdrachten tot controle of beoordeling van historische financiële informatie (attest-opdrachten) (assurance engagements other than audits or reviews of historical financial information (attestation engagements)). This engagement is aimed to obtain reasonable assurance. Our responsibilities under this standard are further described in the 'Our responsibilities for the assurance engagement on the sustainability information' section of our report.

We are independent of the Company in accordance with the 'Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten' (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence). Furthermore, we have complied with the 'Verordening gedrags- en beroepsregels accountants' (VGBA, Dutch Code of Ethics for Professional Accountants).

We believe that the assurance evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Reporting Criteria

The sustainability information is prepared in accordance with the Sustainability Reporting Standards of the Global Reporting Initiative (GRI Standards) and the Company's internally developed supplemental reporting criteria as disclosed in the section 'Non-Financial Reporting Policy' included in the chapter 'Sustainability Statements' of the Integrated Annual Report. The GRI Standards used are listed in the GRI Content Index as referenced to in the chapter 'Global Reporting Initiative.

The comparability of sustainability information between entities and over time may be affected by the absence of a uniform practice on which to draw, to evaluate and measure this information. This allows for the application of different, but acceptable, measurement techniques.

Consequently, the sustainability information needs to be read and understood together with the reporting criteria used.

Materiality
Based on our professional judgement we determined materiality levels for each relevant part of the sustainability information as included in the Integrated Annual Report. When evaluating our materiality levels, we considered quantitative and qualitative considerations as well as the relevance of information for both stakeholders and the Company.

Scope of the assurance engagement of the group
The Company is the head of a group of components. The sustainability information incorporates the consolidated information of this group of components to the extent as disclosed in the 'Non-Financial Reporting Policy' of the Integrated Annual Report.

Our assurance procedures for the assurance engagement of the group consisted of assurance procedures at corporate and component level. Our selection of components in scope of our assurance procedures is primarily based on the component's individual contribution to the consolidated sustainability information. Furthermore, our selection of components considered relevant reporting risks and geographical spread.

By performing our assurance procedures at corporate and component level, we have been able to obtain sufficient and appropriate assurance evidence about the Company's reported sustainability information to provide an opinion about the sustainability information.

Our key assurance matters
Key assurance matters are those matters that, in our professional judgement, were of most significance in our assurance engagement on the sustainability information. We have communicated the key assurance matter to the Managing Board and the Supervisory Board. The key assurance matters are not a comprehensive reflection of all matters discussed.

These key assurance matters were addressed in the context of our assurance engagement on the sustainability information as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The impact of the merger and performance on the Company's Food System Commitments were determined to be key assurance matters as these assessments are inherently subject to assumptions and management judgement, whereas the determination of other important sustainability indicators on Safety, Health and Environment and Human Resources require such judgement to a lesser extent.

The impact of the merger

Description

The effects of the merger between DSM and Firmenich on the sustainability information is complex due to the harmonization of processes and reporting definitions.

The sustainability information includes data from DSM and Firmenich, each as from 1 January 2023 (the 'reporting period'). This is different from the financial statements, in which the financial information of Firmenich is consolidated as from merger date as required under International Financial Reporting Standards. As this is the first year of reporting for the Company, no comparative data is available for 2022

Our response

- We have performed assurance procedures on the sustainability information starting with an assessment of the newly established sustainability governance framework.
- We performed additional inquiries with topic owners in order to understand the processes within the Company, and to gain further insight into the harmonization of processes, we conducted additional site visits.
- We examined the non-financial reporting policy and reporting definitions by reviewing documentation, such as reporting manuals, and by inquiring key personnel.

Our observation

We have determined that the non-financial reporting policy and reporting definitions are appropriately applied within the Company. We also consider the disclosure on the merger and the reporting period in the Integrated Annual Report as being adequate.

Food System Commitments

Description

The Company reports on a set of performance indicators related to Food System Commitments ('FSCs'). The FSCs are quantifiable commitments on the environmental or societal impact in global food systems of the Company together with its partners in its value chain. The FSCs, grouped in the areas Health for People, Health for Planet, Healthy Livelihoods and Basic commitments, are explained in the 'Food Systems Commitments' section of the Integrated Annual Report. The FSCs the Company reports on over 2023 are defined as listed below:

- Help close the micronutrient gap of 800 million vulnerable people by 2030
- Support the immunity of half a billion people by 2030
- Enable double-digit on-farm livestock emission reduction by 2030
- Support the livelihoods of 500,000 smallholder farmers across the value chain together with our partners by 2030
- Deforestation-free in our primary supply chains by 2030
- Good workforce nutrition by 2030

The performance indicators related to the FSCs are significant to our assurance engagement since we identified that they serve as material indicators for the Company to report on their societal reach and impact on global food systems. Also, the assessment of commitment is inherently subject to uncertainties as a result of estimates, assumptions and judgement.

Our response

- For each FSC we obtained an understanding of the reporting process, applicable definitions, applied reporting criteria and methodologies, performed walkthrough procedures and evaluated the design and implementation of relevant internal controls.
- We inquired the Company's staff Members involved in the FSC reporting process and inspected internal documentation to understand the application of these definitions, applied reporting criteria and methodologies. Methodologies were supported with individual assessments of applied estimates and assumptions per FSC, which we consider to be critical in validating the (external) reference sources applied for each FSC.
- We challenged underlying evidence, such as sales and purchase volumes, market studies and external (scientific) research on relevant topics, such as but not limited to: greenhouse gas emissions (e.g. methane), intake dosages, crop yield factors, lives reached overlap factors, attendance statistics for educational webinars and certifications related to deforestation programs. We assessed external sources used for its relevance and reliability.
- We assessed whether the reporting criteria, estimates, assumptions and definitions are adequately disclosed in the Integrated Annual Report.

Our observation

We consider that the definitions and criteria for the performance indicators related to FSCs as described in the Company's internally developed methodology documents and reporting criteria as disclosed in the section 'Non-Financial Reporting Policy' included in the chapter 'Sustainability Statement' of the Integrated Annual Report have been appropriately applied and that the estimates and assumptions are adequately explained. We also consider the disclosure on the performance indicators, related to FSCs, in the Integrated Annual Report as being adequate.

Corresponding information not assured

The Science Based Targets baseline information related to scope 1 + 2 GHG emission reduction of Firmenich and DRT as included in chapter 'Sustainability performance' has not been part of this reasonable assurance engagement. Consequently, the corresponding sustainability information and thereto related disclosures for the period are not assured with reasonable assurance. Our opinion is not modified in respect of this matter.

Limitations to the scope of our assurance engagement

The sustainability information includes prospective information such as ambitions, strategy, plans, expectations and estimates. Prospective information relates to events and actions that have not yet occurred and may never occur. We do not provide any assurance on the assumptions and achievability of this prospective information.

References to external sources or websites in the Integrated Annual Report are not part of the sustainability information as included in the scope of our assurance engagement. Therefore, we do not provide assurance on this information.

Our opinion is not modified in respect to these matters.

Responsibilities of the Managing Board and the Supervisory Board for the sustainability information

The Executive Committee of the Company is responsible for the preparation and fair presentation of the sustainability information in accordance with the reporting criteria as included in the 'Reporting Criteria' section of this report, including the identification of stakeholders and the definition of material matters.

The Executive Committee is also responsible for selecting and applying the reporting criteria and for determining that these reporting criteria are suitable for the legitimate information needs of stakeholders, considering applicable law and regulations related to reporting.

The choices made by the Executive Committee regarding the scope of the sustainability information and the reporting policy are summarized in the chapter 'Non-Financial Reporting Policy' of the Integrated Annual Report.

Furthermore, the Executive Committee is responsible for such internal control as it determines is necessary to enable the preparation of the sustainability information that is free from material misstatements, whether due to error or fraud.

The Board of Directors is, amongst other things, responsible for overseeing the Company's sustainability reporting process.

Our responsibilities for the assurance engagement on the sustainability information

Our responsibility is to plan and perform our assurance engagement in a manner that allows us to obtain sufficient and appropriate assurance evidence for our opinion.

Our assurance engagement has been performed with a high, but not absolute, level of assurance, which means we may not have detected all material misstatements due to error or fraud during our assurance engagement.

Misstatements can arise from errors or fraud and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users taken on the basis of the sustainability information. The materiality affects the nature, timing and extent of our assurance procedures and the evaluation of the effect of identified misstatements on our opinion.

We apply the 'Nadere Voorschriften Kwaliteitssystemen' (NVKS, regulations for quality management systems) and accordingly maintain a comprehensive system of quality management including documented policies and procedures regarding compliance with ethical requirements, professional standards and other relevant legal and regulatory requirements.

We have exercised professional judgement and have maintained professional skepticism throughout the assurance engagement, in accordance with the Dutch Standard 3000A, ethical requirements and independence requirements. Our assurance included among others:

- Performing an analysis of the external environment and obtaining an understanding of relevant sustainability themes and issues, and the characteristics of the Company;
- Evaluating the appropriateness of the reporting criteria used, their consistent application and related disclosures in the sustainability information. This includes the evaluation of the results of the stakeholders' dialogue and the reasonableness of estimates made by management of the Company;
- Obtaining an understanding of the systems and processes for collecting, reporting and consolidating the sustainability information, including obtaining an understanding of internal control relevant to our assurance engagement, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- Evaluating the procedures performed by the Company's Corporate Operational Audit department;
- Identifying and assessing the risks if the sustainability information is misleading or unbalanced, or contains material misstatements, whether due to errors or fraud. Designing and performing further assurance procedures responsive to those risks, and obtaining assurance evidence that is sufficient and appropriate to provide a basis for our opinion. The risk that the sustainability information is misleading or unbalanced, or the risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from errors. Fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. These further procedures included among others:
    - Inquiry with management and relevant staff of the Company at corporate and component level responsible for the sustainability strategy, policies and results;
    - Inquiry with relevant staff of the Company responsible for providing the information for, carrying out internal control procedures on, and consolidating the data in the sustainability information;
    - Determining the nature and extent of the assurance procedures at corporate and component level. For this, the nature, size and/or risk profile of these components were decisive. Based thereon we selected the components to visit. The visits to production sites in the China, Switzerland, Germany, France and the United Kingdom were aimed at, on a component level, validating source data and evaluating the design, implementation and operation of controls and validation procedures;
    - Obtaining assurance evidence that the sustainability information reconciles with underlying records of the Company;
    - Evaluating relevant internal and external documentation, on a test basis, to determine the reliability of the information in the sustainability information; and
    - Performing an analytical review of the data and trends.
- Evaluating the consistency of the sustainability information with the information in the Integrated Annual Report which is not included in the scope of our assurance engagement;
- Evaluating the overall presentation and content of the sustainability information; and
- Considering whether the sustainability information as a whole, including the disclosures, reflects the purpose of the reporting criteria used.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the assurance engagement and significant findings, including any significant findings in internal control that we identify during our assurance engagement.

Amstelveen, 28 February 2024

KPMG Accountants N.V.
P.J. Groenland – van der Linden RA

Risk Management

Our risk management framework is based on the COSO Enterprise Risk Management model. It supports the Group, our Business Units and Business Partners functions in managing risks that might prevent us from achieving our strategic, financial, and operational objectives and in protecting company assets, including reputation. It also supports compliance with laws and regulations, as well as reliable financial and non-financial reporting.

Our approach to Risk Management

The building blocks of our risk management framework are shown in the diagram. Governance and culture form the foundation, on which the pillars of the risk management process – strategy & objective setting, risk identification & assessment, risk mitigation & control activities, monitoring & improvement – are standing to protect our value & integrity. Communication & reporting ensures the connection between the pillars and sharing of adequate information with internal and external stakeholders. The building blocks are summarized in the paragraphs below.

Risk management framework

Governance & culture

As part of our Corporate Governance, the Board of Directors has delegated the management of the Group to the CEO and the Executive Committee, except where this is restricted by law and other regulations. Furthermore, the Executive Committee, with the approval of the Board of Directors, has determined the Operating Model Framework as guidance for the operations of, and cooperation within, the Group, the Business Units and Business Partners, who are therefore jointly responsible for achieving our objectives and managing the associated risks.

To further implement this, the following roles and responsibilities are assigned, in line with the Three Lines Model:

- First line: the responsibility for identifying, assessing, and managing risks is an integral part of the responsibility of each manager
- Second line: Business Partner functions provide expertise and support, and monitor compliance for their functional area. They define objectives for the function, group policies and standards, and efficient and robust business processes including controls
- Third line: the Corporate Operational Audit department provides independent, objective assurance and advice regarding the effectiveness of governance, risk management, and control activities

The Board of Directors has approved our values as well as our **Code of Business Ethics**. The Executive Committee and management are a role model for living out the Code of Business Ethics and ensure compliance with it. This 'tone at the top' supports effective risk management by creating risk awareness and giving it appropriate priority. In combination, these elements form the governance and culture foundation of our risk management framework.

Strategy & objective-setting

Our Group strategy and objectives are determined by the Board of Directors, supported by the Executive Committee. The Group strategy and objectives are translated into specific plans and priorities for Business Unit and Business Partner leadership and elaborated in further detail for lower levels in the organization.

Risk identification & assessment

The realization of an ambitious strategy will always entail risks. To enable informed decision-making, these risks are identified and assessed at all levels in the organization. Risk assessments may focus on various topics (e.g., Safety, Health and Environment (SHE), security, climate) and are regularly updated. At least once per year, the Executive Committee discusses the material risks for the company as part of the Group risk assessment, and the Board of Directors reviews and approves these material risks. For more information, see **Material risks and uncertainties**.

Risk mitigation & control activities

Mitigating actions and controls are defined and implemented for the most relevant risks. Controls include policies, standards, Segregation of Duties (SoD) management, business continuity management and business performance reviews. Control activities, which can be preventive or detective, are integrated into our business processes and are executed by the first line.

Monitoring & improvement

The Internal Control department within Legal, Regulatory, Risk & Compliance owns the Internal Control Framework. It defines the standard set of key controls that must be performed by the first line and it aims to ensure reliable financial reporting, mitigate fraud risks and safeguard our assets. The effectiveness of the key controls is independently tested by the Internal Control department.

The effectiveness of the design and the operation of our overall risk management framework is evaluated by the Audit & Risk Committee of the Board of Directors to support the Board Statements.

Communication & reporting

Reviewing of risks and incidents takes place via structured processes, and if needed on an ad-hoc basis. Twice per year all Business Units and Business Partners report their material risks and incidents to the CEO. These are discussed in the Executive Committee as well as the Audit & Risk Committee.

Material risks and uncertainties

Risk assessments are performed at all levels in the organization and can focus on varying topics. Material risks for our Business Units and Business Partner functions are reported to our CEO twice a year via the Risk & Incident Report and are shared with the Executive Committee. In addition to this, the Executive Committee has a separate discussion on what the material risks for the Group are. These together form the basis for the risk disclosures below.

Our risk profile

The below list details the five most important short-term risks that might have material impact within three years and have the potential to prevent us from successfully implementing our strategy and achieving our targets, despite the mitigations in place. For each of these risks, the mitigating actions we are taking to reduce our exposure are described. These risks are labeled as top risks either because the exposure on dsm-firmenich's EBITDA is an indicative €45 million or more, or because they have a major non-financial impact, such as on the company's reputation.

Top risks and related mitigating actions

<table>
<tr><th colspan="2">Digital transformation</th></tr>
<tr><td>Risk description

Having an integrated digital backbone is essential to implement efficient and robust business processes that meet the expectations of our customers. Therefore, successful execution of our digital transformation roadmap is important to deliver on our strategic and financial targets.

The implementation of this roadmap is complex. This, in combination with some resource constraints, means there is a risk that the digital transformation roadmap is not implemented according to plan or does not bring the full benefits as aimed for.</td><td>Mitigations

In the new operating model, the Business Partners have allocated dedicated resources to drive digitally-enabled process excellence. Furthermore, the capacity and capability in Digital & Tech are being strengthened.

The Group Investment Committee supports the Executive Committee to manage the project portfolio, set the right priorities and allocate resources accordingly.

All key projects are subject to quality reviews by a multi-disciplinary, independent team of experts at specific moments throughout project implementation.</td></tr>
<tr><th colspan="2">Geopolitical instability</th></tr>
<tr><td>Risk description

dsm-firmenich operates globally and could therefore be affected by geopolitical instability and related economic decline, such as:
Trade restrictions, raw material and energy shortages and supply disruptions, hampering our ability to supply our customers
Lower economic growth and declining disposable income impacting demand for our products
Inflation, putting pressure on our margins</td><td>Mitigations

Our business continuity management governance and processes are strengthened as part of the implementation of the new operating model. To reduce the impact of possible disruptions preventive actions are taken, such as reducing single-source positions, qualifying back-up manufacturing sites, optimizing safety stocks.</td></tr>
</table>

	Continuous monitoring of possible disruptions in our supply chains enables us to act with speed as and when needed. We hedge part of our exposure to purchasing price fluctuations and currency fluctuations. In economic downturns, we have the flexibility to offer solutions to serve the changing needs of our customers and end-consumers.
Commodity markets	
Risk description dsm-firmenich operates in highly competitive markets. There is a risk that some competitors may benefit from a lower cost position and where we cannot differentiate ourselves sufficiently, this could impact our sales volumes and margins.	**Mitigations** We prioritize high-growth and higher-margin market segments. To address the needs of customers and end-consumers in these segments, we develop innovative products and services and offer differentiating value propositions. We use our wide-ranging expertise, our scientific, technical and data-driven innovation capabilities, and our broad portfolio of natural and renewable ingredients. In all our Business Units we focus on maximizing operational performance and apply strict cost control. We launched the vitamin transformation program to improve profitability, structurally reduce our exposure to price fluctuations, and deliver significant cost savings.
Talent availability	
Risk description The success of dsm-firmenich depends on its employees, including - but not limited to - scientists, researchers, perfumers, flavorists, and experts in digital and data science. In view of the tight labor market, the ongoing challenges of the macro-economic environment, and the demands associated with any major merger and integration process, there is a risk that we cannot attract, retain, develop, and engage the people with the required expertise, experience and mindset needed for the implementation of our strategy.	**Mitigations** We successfully implemented the new operating model and organization and have launched our new purpose and values. Throughout the entire process we frequently connect with our employees to update them on the status of the integration and the challenges we face as a company. We answer their questions and address their concerns. Building on this foundation, we are executing our plans for integrated rewards, people development, well-being, engagement, and Diversity, Equity & Inclusion.

	We continue to monitor retention rates as well as employee engagement and take action as and when needed.
Cyber attack	
Risk description	**Mitigations**
As external cyber threats remain high, dsm-firmenich is exposed to the risk of cyber attacks. This could lead to discontinuity of operations and loss of integrity or confidentiality of information.	We are implementing a single, integrated cyber security framework, building on the strengths of both legacy companies and covering the domains of information technology, operations technology and R&D laboratory systems. Since the 'human firewall' remains critically important, we have intensified our phishing tests to keep employee awareness high – something that is especially important during times of change. To mitigate the impact of a potential cyber attack, we are strengthening our business continuity plans and disaster recovery plans.

Other important risks

In 2023, certain competition authorities commenced an industry-wide investigation into the fragrances sector. As part thereof, unannounced inspections were carried out at several Firmenich offices and Firmenich received a subpoena from the Antitrust Division of the United States Department of Justice. The company is fully cooperating with the authorities. The investigations are expected to continue at least until next year. As per the date of release of this Report, no further update on the status or outcome of the investigation is available. In addition, multiple lawsuits have been filed against the company in the USA and Canada relating to the investigation.

There are also more generic business risks, such as business continuity, sourcing, intellectual property, tax, changing legislation and regulations, and increasing non-financial reporting requirements. Our risk management framework is set up to adequately monitor and respond to these risks.

Information relating to sustainability risks, such as climate, biodiversity and water-related risks is disclosed in **Climate adaptation and transition plans**, **Nature – In our Operations** and the **Sustainability statements**.

All relevant risks are taken into account in the preparation of our financial statements.

Governance and Compensation

Reporting period

The Governance and Compensation section describes the Company’s governance framework starting from 18 April 2023, the first day of trading of the Company’s shares on Euronext Amsterdam (the ‘First Trading Date’). For the Governance Framework in place prior to the First Trading date, please see the Offering Circular.

Governance

Building on the solid legacies of DSM and Firmenich, our governance framework constitutes the foundational principles of our long-term objective to create value along the triple bottom line of economic performance, environmental quality, and social responsibility.

Preliminary remarks

On 8 May 2023, DSM and Firmenich merged to become dsm-firmenich, innovator in nutrition, health and beauty. The parent company of the combination, DSM-Firmenich AG, is a company organized under Swiss law, whose shares are listed on the Amsterdam stock exchange (Euronext Amsterdam).

As a Swiss company, the key applicable governance requirements to DSM-Firmenich AG (also referred to as the ‘Company’) are the Swiss Code of Obligations (CO), and the standards established by the Swiss Code of Best Practice for Corporate Governance. Due to its listing on Euronext Amsterdam, the Company is subject to the Dutch Financial Supervision Act and is subject to the relevant reporting requirements of the Dutch Decree on Transparency for issuing entities subject to the Dutch Act on Financial Supervision. The SIX Directive on Information relating to Corporate Governance is not applicable to the Company, as the Company is not listed on the SIX Swiss Exchange.

Governance Framework

The Company’s internal corporate governance framework is based on its Articles of Association (the ‘Articles of Association’). The Organizational Regulations of the Board of Directors, its Committees and of the Executive Committee (the ‘Board Regulations’) further clarify the duties, powers and regulations of the governing bodies of the Company.

The Board of Directors has established four **Committees:** the Audit & Risk Committee, the Sustainability Committee, the Compensation Committee and the Governance & Nomination Committee. These Committees assist the Board of Directors in its work. The duties and functioning of the Committees are laid down in Committee Charters.

Except where otherwise provided by law, the Articles of Association and the Board Regulations, all areas of management are fully delegated by the Board of Directors, with the power to sub-delegate, to the CEO and the Executive Committee.

Group structure, capital structure and shares

Group structure

DSM-Firmenich AG and Group companies

DSM-Firmenich AG is the parent company of the dsm-firmenich Group (the 'Group' or 'dsm-firmenich'). DSM-Firmenich AG is a Company organized under Swiss law with its registered office at Wurmisweg 576, 4303 Kaiseraugst, Switzerland. The Group's operating businesses are organized into four Business Units: Perfumery & Beauty, Taste, Texture & Health, Health, Nutrition & Care and Animal Nutrition & Health. The principal subsidiaries of the Group are shown in **Note 3 Investments** to the Parent company financial statements.

Significant Shareholders

Shareholdings of 3% or more in the Company must be disclosed to the Dutch Authority for the Financial Markets (AFM). Information about substantial holdings and gross short position of shares can be found **here.**

Cross-shareholdings

As at 31 December 2023, DSM-Firmenich AG had no cross-shareholdings.

Capital structure

Share capital

As at 31 December 2023, the share capital of DSM-Firmenich AG amounted to €2,656,763.88, divided into 265,676,388 fully paid-up registered shares with a par value of €0.01 each. In addition, the Company has conditional capital of €132,838.19 (corresponding to 13,283,819 registered shares with a par value of €0.01 each) for employee benefit plans and equity-linked financing instruments.

For the period until 18 April 2028, the Company has a capital band authorizing the Board of Directors to conduct one or more capital increases within an upper limit of €265,676.39 (corresponding to 26,567,639 registered shares with a par value of €0.01). The upper limit is reduced to the extent that new shares are issued under the conditional capital. For a description of the terms and conditions of the issuance of conditional and capital increases under the capital band, please refer to Art. 3a, 3b and 3c of the Articles of Association.

Shares are listed on Euronext Amsterdam under symbol DSFIR (ISIN CH1216478797). In the United States, a sponsored unlisted American Depositary Receipts (ADR) program is offered by Deutsche Bank Trust Co. Americas under symbol DR (ISIN US7802491081), with four ADRs representing the value of one share.

Multi-deposit structure

The shares have a multi-deposit structure in which they are deposited in the central security depositories (CSDs) of both the Netherlands and Switzerland. This means that the shares can be held either via Euroclear Nederland ('Euronext shares'; ISIN CH1216478797) or via the Company's share register at SIX SIS in Switzerland ('SIX SIS shares'; ISIN CH1267772122).

The shares can only be traded on Euronext Amsterdam. Settlement of the shares is possible through the facilities of Euroclear Nederland. SIX SIS shares can be exchanged into Euronext Shares and vice-versa at any time.

If requested by a Shareholder, the Company facilitates, through ABN AMRO Bank N.V. Corporate Broking & Issuer Services (email: **contact.dsm-firmenich@nl.abnamro.com**, telephone +31 20 6286070), the transfer of their shares from the facilities of Euroclear Nederland to the facilities of SIX SIS, and vice versa. Shareholders wishing to do so should contact their custodian bank or broker, which has to contact ABN AMRO, to affect such transfers.

Changes in capital

Since the completion of the merger, there have been no changes to the Company's share capital. For changes in the share capital prior to the completion of the merger, please refer to Note 6 Share capital to the Parent company financial statements.

Convertible bonds and options

There are no bonds, warrants or options or other securities granting rights to shares other than options and share units (PSUs and RSUs) granted under equity-based participation plan of employees.

Merger-related accelerated book-building and dividend

Accelerated book-building

On 25 May 2023, the Company executed a share placement of 6,696,477 ordinary shares. These shares, representing approximately 2.5% of the Company's share capital, were sold to institutional investors, at a price of €109.50 per share. The Company intends to use these total proceeds of €733 million to fund the cash consideration payable in relation to the buy-out procedure of the DSM Shareholders that had not tendered.

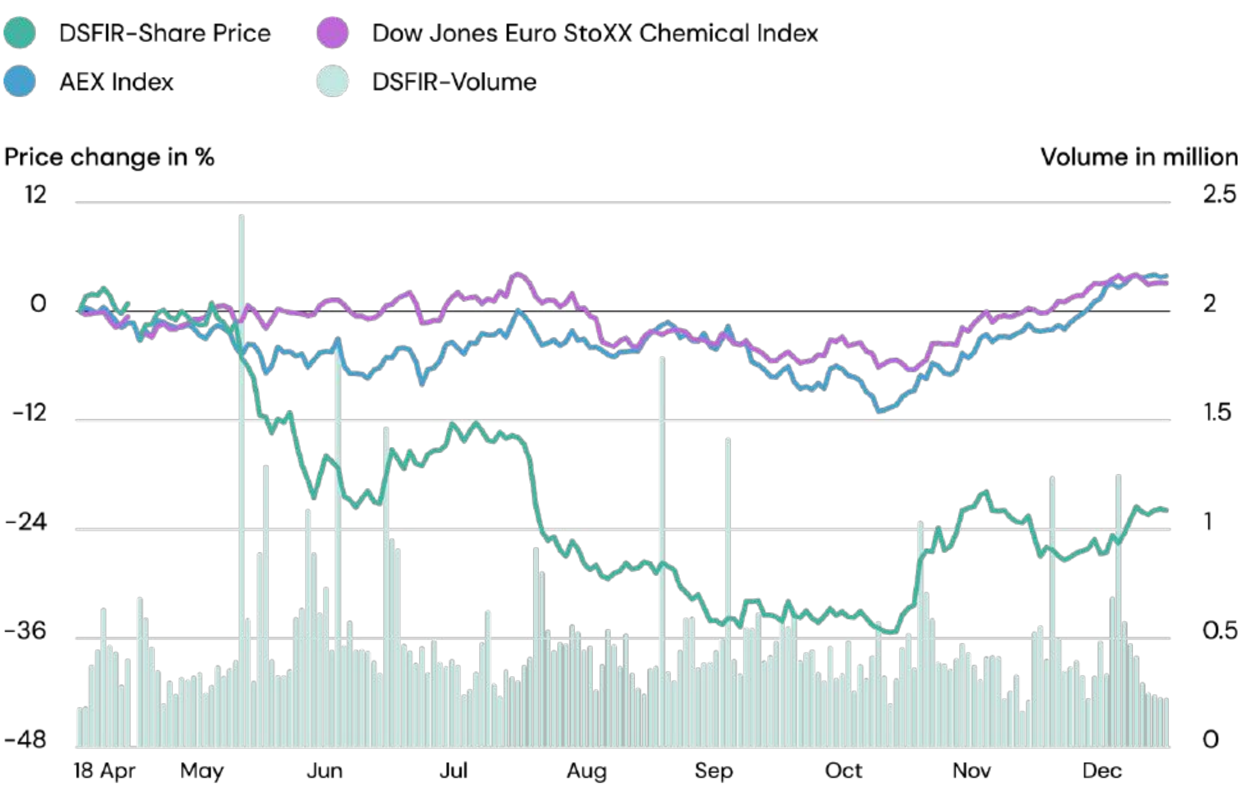
Dividend

On 29 June 2023, as part of the settlement of the merger of DSM and Firmenich, the Extraordinary General Meeting approved the payment of a dividend per share in the amount of €1.60. The dividend was fully paid out of the reserve from capital contributions. The dividend payment was paid without deduction of any Swiss withholding tax.

Share price

From the First Trading Date until the end of 2023 the share price decreased by 22%. The highest price in that period was €120.72 (24 April 2023), the lowest one €76.13 (24 October 2023).

Share price development



Geographical spread of shares outstanding

in %	2023
Switzerland	37
North America	22
Continental Europe	21
UK & Ireland	12
Netherlands	6
Rest of World	2

Board of Directors

Composition

According to the **Articles of Association** and the **Board Regulations**, the Board of Directors is composed of between nine and 12 non-executive Members (save for extraordinary circumstances).

Term and Election

Members of the Board of Directors (including the Chairman) are elected by the General Meeting on an individual basis and for a term of one year, ending with the conclusion of the next General Meeting. Re-election is permitted. According to Art. 3.2 of the Board Regulations, a Board of Directors member's mandate shall be for a maximum term of 10 years. Furthermore, unless terminated earlier, the Board of Directors Members' mandate shall automatically terminate on the date of the General Meeting called to approve the accounts for the financial year in which such Board of Directors member has attained the age of 70. These limits support dsm-firmenich's commitment to renew the Board of Directors on an ongoing basis, in accordance with international best practice.

Members of the Board of Directors

The Members of the Board of Directors of DSM-Firmenich AG were elected at the General Meeting of Danube AG (now DSM-Firmenich AG) held in Kaiseraugst on the First Trading Date (with all Members being appointed with immediate effect save for Sze Cotte-Tan, who was appointed effective 1 May 2023). As at 31 December 2023, the Board of Directors is composed of 12 Members, all of whom are non-executive.

Thomas Leysen, Chairman of the Board of Directors and Member of the Compensation Committee since 2023

Thomas Leysen has spent a large part of his career at Umicore, which was transformed under his leadership from a metals producer to a materials technology group with leading positions in battery materials, automotive catalysts, and precious metals recycling. He was CEO of the company until 2008, after which he became Chairman of the Board of Directors. He has long been committed to the promotion of sustainability development, and was the founding chair of The Shift, a coalition of businesses and non-governmental organizations in Belgium. He was Chairman of the **Federation of Enterprises in Belgium** between 2008 and 2011. Between 2011 and 2020, he was Chairman of the Board of **KBC Group**, a banking and insurance group with activities mainly in Belgium, Central Europe and Ireland. He was Member of the Supervisory Board of Royal DSM N.V. since 2020 and served as its Chair from 2021 to 2023, when DSM and Firmenich merged.

Nationality	Belgian
Year of Birth	1960
Education	Master's degree, Law, Katholieke Universiteit Leuven (Belgium)
Listed Company Boards	• Umicore: Non-Executive Chair of the Supervisory Board
Non-Listed Company Boards	• Mediahuis: Non-Executive Chair of the Board
Other Memberships	• King Baudouin Foundation US: Chair of the Foundation • Flemish Heritage Council: Council Chair • Mayer van den Bergh Museum: Chair of the Board of Trustees

Patrick Firmenich, Vice-Chair of the Board of Directors and Chair of the Governance & Nomination Committee since 2023

Patrick Firmenich served as CEO of Firmenich, the world's largest privately owned fragrance and taste company, from 2002 to 2014. He joined the Board of Firmenich in 2002, and served as its Chairman from 2016 to 2023, when DSM and Firmenich merged. Throughout his tenure at Firmenich, Patrick demonstrated his entrepreneurial leadership by significantly advancing Firmenich's global position through organic and inorganic growth and succeeded in transforming the organization to continuously respond to client needs and the market environment. He sustained Firmenich's significant investment in R&D and its legacy of game-changing technologies, while developing an ambitious sustainability strategy for the company, which led to the company achieving world-class Health, Safety & Environmental performance. Patrick first joined Firmenich in 1990 and spent a decade successfully leading the strategic development of the company's International Fine Fragrance business in New York and Paris before being appointed to the Executive Committee in 1999. Prior to joining Firmenich, Patrick held several positions in the legal and banking sectors, including working as an international investment bank analyst. Until the end of 2023, he was Non-Executive Director of Jacobs Holding AG. In 2020, Patrick won the EY Entrepreneur of the Year™ Switzerland award for Family Business.

Nationality	Swiss
Year of Birth	1962
Education	• Master's degree, Law, University of Geneva. Admitted to the Geneva Bar. • MBA, INSEAD, Fontainebleau (France)
Listed Company Boards	• UBS AG: Non-Executive Director
Non-Listed Company Boards	N/A
Other Memberships	• INSEAD World Foundation: Board Member • INSEAD: Board Member • Swiss Board Institute Advisory Council: Council Member

Sze Cotte-Tan, Member of the Board of Directors and of the Sustainability Committee since 2023

Sze has more than 26 years' industry experience in food and nutrition spanning across Asia Pacific, Europe and North America. She is currently Executive Director of the Singapore Institute of Food and Biotechnology Innovation, A*STAR Research Entities. Her last executive role in the industry was Executive Vice President and Chief Technology Officer of CJ Cheil Jedang, a South Korean food conglomerate, during which she played a pivotal role to expand its innovation footprints and transformed R&D into a strategic growth driver of the company's ambition to become a key player in the global food and nutrition scene. Prior to that, Sze held several roles in Nestlé including Centre Director of R&D, Singapore, and R&D Director in strategic business units for nutrition, healthcare in Vevey (Switzerland). As a food scientist by training, Sze brings a wealth of knowledge in the areas of

	product and process mastership, consumer and sensory science, and organization change management.
Nationality	Singaporean
Year of Birth	1969
Education	• Ph.D in Food Sciences, University of Leeds (UK) • MBA, Simon Business School, University of Rochester (USA)
Listed Company Boards	N/A
Non-Listed Company Boards	• Singapore Institute of Food and Biotechnology, A*STAR Research Entities: Executive Director • Foodplant, a subsidy of the Singapore Institute of Technology: Non-Executive Chair • Clay Capital: Member of the Advisory Committee
Other Memberships	N/A

Antoine Firmenich, Member of the Board of Directors and Chair of the Sustainability Committee and Member of the Audit & Risk Committee since 2023

Antoine Firmenich has been the CEO & Managing Director of Aquilus Pte Ltd in Singapore since 2008. He is a founding partner of Alatus Capital, a value investment management firm which has worked over the past decade and a half with a number of preeminent global foundations, pension funds, endowments, and discerning long-term investors. Over the last 16 years, Antoine has been increasingly involved in sustainability and climate issues, specifically supporting basic research projects on several continents, and driving high impact investment and policy initiatives centered on health and education, and the long-term health of oceans and coastal ecosystems. Prior to his current role, Antoine worked at Firmenich in a number of leadership roles within both Ingredients and Flavors divisions, which included responsibility for the Flavors division Sweet Goods Global Business Unit, its Savory Global Business Unit and for all Encapsulated solutions. Antoine was appointed Board Member of Firmenich in 2009, which is a position he held until 2023 when DSM and Firmenich merged. He has served on a number of other corporate boards, including SIX listed Nobel Biocare, the world's largest dental implant and digital dentistry company (since then taken over by Danaher).

Nationality	Swiss
Year of Birth	1965
Education	• Bachelor of Science in Life Sciences, Massachusetts Institute of Technology (USA) • Ph.D in Biochemistry, Stanford University School of Medicine (USA) • MBA, Stanford University Graduate School of Business (USA)
Listed Company Boards	N/A
Non-Listed Company Boards	• Aquilus Pdt Ltd (Singapore): Managing Director • Aquilus Management Ltd (Bermuda): Executive Director • Alatus Capital: Co-Founder & Non-Executive Director
Other Memberships	• Stanford Interdisciplinary Lifesciences Council (SILC): Nominated Member • MAC3: Managing Director

Carla Mahieu, Member of the Board of Directors and Chair of the Compensation Committee since 2023

Carla Mahieu was appointed to Aegon's global Management Board in 2016 and served as its Executive Vice President and Global Head of Human Resources of Aegon until 2021. Prior to that, she was Philips' Senior Vice President Corporate Human Resource Management and worked for Spencer Stuart as Director, Consultant, and Principal. Carla started her career with Shell in 1984, where she worked for 15 years and held various management positions within Human Resources, Communications and Corporate Strategy. She has served as a member of the Koninklijke BAM Groep and of the Board of the Duisenberg School of Finance (Netherlands). She was a Member of the Supervisory Board of Royal DSM N.V. during a two-year tenure, until DSM and Firmenich merged in 2023.

Nationality	Dutch
Year of Birth	1959
Education	Master's degree in Economics, University of Amsterdam (Netherlands)
Listed Company Boards	• Arcadis: Non-Executive Board Member
Non-Listed Company Boards	• VodafoneZiggo Group B.V. Netherlands: Non-Executive Director
Other Memberships	• Stichting Continuiteit Post NL: Board Member • Priority Foundation of Arcadis: Board Member

Erica Mann, Member of the Board of Directors and Member of the Sustainability Committee since 2023

Erica Mann has over 30 years' experience in roles of increasing responsibility across the healthcare industry. She is a former executive Board Member of Bayer AG (DAX) and former CEO and Global President of Bayer's Consumer Health Division. She was the first woman to be appointed to Bayer's Management Board in the company's 150-year history. She is a true global citizen who has lived and worked on four continents and has deep experience in emerging markets and extracting strategy from trends with a strong focus on culture & risk management. Erica was the first woman to serve as Chair of the World Self Medication Industry Association, the global association for the over-the-counter drug industry. She was a Member of the Supervisory Board of Royal DSM N.V. during a four-year tenure, until DSM and Firmenich merged in 2023. She was listed in Fortune's 'Most Powerful Women International' both in 2016 (ranked #40) and 2017 (ranked #36).

Nationality	Australian
Year of Birth	1958
Education	• ND Analytical Chemistry, Tshwane University of Technology (South Africa) • Marketing Management, Damelin College (South Africa)
Listed Company Boards	• Kellanova (formerly The Kellogg Company): Non-Executive Board member • Perrigo Company: Non-Executive Board member
Non-Listed Company Boards	N/A
Other Memberships	N/A

Frits van Paasschen, Member of the Board of Directors, Member of the Audit & Risk Committee and Member of the Compensation Committee since 2023

After spending the first few years of his career in management consulting with the Boston Consulting Group and McKinsey & Co, Frits Van Paasschen joined Disney Consumer Products and later Nike. Within Nike he was the President for the Americas & Africa and later for EMEA. Frits then became the CEO of Coors Brewing Company. His last executive position held was CEO of Starwood Hotels and Resorts. In January 2017, Frits published 'The Disruptor's Feast', subtitled: How to avoid being devoured in today's rapidly changing global economy. Frits is advisor to private equity firm TPG and Russell Reynolds, and CEO and Founder of the Disruptor's Feast Advisory. He was a Member of the Supervisory Board of Royal DSM N.V. during a six-year tenure, until DSM and Firmenich merged in 2023.

Nationality	Dual Dutch-US
Year of Birth	1961
Education	• Bachelor of Arts in Economics and Biology, Amherst College (USA) • MBA, Harvard Business School (USA)
Listed Company Boards	• Williams Sonoma: Non-Executive Director • Sonder: Non-Executive Director • Amadeus IT Group: Non-Executive Director
Non-Listed Company Boards	• CitizenM Hotels: Non-Executive Director • J Crew Group: Non-Executive Director
Other Memberships	N/A

Pradeep Pant, Member of the Board of Directors and Member of Governance & Nomination Committee since 2023

Pradeep Pant has over 37 years' experience leading brands and businesses in the FMCG sector in both mature and emerging markets. He is a former Executive Vice President and President, Asia-Pacific, Eastern Europe, Middle East and Africa of Mondelēz International, where he oversaw the integration of major acquisitions as well as the successful transition from Kraft Foods to Mondelēz in 2012. Prior to this, Pradeep was regional Managing Director Asia, Africa and Middle East for the leading multinational dairy company Fonterra, before which he had a 19-year career at the Gillette Corporation spanning marketing, sales and general management across global emerging markets. Since 2015, Pradeep has been President of his own consulting firm, Pant Consulting Pte Ltd. He was a Member of the Supervisory Board of Royal DSM N.V. during a seven-year tenure, until DSM and Firmenich merged in 2023.

Nationality	Singaporean
Year of Birth	1953
Education	• Bachelor of Arts in Economics, University of Delhi (India) • Master's degree in Management Studies, Jamnalal Bajaj Institute of Management Studies of Mumbai University (India)

Listed Company Boards	Max India Ltd.: Non-Executive Director
Non-Listed Company Boards	• Pant Consulting Pte Ltd: President • NIVA BUPA Health Insurance Co. Ltd.: Non-Executive Director • Nurasa Holding Pte Ltd and Nurasa Pte Ltd: Chair of the Board • Antara Senior Living & MAX Life Insurance Co. Ltd: Non-Executive Director
Other Memberships	LKC School of Business at Singapore Management University: Dean's Fellow

André Pometta, Member of the Board of Directors and Member of Compensation Committee since 2023

André joined Firmenich in 1997 in the Fragrance division and spent most of his career working for customers in China, Southeast Asia, Eastern Europe, and the Middle East, where he successfully led and implemented strategies that delivered significant growth with local customers in emerging markets. He was appointed President of Firmenich China in 2008 and was a member of Firmenich's Flavor Executive Team until 2013. He played an active role in the restructuring of the division, building a culture of customer & consumer centricity, and was instrumental in establishing China as its own independent region within the organization. Prior to Firmenich, André worked for the Zuellig Group in the Philippines, where he held various positions in sales, marketing, and operations. He was a Board Member of Sentarom SA (the holding company of the Firmenich family) and served at its Chairman from 2021 to 2023 (when Sentarom merged with Firmenich). André was also member of the Board of Firmenich during a 20-year tenure, until DSM and Firmenich merged in 2023. In the past years, André has been active in innovative projects with investors, successful entrepreneurs, and executives. He advises and supports businesses and start-ups in the fields of social integration, hospitality, clean tech, and health.

Nationality	Swiss
Year of Birth	1965
Education	Bachelor of Science in Economics, HEC Lausanne (Switzerland)
Listed Company Boards	N/A
Non-Listed Company Boards	• White Lobster: Non-Executive Director • Noyb SA (+affiliates): Non-Executive Director
Other Memberships	N/A

John Ramsay, Member of the Board of Directors and Chair of the Audit & Risk Committee since 2023

John Ramsay started his career at KPMG before entering the corporate world in 1984, when he joined ICI. He held several, increasingly senior, accounting and finance positions within ICI, which would later become AstraZeneca. John played a leading role in planning and executing the merger of AstraZeneca's agribusiness with Novartis, including the integration and disposal of various businesses post-merger. He also played a leading role in the formation and stock exchange listing of the Syngenta business and became its Group Controller in 2001. In that role, he had to build up the group's finance function from scratch, establishing the organization and reporting systems after the IPO. His last executive position was Chief Financial Officer (CFO) and Interim CEO of Syngenta AG which he held until 2016. He has served as Non-Executive Board Member of G4S and was a was a Member of the Supervisory Board of Royal DSM N.V. during a six-year tenure, until DSM and Firmenich merged in 2023.

Nationality	British
Year of Birth	1957
Education	Chartered Accountant
Listed Company Boards	• RHI Magnesita N.V.: Non-Executive Director • Croda International PLC: Non-Executive Director • Babcock International PLC: Non-Executive Director
Non-Listed Company Boards	N/A
Other Memberships	N/A

Richard Ridinger, Member of the Board of Directors and of the Governance & Nomination Committee since 2023

Richard Ridinger has extensive experience in science-driven organizations. His most recent role was as the CEO of Lonza, a global leader in Life Sciences, which he held until 2019. In this position, he strengthened Lonza's market position in relevant markets, and drove competitive capabilities and productivity improvement in critical areas. Prior to becoming CEO at Lonza, Richard was responsible for Care Chemicals, the largest group at Cognis, a former division of Henkel, with approximately 3,000 employees. A trained chemical engineer, his experience spans process development, production management, product and marketing management, leading global Business Units, and responsibility for leading a worldwide specialty chemicals group. Richard has served as Chairman of the Advisory Committee of Zentiva, and Board Member of Evolva Holding AG and SHL Medical AG. He was a Member of the Board of Firmenich during a seven-year tenure, until DSM and Firmenich merged in 2023.

Nationality	German
Year of Birth	1958
Education	Master's degree in Chemical Engineering, University of Karlsruhe (Germany)
Listed Company Boards	Brenntag SE: Chair of the Supervisory Board
Non-Listed Company Boards	• Recipharm AB: Chairman of the Board • Novo Holdings: Member of the Advisory Board

Other Memberships	N/A

Corien Wortmann, Member of the Board of Directors, Member of the Sustainability Committee and Member of the Audit & Risk Commmittee since 2023

Corien Wortmann has served as Chair of the Board of ABP Pension Fund, a world leader in responsible investing, from 2015 to 2022. She has been a Member of the European Parliament for the European People's Party from (EPP) 2004 to 2014, and the EPP's Vice President Economy, Finance and Environment. She is currently a Non-Executive Member and Vice Chair of the Board of Directors of Aegon Ltd, Member of the Capital Market Advisory Board of the AFM, Board Member of the Impact Economy Foundation and Chair of the Supervisory Board of Netspar, a scientific network on pensions. She has served as Chair of the Supervisory Board of Save the Children (Netherlands), as Jury Member of the Business Woman of the Year Prize at Veuve Clicquot, as Co-Chair of the European High Level Expert Group Next CMU. She was a Member of the Supervisory Board of DSM N.V. during a two-year tenure, until DSM and Firmenich merged in 2023.

Nationality	Dutch
Year of Birth	1959
Education	Master's Degree in Political Science and Economics, Vrije Universiteit Amsterdam (Netherlands)
Listed Company Boards	Aegon N.V: Non-Executive Vice-Chair of the Board
Non-Listed Company Boards	N/A
Other Memberships	• Impact Economy Foundation: Advisory Board Member • Netspar: Chair of the Supervisory Board • Capital Markets Advisory Board of the Dutch Financial Markets Authority: Member • Koninklijke Hollandsche Maatschappij der Wetenschappen: Member

Nominated Directors

'**Nominated Directors'** are those Members of the Board of Directors that are nominated by a Firmenich Shareholder (as such term is defined in Art. 4.4. of the Articles of Association) in accordance with the terms of Art. 18 of the Articles of Association. Any Firmenich Shareholder whether alone or together with other Firmenich Shareholders, holding 8.5% or more of the Company's issued share capital shall have the right to nominate for election one member to the Board of Directors, provided that only such persons shall be nominated who have the appropriate expertise, skills and reputation for such a mandate as verified by the Governance & Nomination Committee. Any Firmenich Shareholder, whether alone or together with other Firmenich Shareholders, holding 17% or more of the Company's issued share capital, has the right to nominate two Members for the Board of Directors. These nomination rights are for a maximum of three Nominated Directors in total.

As at 31 December 2023, the Nominated Directors are Patrick Firmenich, Antoine Firmenich and André Pometta.

Independence

Art. 3.2 of the Board Regulations outline the independence criteria, which require a majority of the Board of Directors Members to be non-executive and independent. An Independent Director means:

- The Member has never been a Member of the Executive Committee or was a Member of the Executive Committee more than three years ago; and
- The Member has never served as lead auditor of the Group's external auditor or served as the lead auditor more than two years ago; and
- The Member does not have significant business relationships with the Group

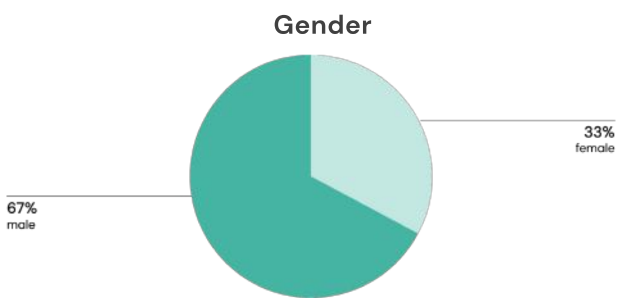
A Nominated Director or a director that has been a Nominated Director is not regarded as an Independent Director.

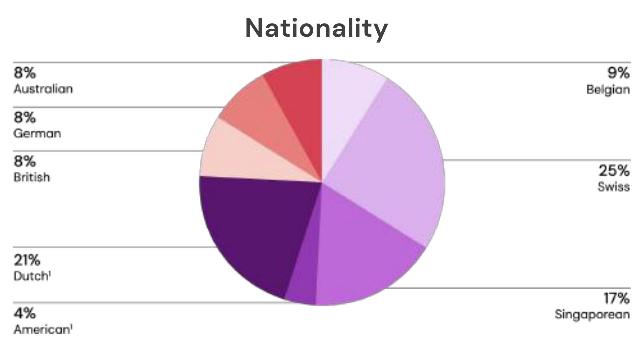
Diversity

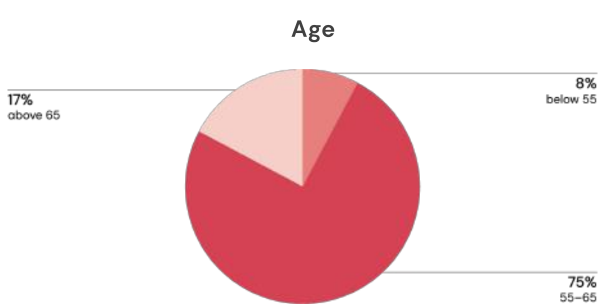
The Board of Directors prioritizes and embraces diversity in the broadest sense. The Board of Directors considers that diversity of gender, age, nationality, ethnicity, experience, background and thought is a key factor to its success and effectiveness. It is a critical area of focus and a key criterion for the selection and nomination of new Members of the Board of Directors and Executive Committee.

Board of Directors diversity profile

The composition as of 31 December 2023, in terms of nationality, gender and age, is shown in the following charts:







[1] One Member of Board of Directors has dual nationality. Each of these is counted as a half in the above chart.

Skills

Skills	Thomas Leysen	Patrick Firmenich	Sze Cotte-Tan	Antoine Firmenich	Carla Mahieu	Erica Mann	Frits van Paasschen	Pradeep Pant	André Pometta	John Ramsay	Richard Ridinger	Corien Wortmann
dsm-firmenich Business												
Finance & Audit / Accounting												
Sustainability /ESG												
R&D												
Operations & Manufacturing												
Sales & Marketing												
HR management, including compensation												
Data/Digital/Cybersecurity												
Risk Management/ Compliance/Legal												
Public Affairs												

Succession planning

The Governance & Nomination Committee ensures effective succession plans for the Board of Directors, the CEO and the Executive Committee. Candidates who meet the selection criteria are interviewed by the Board of Directors and the Governance & Nomination Committee makes a recommendation to the full Board of Directors, who ultimately decide on the appointments, subject to the powers of the General Meeting to elect the Members of the Board of Directors.

Conflict of interest and permitted external mandates

Pursuant to the Board Regulations, any Member of the Board of Directors or of the Executive Committee who believes that he or she has a conflict of interest, or that there is potential for such a conflict, must discuss the matter with the Chairman of the Board of Directors (or, for Executive Committee Members, with the CEO in consultation with the Chairman), who then proposes to the Board of Directors a solution appropriate to the intensity of the conflict of interest.

According to Art. 22 of the Articles of Association, a Member of the Board of Directors shall hold no more than: 1) up to four mandates in listed firms; and 2) up to four mandates in non-listed firms. A Member of the Executive Committee shall hold no more than: 1) one mandate in listed firms; and 2) up to three mandates in non-listed firms. A 'mandate' means any membership in the Board of Directors, the executive management or the Advisory Board, or any comparable function under foreign law, of a firm with an economic purpose. Mandates in the Company or any entity controlled by, or controlling, the Company, shall not be deemed to be a mandate for purposes of Art. 22 of the Articles of Association.

The Governance & Nomination Committee annually reviews the number of mandates held by the Board of Directors and Executive Committee Members.

Evaluation of the Board of Directors

According to Art. 3.11 of the Board Regulations, the Board of Directors performs a complete review of its performance on a three-year cycle. The first complete Board of Directors review cycle will therefore take place in 2026. In the years leading to 2026, the Board of Directors will perform annual self-assessments consisting of a questionnaire combined with one-on-one interviews between the Chairman and each Member of the Board of Directors. The outcome of the self-assessment will be shared by the Chairman with the Board of Directors.

The Role of the Board of Directors and its Committees

The Board of Directors is the highest executive oversight body of the Company. It resolves on all business matters which are not reserved to the Shareholders by law or by the Articles of Association. In accordance with Art. 20 of the Articles of

Association, the Board of Directors may establish one or more Board Committees to assist the Board of Directors in preparing certain decisions in the areas of its competence. The Board of Directors has established four Committee: the **Audit & Risk Committee**, the **Sustainability Committee**, the **Compensation Committee** and the **Governance & Nomination Committee**. Other than the authority of the Audit & Risk Committee to approve the financial trading updates of the first and third financial quarters, the Board of Directors has not delegated decisions to the Committees.

Responsibilities of the Board of Directors

Principal duties

In accordance with Swiss law, the Articles of Association and the Board Regulations, the principal duties of the Board of Directors include:

- The ultimate direction and strategy of the Company and Group and determining the Company and Group's organization
- The overall structuring of the accounting system, financial controls and financial planning
- The appointment and dismissal of those persons to whom the management is delegated
- The supervision of persons to whom the management of the Company is delegated, especially with a view to their compliance with the law
- The compilation the Integrated Annual Report (financial & non-financial) and other reports that are subject to mandatory approval by the Board of Directors
- The preparation of the Shareholder's Annual General Meeting (the 'General Meeting') and the implemention of its resolutions
- All decisions relating to the ascertainment of changes in capital
- Filing a motion for debt-restructuring moratorium and notifying the courts in the event of over-indebtedness
- Regular review of the Group's culture
- Decisions on the budget, the setting of financial targets, the definition of the Group's capital strucuture and the annual investment budget
- Consideration of, and approval of recommendations made by the Board Committees

Number of meetings

Since the First Trading Date, the Board of Directors has held seven meetings. These include five regular meetings (in May, June, July, October and December) and two additional special meetings to deal with ad hoc matters. Board Committees typically meet the day prior to the regular Board of Director meetings.

Number of meetings held between the First Trading Date and 31 December 2023	7
Number of Members	12
Meeting attendance	98%
Thomas Leysen (Chairman)	7
Patrick Firmenich (Vice-Chair)	7
Sze Cotte-Tan	7
Antoine Firmenich	7
Erica Mann	7
Carla Mahieu	7
Frits van Paasschen	7
Pradeep Pant	7
André Pometta	6
John Ramsay	7
Richard Ridinger	7
Corien Wortmann	7
Average length of meetings: 4-5 hours (regular)	

The Board of Directors also adopted four written circular resolutions as part of the merger-related closing steps.

On-boarding

As part of the Board of Directors' on-boarding program, the Board of Directors attended several workshops in 2023, where Members of the Executive Committee and senior management presented the four Business Units (with particular focus on the vitamins business) and sustainability themes. The Board of Directors visited the Company production sites in Sisseln (Switzerland) and Geneva (Switzerland) as well as the laboratories in Geneva (Switzerland) and the Biotech Campus in Delft (Netherlands). Individual Members of the Board of Directors had the opportunity to visit Company operations around the world in the context of other travel commitments

Audit & Risk Committee

According to the Board Regulations and the Audit & Risk Committee Charter, the Audit & Risk Committee must be chaired by an Independent Director. The Committee must be composed of at least three Members of the Board of Directors, of which one is a Nominated Director. The principle duties of the Audit & Risk Committee include:

- Review the financial statements of the Company and the Group
- Review the effectiveness of internal controls over financial reporting
- Review and evaluate the internal controls in place to ensure integrity and accuracy of the Company's non-financial reporting
- Approve the release of the Group's Q1 and Q3 results to the market
- Review the Company capital structure
- Make annual dividend proposal to the Board of Directors
- Oversee the external auditors that audit the Company's financial statements and non-financial report and review their performance; make recommendations on the appointment, re-appointment or removal of the external auditor for the attention of the Board of Directors (regarding the election of such auditor at the General Meeting)
- Review periodic reports of the Corporate Operational Audit function
- Review the Enterprise Risk Management (ERM) governance and methodology and review significant risks and related mitigation plans
- Review the process for monitoring compliance within the Group of the Code of Business Ethics

Number of meetings held between First Trading Date and 31 December 2023	5
Number of Members	4
Meeting attendance	100%
John Ramsay (Chair)	5
Antoine Firmenich	5
Frits van Paasschen	5
Corien Wortmann	5
Average length of meetings: 2 hours	

The Audit & Risk Committee also adopted one circular resolution as part of the merger-related settlement steps.

Sustainability Committee

According to the Board Regulations and Sustainability Committee Charter, the Sustainability Committee is chaired by an Independent Director or a Nominated Director. The Committee must be composed of at least three Members of the Board, of which one is a Nominated Director. The principle duties of the Sustainability Committee include:

- Review the Company's sustainability strategy and goals
- Define and periodically review the Company's sustainability metrics
- Review the Company's non-financial reporting obligations
- Periodically review the Company's sustainability performance against peer groups
- Review regulatory developments relating to sustainability

- Ensure the interests of the relevant stakeholders are included in the Company's strategy, targets and policies

Number of meetings held between First Trading Date and 31 December 2023	3
Number of Members	4
Meeting attendance	100%
Antoine Firmenich (Chair)	3
Sze Cotte-Tan	3
Erica Mann	3
Corien Wortmann	3
Average length of meetings: 2 hours	

Compensation Committee

In accordance with Swiss law and the Articles of Association, the Members of the Compensation Committee are appointed by the General Meeting. According to the Board Regulations and the Compensation Committee Charter, the Compensation Committee must be chaired by an Independent Director or the Chairman of the Board. The Compensation Committee is composed of at least three Members, including one Nominated Director. The principle duties of the Compensation Committee include:

- Develop a compensation strategy in line with the principles described in the Articles of Association
- Review principles and design of short and Long-Term Incentive (LTI) / equity plans
- Propose to the Board the aggregate maximum compensation for the Board and the Executive Committee, for approval by the General Meeting
- Periodically review the level of Board and Executive Committe compensation against peer groups
- Review and propose to the Board the target total direct compensation levels and the mix of compensation for the CEO and the Executive Committee Members
- In cooperation with the other Committees, propose to the Board of Directors specific incentive targets
- Review the annual performance results against targets and recommend the compensation of Executive Members to the Board of Directors for approval
- Prepare and recommend the annual compensation report to the Board of Directors for approval

Number of meetings held between the First Trading Date and 31 December 2023	6
Number of Members	4
Meeting attendance	100%
Carla Mahieu (Chair)	6
Thomas Leysen	6
Frits van Paasschen	6
André Pometta	6
Average length of meetings: 1 hour	

Governance & Nomination Committee

According to the Board Regulations and the Governance & Nomination Committee Charter, as long as at least two Nominated Directors are on the Board of Directors, the Governance & Nomination Committee is chaired by a Nominated Director. The Committee is composed of at least three Members, including one Nominated Director. The principle duties of the Governance & Nomination Committee include:

- Periodically review the Articles of Association, Board Regulations and Committee Charters and recommend changes to the Board of Directors for the purpose of fostering good corporate governance and Shareholders' rights

- Annually review the external mandates held by the Board of Directors and Executive Committee Members to ensure compliance with Art. 22 of the Articles of Association
- Support the Board of Directors in period evaluation of the Board of Directors' performance
- Review the composition and size of the Board of Directors in order to ensure the right level of diversity
- Prepare and maintain a succession plan for the Chairman of the Board of Directors and the CEO
- Receive nominations for Nominated Directors and assess each application to determine if the applicant meets the requirements (appropriate expertise, skills and reputation)
- Make recommendations to the Board of Directors for the appointment and or dismissal of Members of the Executive Committee; assess and recommend to the Board of Directors whether Members of the Board of Directors should stand for re-election
- Periodically review the independent status of all Board of Directors and Executive Committee Members and any resulting disclosure requirement

Number of meetings held between the First Trading Date and 31 December 2023	5
Number of Members	4
Meeting attendance	100%
Patrick Firmenich (Chair)	5
Carla Mahieu	5
Pradeep Pant	5
Richard Ridinger	5
Average length of meetings: 1 hour	

Chairman of the Board of Directors

The Chairman of the Board of Directors is appointed by the General Meeting. Among his duties, the Chairman:

- Ensures the Board of Directors fulfills its functions
- Maintains regular and frequent contact with the CEO as well as other Executive Committee Members and reviews with the CEO the major strategic projects before submission to the Board of Directors
- Where appropriate and or requested, supports the CEO in participating in and giving input to public relations activities and contacts with the authorities
- Reviews actual and potential conflicts of interest a Board of Directors member may have and propose to the Board of Directors how the conflict should be handled
- Liaises with the Vice-Chair of the Board of Directors and keep him apprised of key issues
- In the event of extraordinary events of high urgency, orders immediate measures

Delegation of management

In accordance with Art. 20.2 of the Articles of Association and Art. 4 of the Board Regulations, the Board of Directors delegates the management of the Company and the Group to the CEO and to the Executive Committee Members, within and subject to the powers of the Board of Directors reserved by law (in particular Art. 716a CO), the Articles of Association and the Board Regulations. The CEO organizes the Executive Committee and sets the responsibility of each Executive Committee Member.

Information and control instruments vis-à-vis the Executive Committee

To ensure the Board of Directors is fully informed about all matters that materially impact dsm-firmenich, the Board of Directors has at its disposal an information and controls system that includes the following instruments:

- The Board of Directors is, at each of its regular meetings, informed on material matters involving the Group's business and on the latest available consolidated financial results. The entire Executive Committee is regularly invited to attend the Board of Directors meetings, in order to report on current developments, significant projects and events. Selected senior managers are regularly invited to attend Board of Director meetings, to report on areas of the business for which they are responsible
- At each of its regular meetings, the Board of Directors receives updates from each of Quality and Safety, alternatively
- The Board of Directors visits at least one dsm-firmenich country operation per year, during which Members of the Board of Directors meet members of senior local management. Additionally, Members of the Board of Directors are invited to visit country operations when travelling, to allow the opportunity of meeting local and regional senior management and getting first-hand information on local and regional developments
- The Chairman has regular meetings with the CEO and may request information on any matter relating to dsm-firmenich. The Chairman receives the minutes of the Executive Committee meetings. The CEO informs the Chairman immediately of any extraordinary event
- The Chairman has a standing invitation to all Committee meetings and is present in all Committee meetings
- The CEO attends all Committee meetings, Committee meetings are also attended by Executive Committee Members and members of the senior management
- All Members of the Board of Directors have access to the minutes and materials of the Committee meetings

Additional information and control instruments include dsm-firmenich's internal audit function, named Corporate Operational Audit. The mission of Corporate Operational Audit is to enhance and protect organizational value by providing risk-based and objective assurance, advice, and insight. The scope of internal audit activities encompasses, but is not limited to, objective examinations of evidence for the purpose of providing independent assessments on the adequacy and effectiveness of governance, risk management, and control processes for the Group. Findings are communicated in the form of an internal audit report, which is shared with Executive Committee and the Audit & Risk Committee. The Audit & Risk Committee reviews and monitors management's responsiveness to internal audit findings and recommendations. The Head of Corporate Operational Audit reports administratively to the CFO and has a functional reporting line to the Chair of the Audit & Risk Committee. He regularly meets with the Chair of the Audit & Risk Committee for interim updates.

Furthermore, dsm-firmenich has an internal risk management process, that focuses on identifying and managing risks and opportunities in all areas of strategic, operational, financial, regulatory, legal and compliance risks including those linked to climate change. The material risks are reported to the Audit & Risk Committee and to the Board of Directors twice annually. For more detail on risk management please refer to **Our approach to Risk Management**.

Executive Committee

Responsibilities

In accordance with Art. 4.3 of the Board Regulations, the responsibilities of the Executive Committee include:

- Ensuring the unity and cohesion of the Group
- Managing the Company resources (incl. human, financial, intellectual)
- Presenting strategies to the Board of Directors for approval
- Driving the development of business and achieving strategic plans
- Submitting to the Board of Directors for approval the annual budget of expenditures and investments
- Organizing proper information sharing inside and outside the Company
- Proposing to the Board of Directors the appropriate organization model to achieve the Group's objectives set by the Board of Directors
- Proposing to the Compensation Committee remuneration policies and plans
- Ensuring compliance with law and the Code of Business Ethics
- Pursuing leadership in sustainability and implementing the strategy

Composition

The Board of Directors appointed the Members of the first Executive Committee of dsm-firmenich on the First Trading Date. As at 31 December 2023, the Executive Committee is composed of nine Members.

Dimitri de Vreeze, Chief Executive Officer since 2023

Dimitri de Vreeze has held the position of CEO of dsm-firmenich since 1 September 2023. Previously, he served as DSM's Co-CEO from 2020, having joined the company in 1990. Starting in Finance, he took on leadership roles in various Business Units around the world before being named Young Captain of the Year in the Netherlands in 2006. He was appointed to DSM's Managing Board in 2013, and was instrumental in setting DSM's strategy and executing its transformation journey to a fully focused health, nutrition, and bioscience company, including the development of DSM's Food System Commitments, a series of quantifiable 2030 targets aimed at addressing urgent societal and environmental challenges linked to how the world produces and consumes food. He chairs the Young Captain Foundation, awarding and elevating young leadership potential, and is also the Chair of the ALV United World College Maastricht, bringing together young people from all directions of life to work together toward a peaceful and sustainable future.

Nationality	Dutch
Year of Birth	1967
Education	• Master's in Business Economics, University of Groningen (Netherlands) • Master's in Finance and Control from Maastricht University (Netherlands)

Emmanuel Butstraen, Business Unit President Perfumery & Beauty since 2023 and Chief Integration Officer since 2023

Emmanuel Butstraen is Chief Integration Officer and was appointed as the new President of Perfumery & Beauty business effective 1 July 2023. He joined Firmenich as President of Taste & Beyond in 2018 and drove the business's transformation to becoming the global innovation partner of choice to the food and beverage industry, leading growth across the Group's three segments: Beverages, Sweet Goods, and Savory. Creating winning solutions for customers with a focus on enhanced well-being, Emmanuel put Firmenich's expertise to work making healthier choices taste great, from sugar and salt reduction to plant proteins, clean-label offerings, and functional nutrition solutions. Prior to joining Firmenich, Emmanuel was President of Solvay's Novecare global Business Unit, preceded by 17 years with BASF, where he served as Strategy Senior VP of the Agricultural Products division.

Nationality	French
Year of Birth	1968
Education	• Master's in Agricultural Engineering, University of Lille (France) • MBA, University of Lille (France)

Mieke Van de Capelle, Chief HR Officer since 2023

Mieke Van de Capelle joined Firmenich as Chief Human Resources Officer in 2016. She was responsible for leading the Global Human Resources, Sustainability, and Corporate Communications functions, setting the company's strategy and winning culture as a responsible business, with the additional responsibility of being the Secretary of the Governance and Compensation Committee of the Board of Directors. Under her leadership, Firmenich became one of only seven companies worldwide to obtain the EDGE global certification for gender equality and was recognized with Ethical Corporation's global Diversity & Inclusion Award. A seasoned leader with more than 20 years of broad consumer goods experience, Mieke has worked across Europe, the USA, and Asia.

Nationality	Belgian
Year of Birth	1974
Education	• Master's in International Communication Strategy, University of Burgundy (France) • Master's in Philology from Ghent University (Belgium) • Diplomas in Business Administration and Management and Organizational Leadership, IMD Business School (Switzerland)
Listed Company Boards	• Spadel: Non-Executive Director

Philip Eykerman, Business Unit President Health, Nutrition & Care since 2023

Philip Eykerman joined DSM in 2011 as Executive Vice-President Corporate Strategy & Acquisitions, responsible for strategy development, improvement programs, and corporate transactions. He later took on additional responsibilities, including for DSM's Food Specialties Business Unit. In 2020, Philip was appointed to lead all of DSM's activities in human nutrition and health, establishing and leading the Health, Nutrition & Care business alongside his responsibility for M&A. Before joining DSM, Philip was a partner at McKinsey & Company, and the leader of McKinsey's Chemicals Practice in Benelux and France. He is a Member of the Advisory Board of the Rotterdam School of Management.

Nationality	Belgian
Year of Birth	1968
Education	• Master's in Chemical Engineering, KU Leuven (Belgium) • Master's Refinery Engineering, French Petroleum Institute (France)

Ivo Lansbergen, Business Unit President Animal Nutrition & Health since 2023

Ivo Lansbergen joined DSM in 1997 and held several positions across the company's various Business Units before being appointed to lead the Animal Nutrition & Health business in 2019. He transformed the organization, reinforcing its position as a customer-focused partner in the development of feed ingredients for the global food supply chain. Supported by complementary acquisitions, Ivo strengthened the business's expertise and reputation as a leading provider of solutions for farm productivity and sustainability throughout the value chain, including as a pioneer in the fast-emerging area of technology-driven precision nutrition and health. Ivo is an experienced global executive, having worked in science-based industries across Europe and Asia during his career.

Nationality	Dutch
Year of Birth	1973
Education	• Master's in Chemical Engineering, University of Enschede (Netherlands)

Patrick Niels, Business Unit President Taste, Texture & Health since 2023

Patrick Niels started his international career at DSM in 1991 when he joined Gist-Brocades, which DSM subsequently acquired in 1998. He went on to hold various leadership roles across the company, in pharmaceuticals, materials, and nutrition, including spending nine years in the USA. He oversaw the transformation of multiple businesses, creating high-performing growth teams centered around the shift to sustainability. Patrick built DSM's Food & Beverage business, which was established by combining the company's activities and capabilities from three former areas in 2021, to serve the fast-moving global industry with sustainable solutions for taste, texture, and health.

Nationality	Dutch
Year of Birth	1968
Education	• Master's in Business Administration, Nyenrode Business University (Netherlands) • MBA, Emory University (USA)

Dr. Sarah Reisinger, Chief Science & Research Officer since 2023

Sarah Reisinger has driven Firmenich toward new frontiers of scientific excellence, building on the company's legacy of industry-leading innovation. By embracing new technology to deliver breakthrough solutions in a fast-changing world, she has harnessed a multidisciplinary and global approach to research and development. Sarah combines an extensive background in biotechnology with a strong track record in ingredients and technology development for the consumer goods industry. Prior to joining Firmenich in 2018, she held pivotal roles at Ginkgo Bioworks, Intrexon, and Amyris, having started her career in the field of biology and cancer therapeutics. She is Chair of EuropaBio.

Nationality	American
Year of Birth	1979
Education	• Bachelor in Science, Biology, Harvey Mudd College (USA) • Master's in Plant Biology, University of California, Berkeley (USA) • Ph.D. in Microbiology, University of California, Berkeley (USA)

Ralf Schmeitz, Chief Financial Officer since 2023

Ralf Schmeitz was appointed Chief Financial Officer (CFO) of dsm-firmenich in September 2023, marking a significant milestone in his journey with the company. He initially joined the company in 2006 under its previous identity, DSM, and his path has been marked by outstanding achievements and a track record of strong performance. Ralf has played a pivotal role in propelling the transformation of the Finance function and in navigating substantial portfolio changes. Prior to his CFO role, Ralf held the position of Head of Group Finance, overseeing Finance & Control, Treasury and Taxation. In his last role at former DSM, he held the position of Group Controller, spearheading both the Business Controlling and Accounting teams. Ralf began his career at PwC, laying strong foundations and building financial and strategic acumen, and then moved to Hewlett Packard, where he assumed diverse leadership responsibilities in Finance.

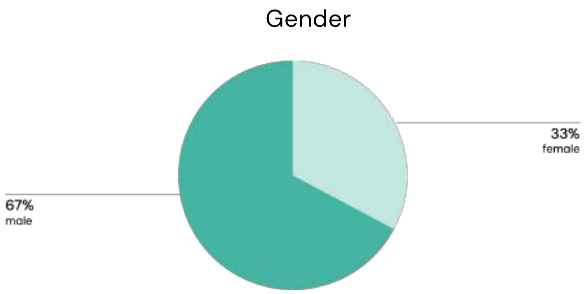
Nationality	Dutch
Year of Birth	1972
Education	• Master's degree, Economics, Maastricht University (Netherlands) • Master's degree Accountancy, Maastricht University (Netherlands) • Master's degree in Business Valuation, Erasmus University, Rotterdam (Netherlands)

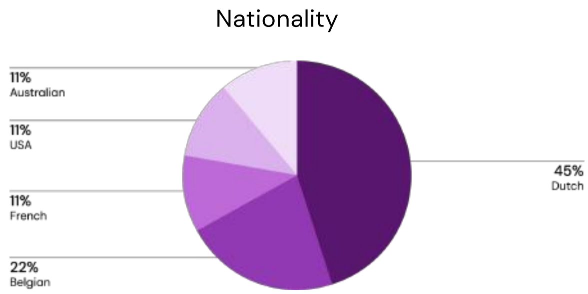
Jane Sinclair, Chief Legal, Risk and Compliance Officer since 2023

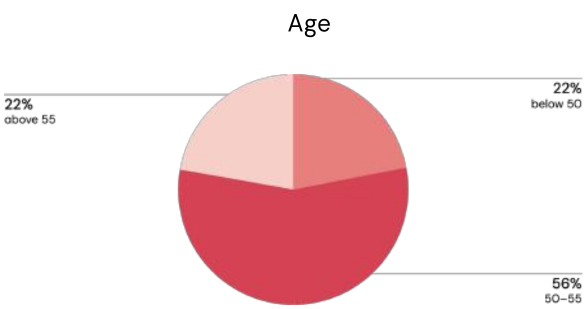
Jane Sinclair joined Firmenich in 2016, bringing more than 30 years of international experience in FMCG, pharmaceuticals, and research companies. With extensive experience in emerging and mature markets, Jane is dedicated to bringing progress to life by fostering enduring trust through responsible business practices that benefit current and future generations. In addition to being the General Counsel, Jane led the Firmenich Legal & Compliance functions with direct oversight of Legal; Intellectual Property; Quality, Health, Safety & Environment; Regulatory; Business Ethics; and Trade Compliance. With her commitment to responsible business, the company's leadership in environmental, safety and regulatory stewardship has been recognized globally. Prior to joining Firmenich, Jane worked in multiple senior roles in Asia Pacific, the US, Europe and Australia for Abbott, AbbVie, Genea, and The Coca-Cola Company. She is Board Member of the National Safety Council (USA).

Nationality	Australian
Year of Birth	1962
Education	• LLB in Asian Studies and Law, Australian National University • MBA, Deakin University (Australia) • INSEAD International Directors Program

Executive Committee diversity profile







Changes to the Executive Committee in 2023

In May 2023, the Board of Directors decided to evolve the then existing Co-CEO structure, and appointed Dimitri de Vreeze as sole CEO of dsm-firmenich, effective 1 September 2023. As of the same date, Géraldine Matchett, until then Co-CEO (and holding CFO responsibility), stepped down from the Executive Committee to further her career elsewhere, in full alignment and with the thanks of the Board of Directors for her 10+ years of leadership and impact. Ralf Schmeitz, previously Group Controller, was appointed Chief Financial Officer and Member of the Executive Committee effective 1 September 2023. While retaining his role as Chief Integration Officer, Emmanuel Butstraen was appointed President of the Perfumery & Beauty business with effect from 1 July 2023. On the same date, Ilaria Resta left dsm-firmenich, following her decision to pursue external career opportunities.

Shareholder participation

General Meeting

Convening

The General Meeting is held within six months after the end of the financial year (31 December). It is convened by the Board of Directors (or, if necessary by the external auditors, liquidators or by the representatives of the bondholders). One or more shareholders who together represent at least 5% of the Company's share capital or the voting rights may convene a General Meeting. Shareholders who together represent at least 0.5% of the Company's share capital or voting rights may request that an item be placed on the agenda of a General Meeting, provided they submit details thereof to the Company at least 50 calendar days in advance of the General Meeting.

Calling

The General Meeting is called at least 20 calendar days in advance through publication in the Swiss Official Gazette of Commerce. Invitations to the General Meeting and supporting materials are published on the Company's **website.**

Voting rights and representation of shares

Only those Shareholders entered in the share register as Shareholders with voting rights until the record date designated by the Board of Directors (and as indicated in the invitation to the General Meeting) are entitled to vote at the General Meeting. Shareholders entitled to vote are entitled to give a proxy to a third party (who is not a Shareholder) or give voting instructions to the Independent Proxy (Christian Hochstrasser, c/o ThomannFischer, Elisabethenstrasse 30, 4010 Basel, Switzerland) via the available electronic voting platform available or in writing. All early voting on the electronic voting platform and all written instructions sent to the Company are deemed an authorization and instruction of the Independent Proxy. The Independent Proxy informs dsm-firmenich only within the limits of Swiss law about voting trends (i.e., keeps all instructions received as confidential until three working days prior to the General Meeting).

The 2024 General Meeting will be held in a hybrid format, i.e., physically in Kaiseraugst (Switzerland), but with the option for Shareholders to attend virtually with full participation possibilities. Shareholders wishing to attend virtually must notify their willingness to participate in the meeting no later than the date and time indicated in the invitation to the General Meeting.

Powers and quorum

The General Meeting is the supreme governing body of the Company. Its powers are listed in Art. 10 of the Articles of Association. Unless otherwise stipulated by law or by the Articles of Association, resolutions are passed by an absolute majority of the votes represented at the General Meeting. Art. 16 of the Articles of Association lists the resolutions that require a qualified majority of the votes.

Change of control and defense measures

The rules on the duty to make an offer are described in Art. 4.4 and 6 of the Articles of Association.

There are not any change of control clauses. In the event of change of control, the Board of Directors may in its sole discretion decide on an accelerated vesting of share units granted under equity-based remuneration plans, or take other decisions considered necessary, to the extent that the vesting shall have an outcome that is deemed reasonable given the circumstances.

Auditors

Mandate and term of office

KPMG AG was appointed as Group and statutory auditors of DSM-Firmenich AG for the financial year 2023. The responsible licensed audit experts are Petra Groenland-van der Linden and Carlos Alvarez, with Petra Groenland-van der Linden as Auditor in charge. The Audit & Risk Committee and the Board of Directors reconsider on an annual basis whether the external auditors should be proposed for re-election to the General Meeting.

Auditing fees

The auditing fees paid to KPMG in its capacity as statutory and Group auditor for the 2023 consolidated financial statements amount to €11,154,000, including fees for services related to the review of non-financial information. In addition, KPMG provided audit and assurance services amounting to €2,477,000, and non-audit services amounting to €155,000 for tax services, and €49,000 for other various non-audit services. The scope of the audit of the 2023 consolidated financial statements and respective audit fees were approved by the Audit & Risk Committee and defined in an engagement and fee letter signed by the CEO and the CFO. All other services were (pre-)approved in accordance with applicable policies.

Information to the Audit & Risk Committee

KPMG attended (all) five Audit & Risk Committee meetings held since the First Trading Date, which include two private sessions without the presence of management. The lead auditor and the Chair of the Audit Committee meet prior to each Audit & Risk Committee in order to prepare the meeting.

Auditor Rotation

The Audit Rules of the European Union require DSM BV (which is a directly and wholly owned affiliate of DSM-Firmenich AG) to rotate its external auditor for the financial year 2025. This rotation will concurrently require a rotation of the DSM-Firmenich AG statutory and Group auditor in 2025, as a major part of the Group's business is represented in the entities held directly/indirectly by DSM BV. In view of this requirements, the Audit & Risk Committee initiated an auditor selection process in the third quarter of 2023 and mandated a Selection Committee to conduct a tender process.

The Selection Committee consisted of the Chair of the Audit & Risk Committee, the CEO, and the CFO. The Selection Committee oversaw the execution of the tender process, which was performed by a Tender Team consisting of the employees from the Finance and Procurement teams. The amended Audit Directive (2014/56/EU) and the Audit Regulation (537/2014/EU) of the European Union, which prescribe specific requirements on the appointment of statutory auditors or audit firms, were considered in the audit tender process. In addition, the Selection Committee considered the report of the Dutch Authority for the Financial Markets (AFM) published in February 2021, which provides recommendations on the external auditor selection. The auditor selection criteria which were validated by the Audit & Risk Committee, emphasize the requirements for independence, the ability to provide financial & non-financial assurance, global footprint, quality ratings, and an excellent professional knowledge network of IT, systems processes & controls.

Considering the results of the audit tender process and the recommendation of the Selection Committee, the Audit & Risk Committee, in February 2024, recommended to the Board of Directors the appointment of PricewaterhouseCoopers AG as external auditor starting from the financial year 2025. The Board of Directors approved the recommendation (subject to the powers of the General Meeting).

Board Statement

This report includes the dsm-firmenich 2023 Management Report as well as the Consolidated financial statements for the purpose of the Dutch Act on Financial Supervision (Wet Financieel Toezicht), section 5:25c.

Per the Dutch Decree on Transparency for issuing entities subject to the Dutch Act on Financial Supervision (Besluit Transparantie uitgevende instellingen Wft) article 10, the Directors declare that, to the best of their knowledge:

- The Consolidated financial statements have been prepared in accordance with the applicable reporting requirements
- The Management Report gives 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. The Report also contains information on major events that took place after year-end, if applicable, as well as future developments

Thomas Leysen, Chairman of the Board of Directors

Dimitri de Vreeze, Chief Executive Officer

Closed periods

According to our Group's Insider Trading Policy, the Board of Directors, the Executive Committee (including the CEO) and employees who have (or may have) access to material non-public information (such persons are referred to as 'Designated Persons') are banned from trading in Group financial securities during closed periods.

Closed periods for Members of the Board of Directors and Executive Committee are the periods starting the 29th day after a financial release until the next financial release (which however shall never be shorter than 30 calendar days before a financial release). Closed periods for Designated Persons are: a) the periods two months prior to the publication of the annual financial statements of the Group; and b) the periods starting on the first day of a quarter until the publication of the Group's quarterly financial statements for that quarter (which however shall never be shorter than 30 days before a financial release).

The following closed period periods applied from the First Trading Date to 31 December 2023:

Closed periods for Board of Directors and Executive Committee

- 16 March up to and including 1 May 2023
- 30 May up to and including 1 August 2023
- 30 August up to and including 30 October 2023
- 28 November up to and including 14 February 2024

Closed periods for Designated Persons

- 1 April up to and including 1 May 2023
- 1 July up to and including 1 August 2023
- 1 October up to and including 31 October 2023
- 14 December up to and including 14 February 2024

Information policy

The Company is committed to open and consistent communication with shareholders and other stakeholders.

The Company uses its **website** to share and ensure rapid and equitable distribution of information, such as:

- Share performance, analyst consensus and the financial calendar are available **here**
- Press releases are available **here**
- Corporate governance documents are available **here**

Major announcements are accompanied by a live presentation broadcast on the internet. Furthermore, throughout the year, the Investor Relations team engages with investors (current or prospective) and relevant sell-side analysts in virtual and in-person meetings, conference calls, roadshows, broker conferences, or other events. In certain cases, Members of the Executive Committee also participate in meetings with the financial community.

The Investor Relations team can be contacted via e-mail at **investors@dsm-firmenich.com**.

Compensation report 2023

On behalf of the Board of Directors and the Compensation Committee, we here present the very first compensation report of DSM-Firmenich AG. The report has a somewhat atypical nature. DSM-Firmenich AG (the Company) is the parent company of the merger combination DSM and Firmenich. This report concerns the remuneration from the first date the Company stock was traded on Euronext Amsterdam (18 April 2023). For this reason, there will be no comparison with the previous year. The actual 2023 remuneration will be considered against the background of the remuneration philosophy and principles set for the new Company. Furthermore, the actual remuneration provided in 2023 is reviewed against the maximum total amount of remuneration as approved by the General Meetings held on 18 April 2023 and 29 June 2023 respectively.

Category of one

As a newly established company in a category of one, domiciled in Switzerland, dsm-firmenich required a new remuneration set-up, fit for the purpose of the new entity, its combined business, and its leadership team. DSM and Firmenich historically had different remuneration schemes for their respective boards and executive committees, primarily due to their domiciles and industry. Furthermore, the new Company is substantially larger and more complex than each of the former separate entities. We therefore developed a greenfield approach tailored to our new operating model, business strategy, and market references.

Consultation of stakeholders

At the inception of the new Company, the compensation approach was validated by the legal representatives of the then shareholders at the General Meeting of Danube AG (renamed DSM-Firmenich AG) on 18 April 2023. The meeting approved the maximum total amount of remuneration for the Board of Directors for the period until the Extraordinary General Meeting (***EGM***) of DSM-Firmenich AG on 29 June 2023, and the maximum total amount of remuneration for the Executive Committee for the (remaining term of the) financial year 2023. As we aim to be transparent regarding the remuneration of the Board of Directors and the Executive Committee, we have thoroughly consulted with investors and shareholder representatives to obtain their feedback on the proposed remuneration structure. We are grateful for their active engagement and constructive dialogue. The information used in this respect can be viewed on the Company website. Our investors and shareholder representatives embraced the proposed remuneration structure and its underlying philosophy and considerations. Their feedback and recommendations have been taken into account in the proposals for the Board of Directors remuneration over the period between the EGM of 29 June 2023 until the 2024 Annual General Meeting (***AGM***) as well as the for the Executive Committee Members over the financial year 2024. All proposals were approved at the EGM on 29 June 2023: 97.18% voted in favor of the proposed maximum amount of remuneration for the Board of Directors, while 96.97% of the votes cast were in favor of the proposed maximum amount of remuneration for the Executive Committee.

First quarter 2023

This compensation report covers the period starting 18 April 2023 until 31 December 2023. Obviously, no reference can be made to remuneration provided in previous years. Between 1 January 2023 and 18 April 2023, the then responsible Members of the respective legacy boards and executive committees were compensated on the basis of approved policies and practices at DSM and Firmenich separately.

The business in 2023

dsm-firmenich seeks to tackle the opportunity between what society needs, what people individually want, and what the planet demands in the areas of nutrition, health, and beauty. We therefore creatively apply proven science and draw on our data-driven innovation capabilities as well as exceptional standards of operational excellence. In close cooperation with our customers, we create solutions that are essential for life as well as desirable for consumers yet simultaneously more sustainable for the planet.

The Company is well advanced in the integration process, while our customers are positive toward our enhanced business proposition. This gives confidence regarding the delivery of our synergy targets.

We operated in a tough macro-economic environment in 2023, characterized by unprecedented low vitamin prices, but also by a continued destocking cycle and negative foreign exchange effects. In this challenging context, Perfumery & Beauty recorded good performance while performance in Taste, Texture & Health was solid. Health, Nutrition & Care, but especially Animal Nutrition & Health, were weak on exceptionally low vitamin prices and destocking. A vitamin transformation program, as well as cash flow generation were made key priorities in 2023.

Early 2024, the Company announced the initiation of a process to separate out the Animal Nutrition & Health (ANH) business from the Group. This should strongly reduce our exposure to vitamins earnings volatility and reduce our capital intensity in line with our long-term strategy. We believe that the full potential of our attractive and future-oriented ANH business could be best realized through a different ownership structure.

In view of the economic environment and especially the historically low vitamins prices, revenue and margins lagged behind expectations, whereas we delivered a very strong performance on cash. Consequently, the Short-Term Incentive achievement was below target. Our workforce has, remained very engaged, driving a successful integration. We remain very confident of achieving our integration objectives as well as securing lasting performance from our Business Units.

This report has been prepared in compliance with Article 734 et seqq. of the Swiss Code of Obligations. It comprises information required under the Swiss Code of Obligations and considers the Swiss Code of best practice for corporate governance.

In 2023, we embarked on a journey, building a new Company with the distinct purpose to bring progress to life. This is a journey we undertake together with all our stakeholders and on which we will continue to seek dialogue with investors and shareholder representatives regarding remuneration matters.

Carla Mahieu
Chair Compensation Committee

2023 Remuneration at a glance

Board of Directors (*BoD*)

To ensure independence, the Members of the Board of Directors receive a fixed fee partially in cash and partially in Restricted Share Units (***RSUs***); the committee fees are provided in cash. RSUs are subject to a three-year vesting period.

Applicable fee structure BoD on annual basis

Fixed fee	Cash	RSUs
(In CHF)		
Chairman	400,000	400,000
Vice Chair	122,500	122,500
Member	100,000	100,000
Committee fees	Cash	RSUs
Chair Audit & Risk	40,000	n.a.
Chair other committees	30,000	n.a.
Member Audit & Risk	25,000	n.a.
Member other committees	20,000	n.a.

Members of the Board of Directors are not subject to a minimum shareholding requirement.

The below table concerns the actual (2023) and estimated (2024) remuneration provided for the period from 18 April 2023 until the 2024 Annual General meeting on 7 May 2024, compared to the total maximum remuneration as approved by the General Meetings on 18 April 2023 and 29 June 2023 respectively.

Approved and provided compensation BoD

Total Compensation	Approved	Provided
(In € thousand, considering the 2023 Average Fx rate)* 18 April 2023 until AGM 7 May 2024	4,579	3,769

** Fees are determined and paid in CHF; reporting herein is based on €. During the year payments are converted to €. The 2023 Average Fx rate is €1 = CHF0.97176.*

The total compensation excluding social security contributions remains within the approved amount.

As at 31 December 2023 the Members of the Board of Directors held 16,078,901 shares and 18,239 RSUs.

Executive Committee (*ExCo*)

We want to attract and retain qualified leaders who can shape our future, rewarding progress in innovation and growth. We focus on long-term stakeholder value, aim to be competitive within the relevant market, and strive to align rewards with the Company's strategy and sustainability ambitions. The below table provides an overview of target Total Direct Compensation. In addition to Base Salary, Total Direct Compensation consists of the Short-Term Incentive and the Long-Term Incentive.

Total Target Direct Compensation ExCo

	Target STI	Target LTI
(In % of Annual Base Salary)		
CEO	100%	200%
Other ExCo Members	85% or 100%	120% or 100%

The minimum shareholding obligation is 300% (of annual Base Salary) for the CEO and 100% for other ExCo Members, to be accrued in a five-year period.

The total compensation excluding social security contributions awarded to the Members of the Executive Committee over the period from 18 April 2023 until 31 December 2023 is within the maximum amount of total compensation for the same period as approved by the General Meeting on 18 April 2023 (see below table).

Approved and provided compensation ExCo

Total Compensation	Approved	Provided
(In € thousand), considering the 2023 Average Fx rate)* 18 April 2023 until 31 December 2023	38,590	20,418

** Fees are determined and paid in CHF; reporting herein is based on €. During the year payments are converted to €. The Average Fx rate is €1 = CHF0.97176.*

On 31 December 2023 the CEO held 82,453 shares. The other Members of the Executive Committee in total held 91,267 shares.

Governance

- Remuneration decisions are governed by the Swiss Code of Obligations and the Company's Articles of Association.
- The prospective maximum remuneration for the Board of Directors and the Executive Committee is subject to a binding vote at the General Meeting.
- The General Meeting casts a non-binding vote on the Compensation Report.

Compensation governance

As determined by the Swiss Code of Obligations and the Articles of Association, the remuneration of the Board of Directors and the Executive Committee is subject to approval by the General Meeting of Shareholders, upon a proposal by the Board of Directors. The governance for setting the compensation is laid out in the below overview.

Remuneration of	Proposal by	Approval by
Board of Directors as a whole	Board of Directors	General Meeting of Shareholders
Executive Committee as a whole	Board of Directors	General Meeting of Shareholders
Chair of the Board of Directors; CEO[1]	Compensation Committee	Board of Directors
Members of the Board of Directors	Compensation Committee	Board of Directors
Members of the Executive Committee	Compensation Committee	Board of Directors

1 CEO will not attend (those parts of the) meetings if items are discussed involving him individually.

Considering proposals of the Compensation Committee, the Board of Directors shall approve the terms and conditions of Short- and Long-Term Incentive plans (to be settled in cash or equity), including the performance targets. Furthermore, the Board of Directors approves the terms and conditions of employment arrangements of the Board of Directors and the Executive Committee and may provide for adjustment mechanisms or claw-back of incentive-based compensation. Regarding equity compensation plans, the Board of Directors shall determine the plan specifics, such as, but not limited to, grant value, vesting requirements, blocking, and/or lock-up periods and forfeiture conditions.

Governed by the Compensation Committee charter, the Compensation Committee comprises four independent non-Executive Directors, to be appointed for one year by the General Meeting of Shareholders. For the period from 18 April until the 2024 AGM, the Committee Members are: Carla Mahieu (Chair), Thomas Leysen, Frits van Paasschen, and André Pometta. The Chair determines the agenda, while the Chief Human Resources Officer (***CHRO***) and relevant experts prepare and provide materials for the Compensation Committee meetings. The Compensation Committee may invite the CEO or other Executives to their meetings as deemed necessary. They have an advisory role and no voting rights. This is also the case for external experts and advisors that may be engaged during the year to provide legal and external market insights.

Annual agenda Compensation Committee

1st Half of financial year	2nd Half of financial year
– Actual remuneration Board of Directors and Executive Committee Members, backward-looking – Remuneration Board of Directors and Executive Committee, forward-looking – STI and LTI actual performance achievement, backward-looking – STI and LTI target performance measures, forward-looking – Trends in remuneration, governance, and regulatory requirements – Validation compliance checks with rewards principles – Validation of annual Compensation Report – Preparation for AGM	– Market benchmarking for Board of Directors and Executive Committee remuneration – Stakeholder consultation – Review of incentive design and alignment to strategy – Preview annual Compensation report

The shareholders are involved in the decisions concerning the remuneration of the Board of Directors and the Executive Committee. The General Meeting has a binding vote on the maximum remuneration for the Board of Directors and the Executive Committee. In accordance with the Articles of Association, such a binding vote has a prospective nature and concerns the maximum remuneration for the period until the next General Meeting (Board of Directors) or the following calendar (i.e., financial) year (Executive Committee). We submit a compensation report to the General Meeting (non-binding vote), inviting the shareholders to express their opinion on the remuneration in the previous year.

The below table provides an overview of the relevant decisions on compensation (to be) made by the respective general meeting of shareholders.

Remuneration decisions

1 The General Meeting on 18 April 2023 approved the maximum remuneration for the Board of Directors from 18 April until 29 June 2023.

Currency

As determined by the Articles of Association, the Company currency is Euro. The remuneration of the Members of the Board of Directors and the Members of the Executive Committee is determined and paid in Swiss Francs (CHF). For Members of the Executive Committee employed by a non-Swiss entity, an average conversion rate to Euro applies. For the purpose of establishing the maximum remuneration amounts for the Board of Directors and the Executive Committee as approved by the General Meetings, a 1-to-1 conversion rate for CHF to € was assumed ('***Assumed Fx rate***'). For accounting purposes, payments during the year provided in CHF were converted to € using a monthly average rate. The 2023 average exchange rate was €1 = CHF0.97176 ('***Average Fx Rate***'). These converted amounts, plus any items (cash or equity) provided for in Euro, represent the actual remuneration. In accordance with the Swiss Code of Obligations (art. 734 para. 2 in connection with art. 958d, para. 3), the actual remuneration stated in Euro must be expressed in local currency (i.e., CHF) as well. In line with the accounting principles, the year-end Fx rate equal to €1 = CHF0.9260 ('***Year-end Fx rate***') applies in this respect. Amounts calculated by this means are referred to as '***CHF Value***'.

Remuneration of the Board of Directors

Set-up of the remuneration of the Board of Directors

The Remuneration approach is designed to engage qualified independent directors who possess the right balance of personal skills, competencies, and experience required to execute the responsibilities and tasks assigned to the Board of Directors by law or by the Articles of Association. To ensure the Company provides a fair and competitive remuneration, regular benchmarks are conducted. As it is market practice to review the remuneration of the Board of Directors against practices in the country of domicile, the companies included in the Swiss Market Index (***SMI***) serve as the benchmark (excluding companies whose compensation levels are considered materially higher than the SMI companies). The fees set, are below the median of the reference group.

The remuneration consists of a Base Fee and Committee Fees. The fees aim to ensure that the Members of the Board of Directors utilize their skills and competences to the maximum extent possible and reflects the nature of responsibilities and the time spent. At his request, the Chair does not receive any fees concerning his participation in any of the Committees. To safeguard independence, fees are not linked to the achievement of any predefined individual or Company performance targets.

The fees for the Members of the Board of Directors, are set and paid in CHF. As of 18 April 2023, Base Fees and Committee Fees on annual basis are set as included in the below table.

Fees Board of Directors

	Base Fee	Committee Fee
	CHF	CHF
Chairman Board of Directors	800,000	
Vice-Chair Board of Directors	245,000	
Member Board of Directors	200,000	
Chair Audit Committee		40,000
Member Audit Committee		25,000
Chair other Committees		30,000
Member other Committees		20,000

To align the interests of the Members of the Board of Directors with other stakeholders, half of the Base Fee is awarded in Restricted Share Units (***RSUs***) i.e., the right to receive a dsm-firmenich share at vesting. It is explicitly noted that RSUs are not tied to any individual or Company performance targets. The grant of RSUs is subject to the following guidelines:

- The number of RSUs to be granted will be calculated considering the average share price of the dsm-firmenich share over a reference period
- RSUs do not carry voting rights and do not provide eligibility for dividend payments
- Vesting and holding period: 3 years, starting at grant date
- The possibility to conduct a sell-to-cover transaction at vesting to settle taxes due at the respective moment in time
- Upon leaving the Board, all outstanding RSUs recorded as unvested at termination date shall vest, subject to a holding obligation of the vested shares of a minimum of one year

The Company pays employer contributions to social security systems in line with applicable laws in any relevant geography. These amounts are not included in the maximum amount for remuneration of the Board of Directors as approved by the General Meeting. Other than mandatory contributions to the company pension plan ('second pillar') applicable because of Swiss regulations, the fees are not pensionable.

No mandatory shareholding requirement applies for the Members of the Board of Directors. No loans will be provided to the Members of the Board of Directors.

Expenses incurred in fulfilling duties are reimbursed, to be paid upon submission of a statement of expenses.

Remuneration Board of Directors in 2023

Assignment to Committees

Ms. Sze Cotte-Tan joined the Board of Directors as of 1 May 2023, whereas the other Members were appointed with effect from 18 April 2023. During 2023, no further changes occurred in the composition of the Board of Directors. The Members of the Board of Directors are assigned to the various Committees.

Committee overview

	Audit & Risk	Compensation	Governance & Nomination	Sustainability
Thomas Leysen (Chairman)		Member		
Patrick Firmenich (Vice-Chair)			Chair	
Sze Cotte-Tan				Member
Antoine Firmenich	Member			Chair
Carla Mahieu		Chair	Member	
Erica Mann				Member
Frits van Paasschen	Member	Member		
Pradeep Pant			Member	
André Pometta		Member		
John Ramsay	Chair			
Richard Ridinger			Member	
Corien Wortmann	Member			Member

Remuneration provided to the Members of the Board of Directors in 2023

Considering the decision that 50% of the Base Fee will be awarded in cash and the remaining 50% in equity, the below table provides an overview of the total cash remuneration between 18 April to 31 December 2023 and the RSU grant.

Remuneration Board of Directors 2023 (from 18 April 2023 until 31 December 2023) – *Audited*

In €	Base Fee in cash	Committee Fees[1]	Other[2]	Number of RSUs granted	Face value at grant[3]	Remuneration excl. social security contributions	Social security contributions[4]	Total Remune-ration
Thomas Leysen (Chairman)	312,049	–	–	4,791	384,288	696,337	–	696,337
Patrick Firmenich (Vice-Chair)	95,565	21,712	4,561	1,468	117,749	239,587	10,401	249,988
Sze Cotte-Tan[5]	70,672	13,740	–	1,198	96,092	180,504	7,569	188,073
Antoine Firmenich	78,012	39,805	57,856	1,198	96,092	271,765	10,443	282,208
Carla Mahieu	78,012	36,187	–	1,198	96,092	210,291	9,326	219,617
Erica Mann	78,012	14,475	–	1,198	96,092	188,579	21,692	210,271
Frits van Paasschen	78,012	32,568	–	1,198	96,092	206,672	–	206,672
Pradeep Pant	78,012	14,475	–	1,198	96,092	188,579	6,256	194,835
André Pometta	78,012	14,475	4,561	1,198	96,092	193,140	8,293	201,433
John Ramsay	78,012	28,949	–	1,198	96,092	203,053	16,156	219,209
Richard Ridinger	78,012	14,475	57,856	1,198	96,092	246,435	14,765	261,200
Corien Wortmann	78,012	32,568	–	1,198	96,092	206,672	9,647	216,319
Total	**1,180,394**	**263,429**	**124,834**	**18,239**	**1,462,957**	**3,031,614**	**114,548**	**3,146,162**

CHF Value	Base Fee in cash	Committee Fees[1]	Other[2]	Number of RSUs granted	Face value at grant[3]	Remuneration excl. social security contributions	Social security contributions[4]	Total Remune-ration
Thomas Leysen (Chairman)	288,957	–	–	4,791	355,850	644,807	–	644,807
Patrick Firmenich (Vice-Chair)	88,493	20,105	4,223	1,468	109,035	221,856	9,631	231,487
Sze Cotte-Tan[5]	65,442	12,723	–	1,198	88,981	167,146	7,009	174,155
Antoine Firmenich	72,239	36,859	53,575	1,198	88,981	251,654	9,670	261,324
Carla Mahieu	72,239	33,509	–	1,198	88,981	194,729	8,636	203,365
Erica Mann	72,239	13,404	–	1,198	88,981	174,624	20,087	194,711
Frits van Paasschen	72,239	30,158	–	1,198	88,981	191,378	–	191,378
Pradeep Pant	72,239	13,404	–	1,198	88,981	174,624	5,793	180,417
André Pometta	72,239	13,404	4,223	1,198	88,981	178,847	7,679	186,526
John Ramsay	72,239	26,807	–	1,198	88,981	188,027	14,960	202,987
Richard Ridinger	72,239	13,404	53,575	1,198	88,981	228,199	13,672	241,871
Corien Wortmann	72,239	30,158	–	1,198	88,981	191,378	8,933	200,311
Total	**1,093,043**	**243,935**	**115,596**	**18,239**	**1,354,695**	**2,807,269**	**106,070**	**2,913,339**

1 Positions of the Members of the Board of Directors explained in previous paragraph. Committee Fees are provided in cash.
2 Concerns fees for the Scientific Advisory Board and second pillar pension contributions if required.
3 Face value at grant – number of share units granted times opening price at grant date. For the total number of RSUs granted, the fair value used for accounting purposes in accordance with the International Financial Reporting Standards (IFRS) amounts to €1,443,799 (CHF Value: 1,336,958).
4 (Estimated) social security contributions by the Employer based on 2023 remuneration in any relevant jurisdiction.
5 Appointed on 1 May 2023.

The Company has not provided any loans to the Members of the Board of Directors, nor were payments made by subsidiaries of dsm-firmenich (except for payments to Members of the Scientific Advisory Board, as included under 'Other'). No payments have been made to persons closely connected to the Members of the Board of Directors (i.e., ***Associated Persons***, defined as their spouse, their children under 18 years of age, legal entities owned or controlled by them, or any person acting as their fiduciary) (*Audited)*.

Compensation voting

The General Meeting of Danube AG (renamed DSM-Firmenich AG) on 18 April 2023 approved a maximum total amount of remuneration for the Board of Directors of €850,000 (CHF850,000 applying the Assumed Fx rate) for the period starting 18 April 2023 until 29 June 2023. In establishing the amounts, the Assumed Fx rate (EUR 1 = CHF1) was considered. The EGM of DSM-Firmenich AG on 29 June 2023 approved (97.18% in favor) a maximum total amount of remuneration for the Board of Directors of €3.6 million (CHF3.6 million based on Assumed Fx rate) for the period 29 June 2023 until the next AGM (7 May 2024). Since the underlying assumptions are the same, the two amounts are herein combined into one overall maximum total amount of remuneration for the Board of Directors of €4.45 million (CHF4.45 million) covering the period starting 18 April 2023 and ending 7 May 2024 (386 days). The approved amount was based on the following considerations:

- The amount does not include the company-related portion of social security contributions paid in line with applicable laws in any relevant geography
- Share price development and exchange rate fluctuations are not included
- Other than mandatory contributions to the company pension plan ('second pillar') applicable because of local Swiss regulations, the fees are not pensionable
- An amount of €160,000 (CHF160,000) is included to cover the fees of the Members of the Board of Directors who also are a member of the Scientific Advisory Board
- An amount was included to cover for unforeseen circumstances as well as offset an appreciation of the share price on grant date compared to the reference (average price over August 2023) used to determine the number of RSUs

The below table provides an overview of the total maximum amount of remuneration as approved by the General Meeting for the period 18 April 2023 until 7 May 2024 and the actual remuneration (excluding social security contributions) awarded in 2023 and to be paid over the period 1 January 2024 until 7 May 2024, thereby considering the Average Fx rate that applied for 2023).

Approved maximum total amount of remuneration and actual remuneration Board of Directors from 18 April until 7 May 2024 - *Audited*

	Approved maximum remuneration		Actual remuneration excluding social security contributions	
x thousand	€	CHF	€	CHF
Total Remuneration Assumed Fx rate	4,450	4,450	3,524	3,524
Total Remuneration Average Fx rate	4,579	4,450	3,769	3,663

The total remuneration provided in 2023 to the Members of the Board of Directors amounted to €3,031,614 (excluding social security charges for the account of the Company). This includes the value of the RSU grant: €1,462,957 based on the face value (i.e., opening price) at the grant date. It is estimated that the total remuneration for the Board of Directors for the period 1 January 2024 until 7 May 2024 will amount to €737,461. Added to the remuneration provided in 2023, the total amount of €3,769,075 remains within the approved maximum amount.

Shareholding

By the end of 2023, the Members of the Board of Directors, including Associated Persons, held 16,078,901 ordinary shares and 18,239 RSUs. The below table provides an overview, detailing:

- The number of Ordinary dsm-firmenich shares held by each individual member of the Board of Directors on 31 December 2023
- The number of outstanding RSUs held by each individual Member of the Board of Directors, granted in 2023

Shareholding Board of Directors - *Audited*

	Number of Shares held on 31 December 2023	Number of RSUs held on 31 December 2023
Thomas Leysen (Chairman)	20,035	4,791
Patrick Firmenich (Vice-Chair)	4,548,829	1,468
Sze Cotte-Tan	-	1,198
Antoine Firmenich	3,519,236	1,198
Carla Mahieu	-	1,198
Erica Mann	-	1,198
Frits van Paasschen	-	1,198
Pradeep Pant	-	1,198
André Pometta	7,985,013	1,198
John Ramsay	1,788	1,198
Richard Ridinger	4,000	1,198
Corien Wortmann	-	1,198
Total	**16,078,901**	**18,239**

Remuneration Executive Committee

Remuneration set-up

Remuneration philosophy

Our remuneration philosophy aims to attract and retain qualified leaders who can shape our future, rewarding progress in innovation and growth, and achieving outstanding outcomes together. Our remuneration principles are in line with how the top executives of listed companies in the EU and Switzerland are rewarded. In line with the business strategy, the new remuneration approach focuses on creating long-term stakeholder value. In addition, dsm-firmenich considers it important to align compensation not only with financial targets but also with sustainability goals and ambitions. The key elements of the compensation philosophy and implementation guidelines are set out below.

Key elements of the compensation philosophy and implementation guidelines

Reward long term stakeholder value Remuneration strategies and outcomes are tied to the purpose of the Company and reflect the long-term value created for its varied stakeholders.	**Simplicity and transparency** Straightforward design and transparent communication to all stakeholders are essential.
Fair and competitive rewards Reward opportunities reflect competitive practices of peer companies, guaranteeing pay equity and competitiveness on total remuneration, securing pay for performance and rewarding superior, sustainable value creation.	**Alignment with applicable governance practices** Our rewards methodology will reflect appropriate best practice and corporate governance standards.
Aligned with group strategy and sustainability ambitions Group performance and leadership in sustainability commitments are reflected in rewards design.	**Individual choice and diversity** We strive to enable our people to make personal choices on benefit offerings in line with their needs throughout different phases of life.

Benchmarking

Total compensation for the Executive Committee is regularly reviewed through benchmarking against the market to ensure we can attract and retain talented leaders who *bring progress to life* and to ensure that we remain competitive. The benchmarking includes a quantitative review of remuneration level, but also a qualitative review of best practices as well as developments regarding remuneration in the public domain.

In view of the quantitative analysis, a labor market peer group has been defined, based on the following considerations:

- Manufacturing companies headquartered in Europe (mix of companies based in Switzerland, the Netherlands, and other countries); US companies excluded
- Acknowledging recommendations by shareholder representatives, selected peer group companies are comparable in size and complexity. Indicators considered in this respect include market capitalization, revenue, and number of employees

Labor market peer group

Company	Country	Company	Country
ABB	Switzerland	Heineken	Netherlands
AkzoNobel	Netherlands	Henkel	Germany
Alcon	Switzerland	Kerry Group	Ireland
ASML Holding	Netherlands	Koninklijke Philips	Netherlands
Beiersdorf	Germany	Lonza Group	Switzerland
Chocoladefabriken Lindt & Sprüngli	Switzerland	Merck KGA	Germany
Danone	France	Reckitt Benckiser	United Kingdom
Givaudan	Switzerland	Sika	Switzerland

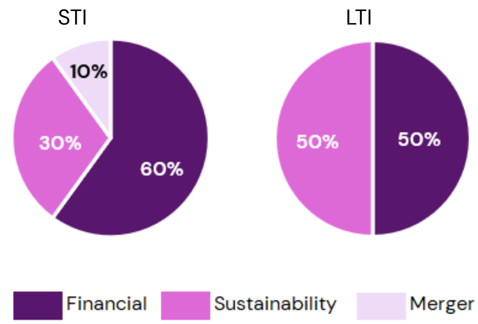
Positioning

The new remuneration model developed for the merged Company (greenfield approach) reflects the position of dsm-firmenich in the selected peer group. The maximum Total Direct Compensation opportunity for the CEO has been positioned at the median of the peer group, while the at-target opportunity has been set slightly above the median, reflecting the scope of a single CEO position. There is a strong focus on long-term value creation in pay mix design: maximum payout can only be achieved by delivering exceptional performance.

This greenfield approach also applies to the other Executive Committee Members. The greenfield serves as the remuneration reference for existing and future Executive Committee appointments, considering the scope and responsibilities of the role. Total remuneration for the individual Executive Committee Members is around the median of the peer group.

Remuneration structure Executive committee at a glance

Base salary	Pension & other benefits	Short-Term Incentive	Long-Term Incentive	Shareholding obligation
Purpose and link to strategy				
Fixed pay considering scope of the role, competencies and skill set	Securing health and well-being, risk protection, and post-employment income	Incentive aligning short-term business objectives/ drivers with strategic company objectives. Driving pay for performance	Focus on long-term value creation, ensuring that business decisions are in the long-term interests of all stakeholders	Aligning the reward of Executives to the interests of stakeholders
Vehicle / delivery				
Cash	Subject to plan rules (cash settled)	Cash	Performance Share Units (***PSUs***); three-year vesting period subject to performance indicators	Executive Committee Members obliged to hold Company shares
Timing				
Monthly	Subject to plan rules	Accrual in respective financial year. Pay-out at end of Q1 of the consecutive year	Performance and vesting period: three consecutive financial years, starting with the year of grant	Five years to meet the obligation
Opportunity				
Considering responsibilities of the role, market competitiveness, internal equity and competences, skill set	Broadly aligned with the wider workforce (in country of employment) and considering market practice	Target level (in % Annual Base Salary): - CEO: 100% - Other: 85% or 100%	Target level (in % Annual Base Salary): - CEO: 200% - Other: 120% or 100%	In % Annual Base Salary - CEO: 300% - Other: 100%

		Minimum pay-out is 0%, maximum pay-out is capped at 200% of target. Threshold: No STI pay-out if actual Adjusted EBITDA is less than 75% of budgeted Adjusted EBITDA	Maximum vesting capped at 150% or 200% of target	
Performance measures				
Changes to be based on changes in responsibilities, performance, contribution, and benchmarking		Targets are set by the Board of Directors and for 2023 on financial and sustainability objectives as well as KPIs related to the merger. Their respective weighting is as follows: 		Exposure to dsm-firmenich share price

Pay mix

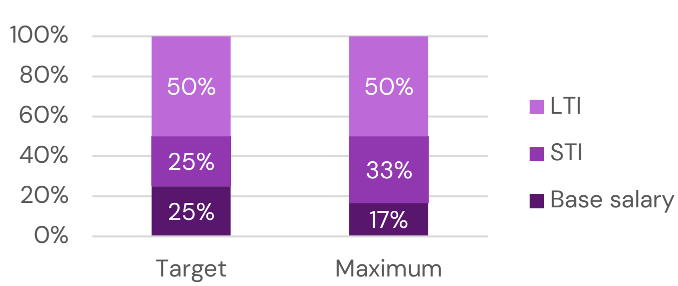
The direct compensation of the Executive Committee Members is approved by the Board of Directors, and comprises:

- Total Direct compensation (Base salary, Short-Term Incentive, Long-Term Incentive)
- Benefits, including pension benefits and risk insurances, company car, and social security contributions

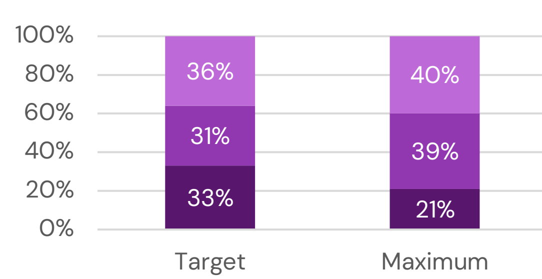
Total Direct Compensation is strongly linked to the short- and long-term success of the Company. The incentive plans are designed to link award opportunities to business performance. For the CEO, 75% of the at-target Total Direct Compensation is linked to incentive programs. Outstanding business performance and achievements may result in pay-out or vesting above target while performance that remains below expectation results in lower compensation or no pay-out or vesting. Each of the components is further explained hereafter.

Pay-mix Executive Committee

Pay-mix CEO: at-target and maximum



Average Pay-mix other Members Executive Committee: at-target and maximum



Base salary
With reference to the Total Direct Compensation benchmark, base salary is set acknowledging the scope of responsibilities, competencies, skills, and competitive market data. It is the foundation to determine the Short- and Long-Term incentive opportunity. Base salary is reviewed annually and may be adjusted considering the responsibilities in the role, performance, and contribution of the Executive Committee Members as well as market movements.

Pension and other benefits
The CEO participates in an international pension plan, while the Members of the Executive Committee participate in the local pension plan of the country in which their employment resides. The benefits to be accrued under the respective (international) plans are similar to the plans applicable to the workforce in the respective countries (the international plan mirrors the Swiss pension scheme). Typical other benefits include a company car and risk insurances in the event of death in service or full disability. In specific situations, temporary housing or typical expatriation benefits may be foreseen.

Short-Term Incentive
The Short-Term Incentive (STI) scheme is designed to reward short-term (operational) performance within the long-term objective of creating sustainable value and growth, considering the interests of all stakeholders. For at-target performance, the annual STI opportunity amounts to 85% or 100% of annual base salary. The maximum pay-out is capped at 200% of target.

For each goal, a target will be set corresponding to a 100% pay-out. In addition, a floor defines the level of performance below which no pay-out will be made, while the cap represents the level of performance at which the maximum pay-out is 200% of the target opportunity. Pay-out levels between floor, target, and the cap are calculated by linear extrapolation. Final assessment of target achievement is at the sole discretion of the Board of Directors. The STI is subject to an overall threshold. If the actual Adjusted EBITDA over the performance year does not reach 75% of the budgeted Adjusted EBITDA of the year, no STI will be awarded at all.

Long-Term Incentive
The Long-Term Incentive (LTI) is designed to ensure long-term value creation and alignment with the interests of all stakeholders and supports the retention of talented leaders.

The LTI scheme is a rolling cliff plan covering a three-year performance period. Any grant will be subject to goals set by the Board of Directors. For each goal, a target will be set corresponding to the level of performance that will result in an at-target vesting (i.e., 100% of the target is achieved). In addition, a floor defines the level of performance below which no vesting will take place, while the cap represents the level of performance at which the maximum vesting is earned. Achievement between floor, target, and the maximum are calculated by linear extrapolation. Final assessment of target achievement is at the sole discretion of the Board of Directors.

The at-target grant level for the CEO represents 200% of base salary; maximum vesting is capped at 150% of target. For other Executive Committee Members, the at-target grant is set at 120% or 100% of base salary, with maximum vesting capped at 150% or 200% of target respectively.

Main plan features:

- The grant will be provided for in Performance Share Units (***PSUs***), i.e., the right to receive - upon vesting - one ordinary dsm-firmenich share, provided the vesting criteria are met
- Vesting is subject to continued employment and the achievement of the performance goals set for the respective grant
- Vesting and holding period: three years starting at the grant date
- Performance period: three financial years starting on 1 January of the year of grant
- The number of PSUs to be granted is determined by the base salary at the grant date and the average share price over the reference period to be set by the Board of Directors
- At vesting, Grantees may elect a sell-to-cover in order to cover the withholding of social security contributions and withholding of taxes due at the vesting date

Share ownership guidance

To align the interests of the Executive Committee Members even further with those of our stakeholders, the Members of the Executive Committee are required to hold a minimum multiple of their annual base salary in dsm-firmenich ordinary shares equivalent to:

- CEO: three times annual base salary
- Other Members: one annual base salary

The required value must be accrued within a five-year period. Only shares in the form of fully vested shares obtained upon the vesting of PSUs granted under a company program or shares privately acquired on the open market are considered.

Goal setting

A broader set of key performance indicators is in place for dsm-firmenich, some of which feature in our incentive programs. This relates to targets that reflect our financial performance and sustainability goals, since bringing progress to life goes hand in hand with profitable growth. The design of our Short- and Long-Term Incentive plans emphasizes the importance of building long-term growth opportunities. Our goals underpin our commitment to contribute to a better world, while at the same time generating profitable growth in line with our key strategic goals.

Concerning our incentive programs, the Board of Directors will set goals, their weight, and targets (i.e., the metric) for each performance year or equity grant. The weighting shall reflect the importance of both financial and sustainability aspirations. In doing so, the Board of Directors may respond in an agile way to business needs and/or strategy adjustments in a changing environment. In doing this, the Board of Directors shall:

- Derive goals from the Company strategy
- Focus on objectives instrumental to achieving long-term value creation
- Consider historical performance, business outlook and circumstances, and priorities
- Take into account stakeholders' expectations
- Ensure that targets are stretching, in order to drive competitive advantage while discouraging excessive risk-taking

No individual goals are included.

For 2023, a goal related to the delivery of G&A (General & Administrative expenses) synergies via the merger has been defined. Following the end of an applicable performance period, the Board of Directors will, at their sole discretion, compare the actual performance to the targets that were set and will assess their achievement. Within the limits of business-sensitive information, dsm-firmenich will give stakeholders insight into target-setting and achievement.

Employment terms and conditions

All employment agreements of the Members of the Executive Committee include a clause prohibiting (changes in) pay to be executed if such (change in) remuneration is not included in the maximum amount of remuneration approved by the General Meeting. Members of the Executive Committee have an employment agreement for an indefinite period of time and are subject to a notice period of six or twelve months. During this period (unless there was a termination for cause), entitlement to base salary and STI continues. Unvested Long-Term incentives grants are forfeited on the effective date of a resignation or termination for cause. In other cases of a termination of employment, unvested LTI grants will vest on a pro rata basis on the effective date of such termination. In accordance with Swiss law, no severance payments or change in control provisions are agreed or paid. Non-compete provisions will be activated on a case-by-case basis and are in line with the Swiss Code of Obligations. The Board of Directors may at its discretion recover variable remuneration awarded on the basis of incorrect data, provided that such recovery is required by law and/or will result in the re-statement of annual accounts. This right of recovery shall expire three (3) years from the date of the adoption by the General Meeting of the annual accounts in which the (last instalment of the) applicable variable remuneration has been accounted for.

Remuneration Executive Committee in 2023

Composition Executive Committee

Members of the Executive Committee were appointed on 18 April 2023. In May 2023, the Board of Directors decided to evolve the then existing Co-CEO structure, and appointed Dimitri de Vreeze as sole CEO of dsm-firmenich, effective 1 September 2023. No changes were made in Dimitri de Vreeze's remuneration in this connection.

As from the same date, Géraldine Matchett, until then Co-CEO (and holding CFO responsibility), stepped down from the Executive Committee to further her career elsewhere, in full alignment and with the thanks of, the Board of Directors for more than ten years of leadership and impact. She will remain employed during the agreed notice period and will leave the organization on 31 May 2024. During the notice period, contractually agreed arrangements (base salary, Short- and Long-Term Incentive, benefits) remain in force until the date employment is effectively terminated. No new LTI grant is made during the notice period. The agreed non-compete arrangement, effective for a six-month period, includes payment of base salary (excl. benefits and incentives). No severance is paid. If Géraldine Matchett accepts another role prior to the scheduled termination date and within the term of the non-compete arrangement, the Company's obligations will be reduced during the garden leave period by income awarded to her in such other role. Actual payments will be included in the remuneration report concerning the year in which the payments actually are or will be conducted.

In view of these changes, the Board of Directors appointed Ralf Schmeitz as a Member of the Executive Committee and Chief Financial Officer (***CFO)*** as of 1 September 2023. The Board of Directors has established his remuneration in line with the established remuneration set-up referred to herein.

While retaining his role as Chief Integration Officer, Emmanuel Butstraen was appointed President of the Perfumery & Beauty business with effect from 1 July 2023. On the same date, Ilaria Resta left dsm-firmenich, following her decision to pursue external career opportunities. In accordance with Swiss law, no severance was paid to her, while any eligibility under the dsm-firmenich incentive schemes and benefit programs was cancelled on the same date.

Base salary

Base salaries were set in line with the market benchmark. On an annual basis, the CEO's base salary was set at CHF1.350 million (€1.389 million based on the Average Fx Rate).

Pension and other benefits

The total contribution to the pension plan for the CEO amounted to €127,573 (CHF Value: 118,133). For the Members of the Executive Committee (including former Members), the amount is €670,407 (CHF Value: 620,797). The spend on other benefits, such as a company car and risk insurances in the event of death in service or full disability, as well as housing and other benefits of international assignments, amounted to €1,382,117 (CHF Value: 1,279,840).

Short-Term Incentive (STI)

On an annual basis, the at-target STI opportunity is set at 100% of base salary for the CEO. The at-target STI for other Members of the Executive Committee is on annual basis set at 85% or 100% of base salary. The maximum pay-out is capped at 200% of the at-target opportunity.

For 2023, a new STI framework has been designed containing the goals as described below. Targets have been set against the new performance criteria of the two merged entities post-closing. The 2023 STI payout prior to closing of the merger was settled in accordance with legacy plan rules for the first quarter of 2023 for DSM legacy Executive Committee Members, whereas for Firmenich Executive Committee Members it was paid through May 2023.

Overview 2023 STI goals

Goal Type	Goal	Weight	Definition
Financial goals (Weight: 60%)	Adjusted EBITDA	30%	Sum of the operating profit plus depreciation, amortization and impairments, adjusted for material items of profit/loss following acquisitions/divestments, restructurings, impairments, and other circumstances deemed necessary
	Adjusted gross operating free cash flow	15%	Cash flow from operating activities, corrected for the cash flow of the Alternative Performance Measures (*APM*) adjustments, minus the cash flow of capital expenditures
	Organic sales growth	15%	Sales growth, excluding the impact of acquisitions, divestments, and currency changes
Merger synergy (10%)	Merger synergy performance	10%	Progress made on delivery of G&A savings Note: cost synergies are also included in short-term financial goals
Sustainability goals (30%)	Safety	15%	Total Recordable Incidents All Rate: (i) including supervised and non-supervised contractors and (ii) excluding Health incidents
	Engagement	15%	Work engagement: Degree to which employees are passionate about their work and find their work meaningful

For each goal, a pay-out curve is defined:

- If the defined target is achieved, the pay-out is equal to the at-target percentage times base salary times the weight assigned to the respective goal
- A minimum floor is set for each goal; an achievement below this threshold results in no pay-out
- Over-performance results in a pay-out exceeding 100%, where the maximum achievement is capped at 200% of the 'at-target' weighting of the respective goal
- Between floor and target respectively target and cap, a linear calculation determines the achievement and pay-out

In case of a fatality during the year, the Safety target will not result in a pay-out. If the achieved Adjusted EBITDA is below 75% of the budgeted Adjusted EBITDA, no STI payment will be made, regardless of the achievements against the other goals.

STI target definition and achievement

Post-merger financial targets were set for the second half of the year. The performance of the Perfumery & Beauty and Taste businesses remained strong, while Ingredients Solutions showed resilience. The Animal Nutrition & Health as well as the Health, Nutrition & Care businesses were impacted by record low vitamin prices and continued destocking. Considering the combined result of the businesses, the sales growth target as well as the target on Adjusted EBITDA were not achieved. Cash flow generation resulted in an achievement above target, as did Merger G&A cost synergies.

The overall Safety performance improved slightly compared to combined pre-merger levels. The achievement fell short of the target but reached the pay-out floor.

Our workforce has shown continued strong engagement, resulting in overachievement on the Engagement KPI versus target.

The achievement on the 2023 STI goals set for the second half of financial year 2023 resulted in a pay-out (to be effectuated April 2024) as included in the below table.

STI pay-out 2023 - *Audited*

	€	CHF Value
CEO Dimitri de Vreeze	841,875	779,576
Total Executive Committee excl. CEO	2,289,292	2,119,884
Members ExCo for part of reporting period	841,875	779,576
Total Executive Committee	**3,973,042**	**3,679,036**

Long-Term incentive (LTI)

In view of the merger, it was decided to postpone the 2023 grant to 31 July 2023 (regular grant date 31 March). The performance period starts on the same date and ends on 31 December 2025. The vesting is set for 31 March 2026. PSUs have been granted to the Members of the Executive Committee. On an annual basis, the at-target LTI opportunity for the CEO is set at 200% of base salary (vesting is capped at 150% of the number of PSUs granted at-target). For the other Members of the Executive Committee, the at-target grant is set at 120% of base salary (vesting is capped at 150% of the number of PSUs granted at-target) or at 100% of base salary (vesting is capped at 200% of the number of PSUs Units granted at-target).

The 2023 grant is implemented by dividing the at-target grant value (% of base salary) by the average opening price of the dsm-firmenich share on the Amsterdam stock exchange in June 2023 (i.e., €97.38). The table below provides an overview of the number of share units granted, the face value (opening price on the date of grant) of such grant as well as the fair value (acc. to IFRS rules) of such grant.

Overview 2023 LTI grant - *Audited*

	Number of PSUs granted	Face value		Fair value	
		€	CHF Value	€	CHF Value
CEO Dimitri de Vreeze	27,727	2,795,991	2,589,088	2,708,096	2,507,697
Total Executive Committee excl. CEO	49,428	4,984,320	4,615,480	4,827,633	4,470,388
Members ExCo for part of reporting period	10,783	1,087,358	1,006,894	1,053,176	975,241
Total Executive Committee	**87,938**	**8,867,669**	**8,211,462**	**8,588,905**	**7,953,326**

The grant is provided in PSUs, subject to the goals and targets included in the table below.

Overview goals 2023 LTI grant

Goal Type	Goal	Weight	Definition
Financial goals (Weight: 50%)	Total Shareholder Return (*TSR*)	25%	Sum of capital gain and dividends paid, representing the total return to shareholders; the relative ranking (within the peer group) reflects the overall performance relative to our peers
	Core Return on Capital Employed (*CROCE*)	25%	Operating profit as percentage of weighted average capital employed adjusted for depreciation and amortization of merger related accounting adjustments and Alternative Performance Measures (APM) Adjustments
Sustainability goals (50%)	Absolute greenhouse gas reduction	25%	Absolute greenhouse gas reduction of Scope 1 and 2 emissions aligned with the new SBTi validated target line of dsm-firmenich
	Diversity and Inclusion	25%	% of gender and ethnic diversity of dsm-firmenich global management team

For each goal, a pay-out curve is defined:

- If the defined target is achieved, the vesting shall be equal to the number of granted PSUs at-target times the weight assigned to the respective goal
- A minimum floor is set for each goal; an achievement below this threshold results in no vesting related to the respective goals
- Over-performance results in a vesting exceeding the at-target level, where the maximum achievement is capped at 150% or 200% of the at-target weighting of the respective goal
- Between floor and target and cap, a linear calculation determines the achievement and vesting

Targets and vesting scheme 2023 LTI grant

The below scheme provides an overview of the targets and their vesting scheme of the 2023 LTI grant.

Vesting formula TSR

Compared to peer group, if dsm-firmenich TSR is

- Below median: No vesting
- @ median: Floor (80% vesting)
- @ 60^{th} percentile: Target (100% vesting)
- ≥ 80^{th} percentile: Cap (150% or 200% vesting)

Vesting formula reduction of greenhouse gas emissions

If dsm-firmenich GHG reduction over the 2023–2025 is

- < 11.5% No vesting
- ≥ 11.5% Floor (50% vesting)
- Equals 14% Target (100% vesting)
- ≥ 17.5% Cap (150% or 200% vesting)

Vesting formula Diversity and Inclusion

If female/non-binary ratio and ethnicity ratio at the end of the performance period is

Fem./non-binary	*Ethnicity*	
< 35%	< 40%	No vesting
35%	40%	Floor (50% vesting)
36%	41%	Target (100% vesting)
≥ 37%	≥ 42%	Cap (150% or 200% vesting)

Vesting formula Core ROCE

If Core ROCE is

- < 7% No vesting
- ≥ 7% Floor (50% vesting)
- 8% Target (100% vesting)
- ≥ 9% Cap (150% or 200% vesting)

Total remuneration

With reference to the remarks made in the chapter on Currency, the total remuneration excluding social security contributions to the Members of the Executive Committee amounts to €20,418,000.

No loans were provided to Members of the Executive Committee, while no payments have been made by any subsidiary of the Company. Neither DSM-Firmenich AG nor any of its subsidiaries made payments to Associated Persons of Members of the Executive Committee (*Audited*).

Total remuneration Executive Committee 2023 (from 18 April until 31 December 2023) - *Audited*

In €	Base salary	Pension contri.[1]	Other benefits[2]	Total Fixed Remune-ration	Short-Term Incentive (STI)[3]	Number of PSUs granted[4]	Face value at grant[5]	Total Variable Remune-ration	Remune. excl. social security contri.	Social security contri.[6]	Total Remune-ration
Dimitri de Vreeze, CEO	976,321	127,573	141,210	1,245,104	841,875	27,727	2,795,991	3,637,866	4,882,970	10,613	4,893,583
ExCo members, excl. CEO	3,267,178	543,720	899,076	4,709,974	2,289,292	49,428	4,984,320	7,273,612	11,983,586	347,816	12,331,402
Members ExCo for part of reporting period	1,153,693	126,687	341,831	1,622,211	841,875	10,783	1,087,358	1,929,233	3,551,444	111,657	3,663,101
Total ExCo	**5,397,192**	**797,980**	**1,382,117**	**7,577,289**	**3,973,042**	**87,938**	**8,867,669**	**12,840,711**	**20,418,000**	**470,086**	**20,888,086**

CHF Value	Base salary	Pension contri.[1]	Other benefits[2]	Total Fixed Remune-ration	Short-Term Incentive (STI)[3]	Number of PS granted[4]	Face value at grant[5]	Total Variable Remune-ration	Remune. excl. social security contri.	Social security contri.[6]	Total Remune-ration
Dimitri de Vreeze, CEO	904,073	118,133	130,760	1,152,966	779,576	27,727	2,589,088	3,368,664	4,521,630	9,828	4,531,458
ExCo members, excl. CEO	3,025,407	503,485	832,544	4,361,436	2,119,884	49,428	4,615,480	6,735,364	11,096,800	322,078	11,418,878
Members ExCo for part of reporting period	1,068,320	117,312	316,536	1,502,168	779,576	10,783	1,006,894	1,786,470	3,288,638	103,394	3,392,032
Total ExCo	**4,997,800**	**738,930**	**1,279,840**	**7,016,570**	**3,679,036**	**87,938**	**8,211,462**	**11,890,498**	**18,907,068**	**435,300**	**19,342,368**

1 Employer contributions to pension plans.
2 Health and welfare benefits, company car and other benefits, incl. international assignment benefits if applicable.
3 Short-Term Incentive (STI); annual cash settled incentive, accrued in reporting period based on performance in the reporting period, payable in 2024.
4 Performance Share Units granted 31 July 2023, to vest 31 March 2026.
5 Face value at grant – number of PSUs granted times opening price at grant date. For the total number of PSUs granted, the fair value used for accounting purposes in accordance with the International Financial Reporting Standards (IFRS) amounts to €8,588,905 (CHF Value: 7,953,326).
6 Social security contributions by the Employer based on 2023 remuneration.

Shareholding obligation

In addition to the vested performance shares under the dsm-firmenich Long-Term Incentive plan (or equity-based plans applicable at Royal DSM), Members of the Executive Committee invested in dsm-firmenich stock. These shares were bought through private transactions with private funds. The below table provides an overview of the number of shares held at year-end by the Members of the Executive Committee (including Associated Persons). The CEO significantly exceeds the shareholding obligation (300% of base salary). Depending on whether the legacy company had a cash-settled (Firmenich) or equity-settled (DSM) Long-Term Incentive plan, various other Members of the Executive Committee exceed the shareholding obligation (100% of base salary).

Shareholding Executive Committee - *Audited*

	Number of Shares held on 31 December 2023
Dimitri de Vreeze (Chief Executive Officer)	82,453
Emmanuel Butstraen (President Perfumery & Beauty and Chief Integration Officer)	-
Mieke Van de Capelle (Chief Human Resources Officer)	-
Philip Eykerman (President Health Nutrition & Care)	75,073
Ivo Lansbergen (President Animal Nutrition & Health)	3,895
Patrick Niels (President Taste, Texture & Health)	10,998
Sarah Reisinger (Chief Science & Research Officer)	-
Jane Sinclair (Chief Legal, Risk and Compliance Officer)	-
Ralf Schmeitz (Chief Financial Officer)	1,301
Total	**173,720**

Compensation voting

The General Meeting of Danube AG (renamed DSM-Firmenich AG) on 18 April 2023 approved a maximum total amount of remuneration for the Executive Committee of €37.5 million for the period from 18 April 2023 to 31 December 2023. In establishing the amount, the Assumed Fx rate (EUR 1 = CHF 1) was considered.

The approved maximum total amount of remuneration includes the fixed base salary, benefits, and the maximum STI that can be achieved. Regarding the LTI, the amount included represents the at target value of the grant as a percentage of Annual Base Salary. The number of PSUs is calculated considering the average share price over a reference period. Therefore, the approved maximum amount includes an amount to offset an eventual appreciation of the share price on the grant date compared to the reference period (average price over June 2023). An amount of €2.8 million is included for other and unforeseen items. This amount concerns, among others, obligations toward Executive Committee Members following international assignment arrangements agreed by the legacy companies prior to the appointment to the Executive Committee of dsm-firmenich and will otherwise be used to cover unforeseen circumstances such as changes in regulatory requirements.

The approved amount does not include the company-related portion of contributions to social security systems paid in line with applicable laws and regulations in any geography, nor does it include foreign exchange rate fluctuations.

Obligations towards Executive Committee Members confirmed by the legacy companies prior to the appointment into the Executive Committee of dsm-firmenich are not included in the approved amount. This includes but is not limited to special payments by Royal DSM and Firmenich SA as referred to in the Offering Circular (issued 22 November 2022) or the vesting or exercise of Long-Term Incentives granted prior to the Settlement Date (as such term is defined in the Offering Circular).

Approved maximum total amount of remuneration and actual remuneration Executive Committee[1] from 18 April until 31 December 2023 - *Audited*

	Approved maximum remuneration		Actual remuneration excluding social security contributions	
x thousand	€	CHF	€	CHF
Total Remuneration Assumed Fx rate	37,500	37,500	19,841	19,841
Total Remuneration Average Fx rate	38,590	37,500	20,418	19,841

	Approved maximum remuneration	Actual remuneration excluding social security contributions
x thousand	€	€
Fixed remuneration & Benefits Average Fx rate	11,180	7,145
Maximum STI accrued over 2023 Average Fx rate	11,592	3,973
LTI (face value at grant date) Average Fx rate	13,063	8,868
Other and unforeseen Average Fx rate	2,755	432
Total remuneration Average Fx rate	**38,590**	**20,418**

1 Includes the CEO, the Members of the Executive Committee as at 31 December 2023 and Members of the Executive Committee who stepped down or were appointed in 2023.

As the above table demonstrates, the total remuneration excluding social security contributions provided in 2023 to all Members of the Executive Committee (including Members who stepped down or were appointed in 2023) amounts to €20,418 million and remains within the approved maximum total amount of remuneration €38,590 million. Against the Average Fx rate, the total remuneration provided in 2023 amounts to CHF19,841 million.

Other mandates

According to Article 22 of the Articles of Association, the Members of the Board of Directors and the Executive Committee may accept mandates outside dsm-firmenich subject to defined limitations. A Member of the Board of Directors shall hold no more than up to four mandates in listed firms and up to four mandates in non-listed firms. A Member of the Executive Committee shall hold no more than one mandate in listed firms and up to three mandates in non-listed firms. The below overview concerns the other mandates with listed or non-listed firms with an economic interest held by the Members of the Board of Directors and the Executive Committee.

Overview other mandates – *Audited*

Thomas Leysen – Umicore (L) [1]: Non-Executive Chair of the Supervisory Board – Mediahuis (N) [2]: Non-Executive Chair of the Board	***Patrick Firmenich*** – UBS AG (L): Non-Executive Director
Sze Cotte-Tan – Singapore Institute of Food and Biotechnology, A*STAR Research Entities (N): Executive Director – Foodplant, a subsidiary of the Singapore Institute of Technology (N): Non-Executive Chair – Clay Capital (N): Member of the Advisory Committee	***Antoine Firmenich*** – Aquilus Pdt Ltd (Singapore) (N): Managing Director – Aquilus Management Ltd (Bermuda) (N): Executive Director – Alatus Capital (N): Co-Founder & Non-Executive Director
Erica Mann – Kellanova (L): Non-Executive Board member – Perrigo Company (L): Non-Executive Board member	***Carla Mahieu*** – Arcadis (L): Non-Executive Board member – VodafoneZiggo Group B.V. Netherlands (N): Non-Executive Director
Frits van Paasschen – Williams Sonoma (L): Non-Executive Director – Sonder (L): Non-Executive Director – Amadeus IT Group (L): Non-Executive Director – CitizenM Hotels (N): Non-Executive Director – J Crew Group (N): Non-Executive Director	***Pradeep Pant*** – Max India Ltd. (L): Non-Executive Director – Pant consulting Pte Ltd (N): President – NIVA BUPA Health Insurance Co. Ltd.(N): Non-Executive Director – Nurasa Holding Pte Ltd and Nurasa Pte Ltd (N): Chair of the Board – Antara Senior Living & MAX Life Insurance Co. Ltd (N): Non-Executive Director
André Pometta – White Lobster (N): Non-Executive Director – Noyb SA (+affiliates) (N): Non-Executive Director	***John Ramsay*** – RHI Magnesita N.V. (L): Non-Executive Director – Croda International PLC (L): Non-Executive Director – Nabcock International PLC (L): Non-Executive Director
Richard Ridinger – Brenntag SE (L): Chair of the Supervisory Board – Recipharm AB (N): Chairman of the Board – Novo Holdings (N): Member of the Advisory Board	***Corien Wortmann*** – Aegon N.V. (L): Non-Executive Vice Chair of the Board
Mieke van de Capelle – Spadel (L): Non-Executive Director	

1 Listed company.
2 Non-listed company.

Outlook

At the 2024 General Meeting of Shareholders, shareholders will be asked to vote on the total maximum amount of remuneration both for the Board of Directors for the period until the 2025 AGM and for the Executive Committee for the financial year 2025. For now, no major changes are expected. Furthermore, at the 2024 AGM an advisory vote is requested for the 2023 Compensation Report. We will continue to seek the dialogue with investors and other stakeholders and will keep monitoring societal trends and market practices.

Report of the statutory auditor

To: the General Meeting of DSM-Firmenich AG, Kaiseraugst.

Report on the Audit of the Compensation Report

Opinion

We have audited the Compensation report of DSM-Firmenich AG (the Company) for the year ended 31 December 2023. The audit was limited to the information pursuant to Art. 734a-734f of the Swiss Code of Obligations (CO) in the tables and disclosures marked 'audited' on pages 174 to 189 of the Compensation Report.

In our opinion, the information pursuant to Art. 734a-734f CO in the accompanying Compensation Report complies with Swiss law and the Company's articles of incorporation.

Basis for Opinion

We conducted our audit in accordance with Swiss law and Swiss Standards on Auditing (SA-CH). Our responsibilities under those provisions and standards are further described in the 'Auditor's Responsibilities for the Audit of the Compensation Report' section of our report. We are independent of the Company in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

The Board of Directors is responsible for the other information. The other information comprises the information included in the annual report, but does not include the tables and disclosures marked 'audited' in the Compensation Report, the consolidated financial statements, the stand-alone financial statements and our auditor's reports thereon.

Our opinion on the Compensation Report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Compensation Report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the audited financial information in the Compensation Report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Board of Directors' Responsibilities for the Compensation Report

The Board of Directors is responsible for the preparation of a Compensation Report in accordance with the provisions of Swiss law and the Company's articles of incorporation, and for such internal control as the Board of Directors determines is necessary to enable the preparation of a Compensation Report that is free from material misstatement, whether due to fraud or error. The Board of Directors is also responsible for designing the remuneration system and defining individual remuneration packages.

Auditor's Responsibilities for the Audit of the Compensation Report

Our objectives are to obtain reasonable assurance about whether the information pursuant to Art. 734a-734f CO is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and SA-CH will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this Compensation Report.

As part of an audit in accordance with Swiss law and SA-CH, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement in the Compensation Report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made

We communicate with the Board of Directors or its relevant committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors or its relevant committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

KPMG AG

Petra Groenland van der Linden

Licensed Audit Expert

Auditor in Charge

Carlos Alvarez

Licensed Audit Expert

Basel, 28 February 2024

Consolidated financial statements

The financial statements of dsm-firmenich include the consolidated financial statements and the parent company financial statements. dsm-firmenich (the 'Company' or the 'Group') is a new company following the merger between DSM and Firmenich on 8 May 2023. The merger has brought together one of the largest innovation and creation communities in nutrition, health, and beauty. With 30,000 employees and capabilities built on more than a century of pioneering science activities, dsm-firmenich has been established to play a leading role in the reinvention, manufacturing, and combination of vital nutrients, flavors, and fragrances.

The merger was effective on 8 May 2023 through an exchange offer by the Company to the DSM shareholders for all DSM ordinary shares and the contribution of all Firmenich Shares to the Company against issuance of DSM-Firmenich ordinary shares representing 34.5% of the total issued share capital of the Company and payment of an amount in cash of €3.5 billion.

The parent company of the Group, DSM-Firmenich AG, is domiciled in Kaiseraugst (Switzerland) and listed on the Euronext Amsterdam stock exchange. These consolidated financial statements comprise DSM-Firmenich AG and its subsidiaries (the 'Group'). The consolidated financial statements are prepared in accordance with IFRS, which includes Firmenich from the merger date onwards. See also Note 1 General Information.

A list of main participations of the Group can be found in Note 3 Investments to the Parent company financial statements.
The financial year 2023 covers the period from 1 January 2023 to 31 December 2023. The Board of Directors of DSM-Firmenich AG approved these consolidated financial statements for issue on 28 February 2024. They are subject to the approval by the Annual General Meeting on 7 May 2024.

Consolidated income statement

x € million	*Notes*	2023	2022
Continuing operations			
Net sales	5	10,627	8,390
Cost of sales	5	(8,016)	(5,700)
Gross profit		**2,611**	**2,690**
Marketing & Sales	5	(1,512)	(1,235)
Research & Development	5	(652)	(295)
General & Administrative	5	(1,015)	(534)
Other operating income	5	188	107
Other operating expense	5	(117)	(51)
Operating profit (loss)		**(497)**	**682**
Finance income	6	133	71
Finance expense	6	(283)	(159)
Profit (loss) before tax		**(647)**	**594**
Income tax expense	7	18	(124)
Share of net profit of associates and joint ventures	10	(6)	12
Other results related to associates and joint ventures	10	(1)	(7)
Net profit (loss) from continuing operations		**(636)**	**475**
Net profit from discontinued operations	3	2,789	1,240
Net profit for the period		**2,153**	**1,715**

x € million	Notes	2023	2022
Attributable to:			
– Holders of shares parent company	17	2,131	1,694
– Non-controlling interests	16	16	15
– Dividend on cumulative preference shares	16	6	6
Earnings per share (EPS) total (in €):	2		
– Basic EPS		9.14	9.80
– Diluted EPS		9.13	9.77
Earnings per share (EPS) continuing operations (in €):	2		
– Basic EPS		(2.82)	2.64
– Diluted EPS		(2.82)	2.63

The accompanying notes are an integral part of these consolidated financial statements.

See Note 2 Alternative performance measures for the reconciliation to Adjusted EBITDA of €1,443 million (2022: €1,395 million) and other adjusted IFRS performance measures.

Consolidated statement of comprehensive income

x € million	Notes	2023	2022
Net profit for the period		**2,153**	**1,715**
Other comprehensive income			
Remeasurements of defined benefit liability	24	(94)	10
Fair value changes in other participating interests and other financial instruments	11	(65)	(61)
Related tax		22	(10)
Items that will not be reclassified to profit or loss		**(137)**	**(61)**
Exchange differences on translation of foreign operations	16		
– Change for the period		135	264
– Reclassified to the income statement on loss of significant influence		6	(16)
Hedging reserve	16		
– Change for the period		34	(6)
– Reclassified to the income statement		(7)	53
Equity accounted investees – share of other comprehensive income		–	–
Related tax		(1)	(7)
Items that may subsequently be reclassified to profit or loss		**167**	**288**
Total other comprehensive income		**30**	**227**
Total comprehensive income for the period, net of tax		**2,183**	**1,942**
Attributable to:			
– Holders of shares parent company	17	2,176	1,930
– Non-controlling interests	16	7	12

Consolidated balance sheet at 31 December

x € million	*Notes*	2023	2022
Assets			
Goodwill and intangible assets	8	18,738	5,147
Property, plant and equipment	9	5,549	3,576
Deferred tax assets	7	228	95
Prepaid pension costs	24	44	19
Share in associates and joint ventures	10	130	61
Derivatives	23	46	82
Other non-current assets	11	691	295
Non-current assets		**25,426**	**9,275**
Inventories	12	3,390	2,339
Trade receivables	13	2,553	1,508
Income tax receivables	13	107	36
Other current receivables	13	183	78
Derivatives	23	42	42
Financial investments	14	107	125
Cash and cash equivalents	15	2,456	2,755
Assets held for sale	3	6	1,245
Current assets		**8,844**	**8,128**
Total assets		**34,270**	**17,403**
Equity and liabilities			
Shareholders' equity		22,908	10,743
Non-controlling interests	17	162	102
Equity	16	**23,070**	**10,845**
Deferred tax liabilities	7	1,751	476
Employee benefit liabilities	24	520	287
Provisions	18	142	50
Borrowings	19	4,114	2,978
Derivatives	23	8	4
Other non-current liabilities	20	146	205
Non-current liabilities		**6,681**	**4,000**
Employee benefit liabilities	24	49	5
Provisions	18	34	45
Borrowings	19	716	86
Derivatives	23	28	23
Trade payables	21	2,071	1,415
Income tax payables	21	177	64
Other current liabilities	21	1,436	490
Liabilities held for sale	3	8	430
Current liabilities		**4,519**	**2,558**
Total equity and liabilities		**34,270**	**17,403**

Consolidated statement of changes in equity (Note 16)

x € million	Share capital	Share premium	Treasury shares	Other reserves	Retained earnings	Shareholders' equity	Non-controlling interests	Total Equity
Balance at 1 January	**328**	**471**	**(177)**	**156**	**8,540**	**9,318**	**79**	**9,397**
Total comprehensive	-	-	-	230	1,700	**1,930**	12	**1,942**
Dividend	-	-	-	-	(459)	**(459)**	-	**(459)**
Options / performance shares granted	-	-	-	34	-	**34**	-	**34**
Options / performance shares vested / canceled	-	-	-	(29)	29	**-**	-	**-**
Repurchase of shares	-	-	(210)	-	-	**(210)**	-	**(210)**
Reissued shares	-	-	191	-	(50)	**141**	-	**141**
Acquisition (divestment) of subsidiary with NCI	-	-	-	-	-	**-**	(4)	**(4)**
Transfer	-	-	-	(28)	17	**(11)**	11	**-**
Other changes	-	-	-	-	-	**-**	4	**4**
Balance at 31 December 2022	328	471	(196)	363	9,777	**10,743**	102	**10,845**
Total comprehensive	-	-	-	116	2,060	**2,176**	7	**2,183**
Dividend	-	(425)	-	-	(157)	**(582)**	-	**(582)**
Options / performance shares granted	-	-	-	23	-	**23**	-	**23**
Options / performance shares vested / canceled	-	-	-	(23)	23	**-**	-	**-**
Reissued shares	-	-	63	-	(39)	**24**	-	**24**
Repurchase of shares	-	-	(256)	-	-	**(256)**	-	**(256)**
Cancellation of shares	(67)	(2)	345	-	(276)	**-**	-	**-**
Liability to non-tendered shareholders DSM N.V.	(10)	(42)	-	-	(597)	**(649)**	-	**(649)**
Issued new shares (including swap DSM N.V. into DSM-Firmenich AG)	(248)	11,758	-	-	-	**11,510**	-	**11,510**
Expenditures issuance new shares	-	(29)	-	-	-	**(29)**	-	**(29)**
Acquisition of subsidiary with NCI	-	-	-	-	-	**-**	48	**48**
Divestment of subsidiary with NCI	-	-	-	-	-	**-**	(4)	**(4)**
Remuneration on deeply subordinated fixed rate resettable perpetual notes	-	-	-	-	(28)	**(28)**	-	**(28)**
Transfer	-	-	-	(5)	(4)	**(9)**	9	**-**
Other changes	-	-	-	-	(15)	**(15)**	-	**(15)**
Balance at 31 December 2023	3	11,731	(44)	474	10,744	**22,908**	162	**23,070**

Consolidated cash flow statement (Note 26)

x € million	2023	2022
Operating activities		
Net profit for the period	2,153	1,715
Share of profit of associates and joint ventures (including discontinued operations)[1]	7	(5)
Income tax expenses (including discontinued operations)[1]	19	190
Profit before tax (including discontinued operations)[1]	**2,179**	**1,900**
Finance income and expense (including discontinued operations)[1]	151	94
Operating profit (including discontinued operations)[1]	**2,330**	**1,994**
Depreciation, amortization and impairments (including discontinued operations)[1]	1,307	652
EBITDA (including discontinued operations)[1]	**3,637**	**2,646**
- (Gain) or loss from disposals	(2,845)	(1,024)
- Acquisition- / divestment-related	171	4
- Changes in provisions	33	(33)
- Changes in employee benefits	(51)	(15)
- Share-based compensation	23	34
- Income taxes paid / received	(179)	(131)
- Other non-cash items	316	(19)
Operating cash flow before changes in working capital	**1,105**	**1,462**
Changes in:		
Inventories	89	(442)
Trade receivables	49	(133)
Trade payables	126	116
Changes in operating working capital	264	(459)
Changes in non-operating working capital	(104)	(38)
Changes in working capital	160	(497)
Cash provided by operating activities	**1,265**	**965**

1 The Consolidated cash flow statement includes an analysis of all cash flows in total, therefore including both continuing and discontinued operations. For the amounts related to discontinued operations split by activities and a reconciliation of profit from continuing operations to total, including discontinued operations, see Note 3 Change in the scope of the consolidation.

Consolidated cash flow statement (Note 26) continued

x € million	2023	2022
Cash provided by operating activities	**1,265**	**965**
Investing activities		
Capital expenditure for intangible assets	(129)	(138)
Capital expenditure for property, plant and equipment	(555)	(506)
Proceeds from disposal of property, plant and equipment	16	17
Payments regarding drawing rights	(8)	(7)
Acquisition of subsidiaries	(3,691)	(74)
Disposal of subsidiaries	3,533	1,366
Payments for short-term financial investments	(150)	(638)
Proceeds from short-term financial investments	195	1,001
Other financial assets (incl. associates):		
- Dividends received	10	4
- Capital payments and acquisitions	(15)	(33)
- Proceeds from disposals	10	30
- Additions to loans granted	(35)	(152)
- Repayment of loans granted	33	-
Interest received	60	6
Cash from / (used in) investing activities	**(726)**	**876**
Financing activities		
Contributions from non-controlling interests	-	5
Acquisition of non-controlling interests	1	-
Proceeds from borrowings	15	51
Repayment of borrowings	(549)	(29)
Payments of lease liabilities	(73)	(57)
Change in debt to credit institutions	(7)	(21)
Proceeds from re-issued treasury shares	24	25
Proceeds from issuing new shares	733	-
Repurchase of shares	(256)	(210)
Remuneration on deeply subordinated fixed rate resettable perpetual notes	(28)	-
Dividend paid	(582)	(345)
Interest paid	(61)	(52)
Other	(37)	(12)
Cash (used in) / from financing activities	**(820)**	**(645)**
Cash and cash equivalents at the beginning of the period	**2,755**	**1,561**
Net increase / (decrease) in cash and cash equivalents	(281)	1,196
Effect of movements in exchange rates on cash held	(18)	(2)
Cash and cash equivalents at the end of the period	**2,456**	**2,755**

Notes to the consolidated financial statements

1 General information

Basis of preparation

In 2023, the basis of preparation was impacted by the merger of equals between DSM and Firmenich. The Group's consolidated financial statements have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IASB) and Swiss law.

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. The comparative numbers included in these consolidated financial statements reflect the historical financial information as reported by DSM N.V. in the past.

In the following notes all amounts are shown in millions of euros (€), unless otherwise stated.

Changes in accounting policies

dsm-firmenich adopted 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. Since the newly enacted tax legislation is not yet in effect in these jurisdictions in 2023, 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 and considering the jurisdictions where the Pillar Two legislation is currently enacted or substantively enacted, dsm-firmenich does not expect Pillar Two to have a material impact for financial year 2024.

Other new or amended standards that are effective from 1 January 2023 do not have a material effect on dsm-firmenich's consolidated financial statements. In addition, new or amended standards effective after 1 January 2023 were neither adopted early, nor expected to have significant impact.

Group material accounting policies

The below information outlines the general Group material accounting policies. Other specific material accounting policies that management considers to be the most important for the presentation of the financial position and results of dsm-firmenich's operations are included in the relevant notes and applied throughout the consolidated financial statements.

Principles of consolidation

As a parent company, DSM-Firmenich AG is exposed, or has a right, to the variable returns from its involvement with its subsidiaries and has the ability to affect the returns through its power over the subsidiaries. The financial data of subsidiaries are fully consolidated. Non-controlling interests in the Group's equity and profit and loss are stated separately. Subsidiaries are consolidated from the acquisition date until the date on which dsm-firmenich ceases to have control. From the acquisition date onwards, all intra-group balances and transactions and unrealized profits or losses from intra-group transactions are eliminated.

A joint arrangement is an entity in which dsm-firmenich holds an interest and which is jointly controlled by dsm-firmenich and one or more other venturers under a contractual arrangement. A joint arrangement can either be a joint venture whereby dsm-firmenich and the other partner(s) have rights to the net assets of the arrangement, or a joint operation where dsm-firmenich and the partner(s) have rights to the assets and obligations for the liabilities of the arrangement. For joint ventures, the investment in the net assets is recognized and accounted for in accordance with the equity method, see also **Note 10 Associates and joint arrangements**. For a joint operation, assets, liabilities, revenues, and expenses are recognized in the financial statements of dsm-firmenich in accordance with the contractual entitlement or obligations of dsm-firmenich.

Foreign currencies

The Group's presentation currency is the euro (€), which is also the parent company's functional currency.

Each entity of the Group records transactions and balance sheet items in its functional currency. Transactions denominated in a currency other than the functional currency are recorded at the spot exchange rates prevailing at the date of the transactions.

Monetary assets and liabilities denominated in a currency other than the functional currency of the entity are translated at the closing rates. Exchange differences resulting from the settlement of these transactions and from the translation of monetary items are recognized in the income statement.

Non-monetary items that are measured on the basis of historical costs denominated in a currency other than the functional currency continue to be translated against the rate at initial recognition and will not result in exchange differences.

On consolidation, the balance sheets of subsidiaries that do not have the euro as their functional currency are translated into euros at the closing rate. The income statements of these entities are translated into euros at the average rates for the relevant period. The functional currency in which goodwill paid on acquisition is recorded is based on the business case underlying the corresponding business combination. Exchange differences arising from the translation of the net investment in entities with a functional currency other than the euro are recorded in Other comprehensive income. The same applies to exchange differences arising from borrowings and other financial instruments insofar as those instruments hedge the currency risk related to the net investment. On disposal of an entity with a functional currency other than the euro, the cumulative exchange differences relating to the translation of the net investment are recognized in profit or loss.

The currency exchange rates that were used in preparing the consolidated financial statements are listed below for the most important currencies.

1 euro =	Exchange rate at 31 December		Average exchange rate	
	2023	2022	**2023**	2022
US dollar	1.11	1.07	1.08	1.05
Swiss franc	0.93	0.98	0.97	1.00
Brazilian real	5.36	5.64	5.40	5.44
Chinese renminbi	7.85	7.36	7.66	7.08

Emission rights

dsm-firmenich is subject to legislation encouraging reductions in greenhouse gas emissions and has been awarded emission rights (principally CO_2 emission rights) in a number of jurisdictions. Emission rights are reserved for meeting delivery obligations and are recognized at cost. Income is recognized when surplus emission rights are sold to third parties. When actual emissions exceed the emission rights available to dsm-firmenich, a liability is recognized for the expected additional costs.

Significant accounting estimates and judgments

The preparation of the consolidated financial statements requires management to make estimates that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses, disclosure of contingent assets and liabilities at the date of the financial statements. Actual outcomes could differ from those estimates. The estimates are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Furthermore, the application of the Group's accounting policies may require management to make judgments, apart from those involving estimates, that can have a significant effect on the amounts recognized in the financial statements.

Areas of management estimates and judgments that have the most significant effect on the amounts recognized in the financial statements are disclosed along with the material accounting policies in the relevant notes.

Presentation of Consolidated income statement

dsm-firmenich presents expenses in the Consolidated income statement in accordance with their function. This allows the presentation of gross profit on the face of the income statement, which is a widely used performance measure in the industry. The composition of the costs allocated to the individual functions is explained below.

Cost of sales encompasses all manufacturing costs (including raw materials, employee benefits, and depreciation and amortization) related to goods and services captured in net sales. These are measured at their actual cost based on weighted average cost, or FIFO.

Marketing & Sales relates to the selling and marketing of goods and services, and also includes all costs that are directly related to the sale of goods, but are not originated by the manufacturing of the goods (e.g., outbound freight).

Research & Development consists of:

- Research, which is defined as original and planned investigation undertaken with the prospect of gaining new scientific or technical knowledge and understanding
- Development, which is defined as the application of research findings or other knowledge to a plan or design for the production of new or substantially improved materials, devices, products, processes, systems or services before the start of commercial production or use that do not meet the accounting requirements for capitalization

General & Administrative relates to the strategic and governance role of the general management of the company as well as the representation of dsm-firmenich as a whole in the financial, political, or business community. It also relates to business support activities of staff departments that are not directly related to the other functional areas.

2 Alternative performance measures

Accounting policy

In monitoring the financial performance of dsm-firmenich, management uses certain Alternative performance measures (APMs) not defined by IFRS. These APMs should not be viewed in isolation as alternatives to the equivalent IFRS measures and should be used as supplementary information in conjunction with the most directly comparable IFRS measures. APMs do not have standardized meaning under IFRS and therefore may not be comparable to similar measures presented by other companies.

APM adjustments

To arrive at these APMs, adjustments are made for material items of income and expense arising from circumstances such as acquisitions and divestments, restructuring, impairments, and other events (i.e., APM adjustments). Other APM adjusting events include site closure costs, environmental cleaning, litigation settlements, or other non-operational (contractual) arrangements. Except for items related to acquisition and integration costs incurred in the first year from the acquisition date (including non-recurring inventory value adjustments) as well as adjustments due to previously recognized APM adjusting events, the threshold for APM adjustments is €10 million.

Estimates and judgments

Significant judgment in using APMs relates to the identification of material items in the consolidated income statement as 'APM adjustments'.

Definitions

The APMs used are:

- **Earnings before interest, tax, depreciation and amortization (EBITDA)** is the IFRS metric operating profit plus depreciation, amortization, and impairments
- **Adjusted earnings before interest, tax, depreciation and amortization (Adj. EBITDA)** is EBITDA adjusted for material items of profit or loss, as defined under 'APM adjustments'
- **Adjusted operating profit (Adj. EBIT)** is the IFRS metric operating profit adjusted for material items of profit or loss, as defined under 'APM adjustments'
- **Core adjusted EBIT (Core adj. EBIT)** is calculated as the IFRS metric operating profit adjusted for material items of profit or loss, as defined under 'APM adjustments', and adjusted for the impact of the Firmenich purchase price allocation (PPA) – see also Note 3 Change in the scope of consolidation
- **Adjusted net profit (Adj. net profit)** is the IFRS metric net profit adjusted for material items of profit or loss, as defined under 'APM adjustments'
- **Core adjusted net profit (Core adj. net profit)** is the IFRS metric net profit from continuing operations adjusted for material items of profit or loss, as defined under 'APM adjustments', and adjusted for the impact of the Firmenich purchase price allocation (PPA) – see also Note 3 Change in the scope of consolidation
- **Adjusted gross operating free cash flow (AGOFCF)** is defined as the IFRS metric operating profit plus depreciation, amortization, and impairments, adjusted for material items of profit or loss, as defined under 'APM adjustments', corrected for changes in the working capital, minus capital expenditures. This metric is based on continuing operations
- **Adjusted earnings per share (Adj. EPS)** is calculated as the net profit available to holders of ordinary shares adjusted for material items of profit or loss, as defined under 'APM adjustments', divided by the average number of ordinary shares outstanding
- **Core adjusted earnings per share (Core adj. EPS)**: is calculated as the net profit from continuing operations available to holders of ordinary shares adjusted for material items of profit or loss, as defined under 'APM

adjustments', and adjusted for the impact of the Firmenich purchase price allocation (PPA) – see also Note 3 Change in the scope of consolidation, divided by the average number of ordinary shares outstanding

- **Capital employed** is the total of the carrying amount of intangible assets and property, plant and equipment, inventories, trade receivables and other receivables, less trade payables, other current liabilities, investment grants and customer funding. Average capital employed is calculated as the average of the capital employed at the end of the preceding five quarters, including the current quarter

APM adjustments

APM adjustments mainly impact the EBITDA, operating profit, net profit, and EPS and can be specified as follows:

	2023	2022
APM Adjustments (continuing operations)		
– Acquisitions/divestments	363	4
– Restructuring	234	87
– Other	36	–
– Impairments/(reversals) of PPE, goodwill, and intangible assets	294	(6)
– Financial income and expense	34	8
– Income tax related to adjustments	(135)	(15)
– Adjustments to result from associates and joint ventures	–	2
Total APM adjustments (income)/expense	**826**	**80**

2023

The main APM adjustments in 2023 are listed below:

- Acquisition (merger) and divestment costs of €363 million relate mainly to the merger and integration between DSM and Firmenich, including the impact of the inventory step up of €197 million, following the purchase price allocation of Firmenich
- Restructuring costs of €234 million relate mainly to restructuring projects, following the announced restructuring of the vitamin asset footprint, the closure of the Pinova ingredients plant and restructuring costs following the merger
- Impairments of PPE, goodwill, and intangible assets of €294 million are mainly related to the vitamins business. Due to the weakening of the vitamins market, the company has taken several measures, including the restructuring of its vitamin asset footprint, to significantly reduce the costs. This includes the closure of the Xinghuo vitamin B6 plant in China and the refocusing of the company's vitamin C activities on its specialty Quali®-C from Dalry (UK) only. The production of vitamin C in Jiangshan, China, which had already been significantly reduced since the end of 2022, was completely shut down in mid-May. dsm-firmenich is committed to the sale of its vitamin C business in Jiangshan (China), and therefore classified end of 2023 the assets and liabilities as held for sale
- Other costs of €36 million and financial income and expense of €34 million mainly include the overnight devaluation of the Argentine Peso of more than 50% at the inauguration of the new president, together with several litigation costs.

2022

The main APM adjustments in 2022 are as follows:

- Restructuring costs of €87 million relate mainly to restructuring projects, following the new strategy in 2022 and the announced intention for the merger with Firmenich, including the redundancy schemes associated with the dismissal of employees and costs of termination of contracts

Reconciliation Alternative performance measures (continuing operations)

A reconciliation of the APMs to the most directly comparable IFRS measures can be found in the table Alternative performance measures below.

	2023	2022
Operating profit (loss)	(497)	682
Depreciation, amortization and impairments	1,307	622
EBITDA	**810**	**1,304**
APM adjustments to EBITDA:		
– Acquisitions/divestments	363	4
– Restructuring	234	87
– Other	36	–
Total APM adjustments to EBITDA	633	91
Adjusted EBITDA	**1,443**	**1,395**
Operating profit (loss)	**(497)**	**682**
APM adjustments to Operating profit:		
– APM adjustments to EBITDA	633	91
– Impairments/(reversals) of PPE and Intangible assets	294	(6)
Total APM adjustments to operating profit	927	85
Adjusted operating profit	**430**	**767**
PPA adjustments dsm-firmenich	184	–
Core adjusted EBIT	**614**	**767**
Net profit (loss) from continuing operations	**(636)**	**475**
APM adjustments to net profit from continuing operations:		
– Operating profit	927	85
– Financial income and expense	34	8
– Result relating to associates / joint ventures	–	2
Income tax related to APM adjustments	(135)	(15)
Total APM adjustments to net profit from continuing operations	826	80
Adjusted net profit from continuing operations	**190**	**555**
PPA adjustments dsm-firmenich	190	–
Core adjusted net profit from continuing operations	**380**	**555**
Profit attributable to non-controlling interests	(16)	(13)
Dividend on Cumulative Preference Shares	(6)	(6)
Core adjusted net profit continuing operations available to holders of ordinary shares	**358**	**536**
Adjusted net profit continuing operations available to holders of ordinary shares	**168**	**536**

	2023	2022
Capital employed		
Intangible assets	18,738	5,147
Property, plant and equipment	5,549	3,576
Investment grants / drawing rights	(70)	(55)
Inventories	3,390	2,339
Current receivables	2,843	1,622
Current liabilities	(3,684)	(1,969)
Capital employed at 31 December	**26,766**	**10,660**
Average capital employed		
Capital employed at 1 January	10,660	10,014
Capital employed at 31 March	10,775	10,229
Capital employed at 30 June	26,954	10,626
Capital employed at 30 September	27,724	11,402
Capital employed at 31 December	26,766	10,660
Average capital employed	**20,576**	**10,586**
Adjusted EBITDA	**1,441**	**1,725**
Change working capital, total group	160	(497)
Capital expenditures, total group	(692)	(651)
Excluding discontinued operations	(53)	(126)
Adj. gross operating free cash flow	**856**	**310**

The below table reflects the earnings per share (EPS) related to continuing operations and to total earnings including discontinued operations.

	2023		2022	
	Continuing operations	Total	Continuing operations	Total
Earnings per share (EPS)				
Average number of ordinary shares outstanding (x million)	233.2	**233.2**	172.8	172.8
Effect of dilution due to share options (x million)	0.2	**0.2**	0.5	0.5
Diluted average number of ord. shares outstanding (x million)	233.4	**233.4**	173.3	173.3
x € million				
Net profit available to holders of ordinary shares	(658)	**2,131**	456	1,694
Adjusted net profit available to holders of ordinary shares	168	**161**	536	776
Core adj. net profit available to holders of ordinary shares	358	**351**	536	776
in €				
EPS	(2.82)	**9.14**	2.64	9.80
Diluted EPS	(2.82)	**9.13**	2.63	9.77
Adj. EPS	0.72	**0.69**	3.10	4.49
Diluted Adj. EPS	0.72	**0.69**	3.09	4.48
Core adj. EPS	1.54	**1.51**	3.10	4.49

3 Change in the scope of consolidation

Accounting policy

Business combinations

Business combinations are accounted for using the acquisition method from the moment control is transferred to the Group. The cost of an acquisition is measured as the aggregate of the consideration transferred, including assets transferred, shares issued, and liabilities incurred, measured at acquisition date fair value. Acquisition-related costs incurred are expensed, except if related to the issue of debt or equity securities.As of the acquisition date, identifiable assets acquired, liabilities assumed, and any non-controlling interest in the acquiree are recognized separately from goodwill. Identifiable assets acquired and the liabilities assumed are measured at acquisition date fair value. For each business combination, dsm-firmenich elects whether it measures the non-controlling interest in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Any contingent consideration payable is measured at fair value at the acquisition date; subsequent changes in the fair value of the contingent consideration resulting from events after the acquisition date are recognized in profit or loss.

For business combinations with the acquisition date in the prior reporting period, comparative information is revised in case adjustments are made during the measurement period to the provisional amounts, determined as part of the purchase price allocation (PPA), based on information available at the acquisition date.

Non-current assets and disposal groups held for sale

Non-current assets and disposal groups (assets and liabilities relating to an activity that is to be sold) are classified as 'held for sale' if their carrying amount is to be recovered principally through a sales transaction rather than through continuing use. The reclassification takes place when the assets are available for immediate sale and the sale is highly probable. These conditions are usually met as from the date on which a letter of intent or agreement to sell is ready for signing. Non-current assets and disposal groups held for sale are measured at the lower of carrying amount and fair value less costs to sell. Non-current assets held for sale are not depreciated or amortized.

Discontinued operations

Discontinued operations comprise those activities that were disposed of during the period or which were classified as held for sale at the end of the period and represent a separate major line of business or geographical area that can be clearly distinguished for operational and financial reporting purposes. Classification as a discontinued operation occurs when the operation meets the criteria to be classified as held for sale.

Estimates and judgments

Key estimates dsm-firmenich makes in the accounting for changes in the scope of consolidation relate to the determination of fair values for assets acquired and liabilities assumed in business combinations. These estimates are based on historical quoted market prices, experience, and validated by external valuation specialists, where deemed necessary by management.

Merger and acquisitions

In 2023, dsm-firmenich acquired businesses for a total consideration of €290 million (in 2022: €77 million). The consideration related to the business combination of DSM and Firmenich amounted to €14,277 million.

Merger of equals between DSM and Firmenich

DSM (headquartered in the Netherlands) and Firmenich (headquartered in Switzerland) entered into a business combination agreement on 30 May 2022 (as amended) to establish one group, dsm-firmenich, a dynamic new creation and innovation partner in nutrition, health and beauty.

On 8 May 2023, the business combination was completed. The merger unites Firmenich's industry-leading Perfumery and Taste businesses and associated co-creation capabilities with DSM's Health and Nutrition portfolio and renowned scientific expertise. The identified synergies from the merger include both revenue and cost synergies.

The merger was effected in the second quarter of 2023 through an exchange offer by the Company to the DSM shareholders for all DSM ordinary shares; the subscription of 6,696,477 shares in DSM-Firmenich AG by Goldman Sachs at nominal value for the purposes of placing such shares in the market; and the contribution of all Firmenich shares to the Company against issuance of 91,658,354 dsm-firmenich ordinary shares representing 34.5% of the total issued share capital of the Company and payment of an amount in cash of €3.5 billion. In determining the consideration related to the share contribution, the share price of the dsm-firmenich ordinary shares on 8 May 2023 was used.

In accordance with IFRS 3, this merger is to be accounted for as a business combination, in which DSM-Firmenich AG - a former subsidiary of Koninklijke DSM N.V. – was identified as the acquirer. The purchase price was provisionally allocated to identifiable assets and liabilities of Firmenich, pending final confirmation of the valuator. This allocation resulted in a goodwill amount of €8,251 million (of which €8,035 million is non-tax-deductible and €216 million is tax-deductible), and intangible assets for technology of €1,044 million, customer relations of €3,407 million and trade names of €648 million.

The fair value step-ups related to identifiable assets and liabilities of Firmenich resulted in additional depreciation and amortization expenses amounting to €184 million and additional finance expenses amounting to €6 million. These amounts are included in the PPA adjustments made to derive the Core adjusted EBIT and Core adjusted net profit from continuing operations, see also **Note 2 Alternative performance measures**.

The goodwill arising from the merger relates to synergies from complementary product offerings, especially within the newly formed segments TTH and P&B; leveraging on the diverse geographic presence of Firmenich (including strong local community and continued establishments at a global level) with an aim to strengthen the overall product offerings of the company; and increased ability to accelerate growth by addressing shifts in consumer preferences and customer needs driven by global trends. As the Firmenich workforce does not qualify for separate recognition as an intangible asset under IFRS, it was valued to estimate a contributory asset charge for the valuation of the intangible assets and rationalize part of the residual goodwill.

The merger contributed €3,110 million to net sales, €312 million to operating result and €624 million to Adjusted EBITDA during the period from 8 May until 31 December 2023. If the merger had occurred on 1 January 2023, additional net sales would have been approximately €4,807 million, operating result €506 million and Adjusted EBITDA €958 million.

Adare Biome

On 1 July 2023, dsm-firmenich acquired a 100% interest in Adare Biome, headquartered in Houdan (France) for a total cash consideration of €290 million. Adare Biome is a pioneer in the development and manufacturing of postbiotics, a rapidly emerging segment of the gut health market. All identified synergies of this acquisition are revenue synergies.

In accordance with IFRS 3, the purchase price was provisionally allocated to identifiable assets and liabilities acquired, pending final confirmation of the local valuator. This allocation resulted in a non-tax-deductible goodwill amount of €146 million and intangible assets for technology of €105 million, customer relations of €45 million and trade names of €11 million.

The goodwill relates to the value of future intangible assets, the Culturelle® synergy and the assembled workforce. As the Adare Biome workforce does not qualify for separate recognition as an intangible asset under IFRS, it was valued to estimate a contributory asset charge for the valuation of technology and rationalize part of the residual goodwill.

The acquisition of Adare Biome contributed €12 million to net sales, -€5 million to operating result and €2 million to Adjusted EBITDA during the second half year. If the acquisition had occurred on 1 January 2023, additional net sales would have been approximately €29 million, operating result -€5 million and Adjusted EBITDA €6 million.

Finalization of Prodap PPA

In the reporting year, the Purchase Price Allocation (PPA) related to the acquisition of Prodap in Brazil in 2022 was finalized without any changes in relation to the purchase price allocation as disclosed in the annual report of 2022.

Valuation techniques intangible assets

Part of a PPA is the recognition of intangible assets which are recognized apart from goodwill. The valuation techniques dsm-firmenich used for measuring the fair value of these intangible assets in 2023 were as follows:

The acquired technology of Firmenich was valued by applying the relief-from-royalty (RfR) method, a form of the income approach whereby the value of an asset is estimated by capitalizing the royalties saved as a result of owning the asset. Technology was identified the key business driver and leading intangible assets of Adare Biome, and therefore the multi-period excess earnings method (MEEM) was applied to value it.

The trade names were valued by applying the RfR method, a form of the income approach whereby the value of an asset is estimated by capitalizing the royalties saved as a result of owning the asset.

The fair values of customer relationships were determined by applying the MEEM approach, considering the present value of the projected cash flow revenues and adjusted for retention.

The favourable contract has been valued using the incremental cash flows (ICF) approach.

Summary merger and acquisitions in 2023

The accounting of the merger and the acquisitions upon closing impacted dsm-firmenich's consolidated balance sheet 2023 as shown in the below table (measured at the date of acquisition).

Impact merger and acquisitions on balance sheet in 2023

Fair value	Firmenich (merger)	Adare Biome	Other acquisitions	Total
Assets				
Intangible assets	5,229	161	1	5,391
Property, plant and equipment	2,012	17	-	2,029
Other non-current assets	718	-		718
Inventories	1,335	8	-	1,343
Receivables and other current assets	1,324	13	-	1,337
Cash and cash equivalents	284	1	-	285
Total assets	**10,902**	**200**	**1**	**11,103**
Non-controlling interests and liabilities				
Non-controlling interests	48	-	-	48
Non-current liabilities	3,153	46	-	3,199
Current liabilities	1,675	10	-	1,685
Total non-controlling interests and liabilities	**4,876**	**56**	**-**	**4,932**
Net assets	**6,026**	**144**	**1**	**6,171**
Acquisition price (in cash)	3,500	290	2	3,792
Acquisition price (issued dsm-firmenich shares)	10,777	-	-	10,777
Consideration	**14,277**	**290**	**2**	**14,569**
Goodwill	**8,251**	**146**	**1**	**8,398**
Acquisition costs recognized in APM adjustments (excluding inventory step-up)	157	4	-	161

The fair value of the acquired receivables is based on the gross contractual amounts, adjusted for estimated contractual cash flows not expected to be collected.

Part of the contingent liabilities recognized relate to ongoing audits covering tax filings for periods prior to the merger of DSM and Firmenich. There is no assurance that the tax authorities conducting these tax audits follow dsm-firmenich's application and interpretation of local tax laws underlying these filings.

Divestments

Divestment of Engineering Materials

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.

Summary of divestments in 2023

See below table for the book result of the divestments that took place in the reporting year.

	Engineering Materials (DEM)	Other	Total
Assets			
Goodwill and intangible assets	(217)	-	**(217)**
Property, plant and equipment	(374)	-	**(374)**
Other non-current assets	(32)	-	**(32)**
Inventories	(329)	-	**(329)**
Receivables and other current assets	(264)	(1)	**(265)**
Cash and cash equivalents	(161)	(8)	**(169)**
Total assets	**(1,377)**	**(9)**	**(1,386)**
Non-controlling interests and liabilities			
Non-current liabilities	(74)	-	**(74)**
Current liabilities	(439)	(5)	**(444)**
Total liabilities	**(513)**	**(5)**	**(518)**
Net assets	(864)	(4)	**(868)**
Non-controlling interest	(3)	-	**(3)**
Net assets dsm-firmenich shareholders	**(861)**	**(4)**	**(865)**
Consideration (net of selling costs, translation differences and net debt)	3,689	1	**3,690**
Book result 2023	2,828	(3)	**2,825**
Income tax	(38)	-	**(38)**
Net book result	**2,790**	**(3)**	**2,787**

Impact on comprehensive income

The impact of the business that has been presented as discontinued operations in the income statement and statement of comprehensive income, is presented in the below tables.

	2023 Continuing operations	2023 Discontinued operations	2023 Total	2022 Continuing operations	2022 Discontinued operations	2022 Total
Net sales	10,627	388	**11,015**	8,390	2,090	10,480
Adjusted EBITDA	1,443	(2)	**1,441**	1,395	330	1,725
EBITDA	810	2,827	**3,637**	1,304	1,342	2,646
Total expenses	11,151	(2,439)	**8,712**	7,708	778	8,486
Adjusted operating profit	430	(2)	**428**	767	304	1,071
Operating profit	(497)	2,827	**2,330**	682	1,312	1,994
Financial income and expense	(150)	(1)	**(151)**	(88)	(6)	(94)
Profit (loss) before income tax expense	**(647)**	**2,826**	**2,179**	**594**	**1,306**	**1,900**
Income tax expense	18	(37)	**(19)**	(124)	(66)	(190)
Results related to associates and joint ventures	(7)	–	**(7)**	5	–	5
Net profit (loss) for the year	**(636)**	**2,789**	**2,153**	**475**	**1,240**	**1,715**
Of which:						
– Attributable to non-controlling interests	16	–	**16**	13	2	15
– Dividend on Cumulative Preference Shares	6	–	**6**	6	–	6
– Available to holders of ordinary shares	(658)	2,789	**2,131**	456	1,238	1,694
Earnings per share (EPS)						
– Net basic EPS	(2.82)	11.96	**9.14**	2.64	7.16	9.80

The operating profit in discontinued operations amounting to €2,827 million comprises the regular activities of the DEM business in the first three months of the reporting year (-€2 million) and the book profit on the sale of the DEM business on 1 April 2023 (€2,827 million) and other APM adjustments (€2 million). The business results reclassified to discontinued operations include also intercompany recharges that ceased to be earned/incurred on disposal. Corporate costs have been excluded from the reclassification to discontinued operations. The comparative numbers in the Income statement and the Statement of comprehensive income are re-presented as if the activities of the DEM business had been discontinued from the start of the comparative year 2022. In addition, these comparative numbers also include eight months of results related to former DSM's Protective Materials business, which was divested in September 2022.

See also the section Assets and liabilities held for sale.

	2023	2022
Net profit from discontinued operations	**2,789**	**1,240**
Other comprehensive income		
Remeasurements of defined benefit pension plans	–	1
Fair value changes in Other participating interests and other financial instruments	–	(1)
Items that will not be reclassified to profit or loss	**–**	**–**
Exchange differences on translation of foreign operations		
– Change for the year	(4)	(44)
Items that may subsequently be reclassified to profit or loss	**(4)**	**(44)**
Total comprehensive income discontinued operations	**2,785**	**1,196**
Of which:		
– Attributable to non-controlling interests	–	1
– Available to equity holders of dsm-firmenich	2,785	1,195

Impact on cash flow statement

The impact of the business that has been included as discontinued operations in the cash flow statement is shown in the following table.

	2023	2022
Net cash provided by / (used in):		
– Operating activities	70	190
– Investing activities	3,517	1,291
Net change in cash and cash equivalents	**3,587**	**1,481**

See also Note 26 Notes to the cash flow statement.

Assets and liabilities held for sale

Jiangshan

The production of vitamin C in Jiangshan, China, which had already been significantly reduced since the end of 2022, was completely shut down in mid-May. dsm-firmenich is committed to the sale of its vitamin C business in Jiangshan (China), and therefore classified end of 2023 the assets and liabilities as held for sale.

Impact on balance sheet

The impact of the reclassification of the regarding activities on the dsm-firmenich consolidated balance sheet is presented in the following table.

	2023
Assets	
Non-current assets	
Other non-current assets	1
Current assets	
Inventories	4
Receivables	1
Total assets	**6**
Liabilities	
Non-current liabilities	2
Current liabilities	6
Total liabilities	**8**
Net assets	**(2)**

4 Segment information

Accounting policy

dsm-firmenich has segmented its operations by business activity from which revenues are earned and expenses incurred. These operating results are regularly reviewed by the Executive Committee (ExCo), dsm-firmenich's Chief Operating Decision Maker (CODM), to make decisions about resources to be allocated to the operating segments and assess their performance. dsm-firmenich uses Adjusted EBITDA as the main indicator to evaluate the consolidated performance as well as the performance per operating segment. Discrete financial information is available for each identified operating segment.

The same accounting policies that are applied for the consolidated financial statements of dsm-firmenich are also applied for the operating segments. Prices for transactions between segments are determined on an arm's length basis at market-based prices. Segment results, assets and liabilities include items directly attributable to a segment as well as those that can reasonably and consistently be allocated. Interest income, interest expense, and income tax expense or income are not allocated to segments as these amounts are not included in the measure of segment profit or loss reviewed by the ExCo, or otherwise regularly provided to the ExCo. Selected information on a country and regional basis is provided in addition to the information about operating segments.

Operating segments

Following the merger, dsm-firmenich is organized into four distinct Business Units:

- **Perfumery & Beauty (P&B)** creates premium scents with proven benefits, using the best and largest palette of natural, synthetic, and biotech ingredients. This Business Unit mainly consists of Firmenich's former Fragrance and Ingredients businesses and DSM's former Personal Care & Aroma Ingredients business
- **Taste, Texture & Health (TTH)** helps customers create food and beverage products that are delicious, nutritious, affordable, and sustainable. Providing enjoyment and nourishment for consumers, business success for customers, and better health for people and planet. This Business Unit mainly consists of Firmenich's former Taste & Beyond business and DSM's former Food & Beverage business
- **Health, Nutrition & Care (HNC)** provides people a way to look after their health by adding critical nutrients to diet. Driving medical innovation forward, speeding up recovery, and enhancing quality of life. This Business Unit mainly consists of DSM's former Health, Nutrition & Care business, excluding the former Personal Care & Aroma Ingredients business
- **Animal Nutrition & Health (ANH)** delivers healthy animal proteins efficiently and sustainably, harnessing power of data to make animal farming practices more sustainable, productive, and transparent

For 2023, these Business Units have been identified as the reportable operating segments of dsm-firmenich.

Any consolidated activities outside the four reportable operating segments above are reported as the reportable segment 'Corporate Activities'. These consist of corporate operating and service activities that are not further allocated to the operating segments.

dsm-firmenich does not have a single external customer that represents 10% or more of total sales.

Geographical information

	Switzer-land	Nether-lands	Rest of EMEA	North America	Latin America	China	Rest of Asia	Total
2022								
Net sales (by destination)								
In € millions	156	402	2,305	1,869	1,507	803	1,348	**8,390**
In %	2	5	26	22	18	10	17	**100**
Workforce at year-end (headcount)[1]	2,232	2,642	4,366	2,618	2,302	4,591	1,931	**20,682**
Intangible assets and property, plant and equipment at year-end (carrying amount)	1,852	1,304	2,105	2,143	404	774	141	**8,723**
2023								
Net sales (by destination)								
In € millions	204	424	3,103	2,420	1,653	997	1,826	**10,627**
In %	2	4	29	23	16	9	17	**100**
Workforce at period-end (headcount)	3,647	1,783	7,953	4,264	3,617	4,664	3,373	**29,301**
Intangible assets and property, plant and equipment at period-end (carrying amount)	15,474	1,665	3,147	2,600	506	612	283	**24,287**

1 Refers to total group, including discontinued operations.

Reportable segments

	Perfumery & Beauty	Taste, Texture & Health	Health, Nutrition & Care[2]	Animal Nutrition & Health	Corporate Activities	Total continuing operations	Discontinued operations	TOTAL
2023								
Net sales	2,619	2,471	2,246	3,223	68	**10,627**	388	**11,015**
Adjusted EBITDA[1]	579	437	377	128	(78)	**1,443**	(2)	**1,441**
EBITDA	417	361	355	(30)	(293)	**810**	2,827	**3,637**
Adjusted operating profit[1]	317	169	158	(80)	(134)	**430**	(2)	**428**
Operating profit	154	93	118	(504)	(358)	**(497)**	2,827	**2,330**
Capital expenditures	112	86	129	252	121	**700**	5	**705**
Adjusted EBITDA margin (in %)	22.1	17.7	16.8	4.0		**13.6**	(0.5)	**13.1**
2022								
Net sales		1,545	2,990	3,784	71	**8,390**	2,090	**10,480**
Adjusted EBITDA[1]		266	678	546	(95)	**1,395**	330	**1,725**
EBITDA		245	669	523	(133)	**1,304**	1,342	**2,646**
Adjusted operating profit[1]		136	429	351	(149)	**767**	304	**1,071**
Operating profit		115	420	328	(181)	**682**	1,312	**1,994**
Capital expenditures		99	103	309	61	**572**	64	**636**
Adjusted EBITDA margin (in %)		17.2	23.0	14.4		**16.6**	15.8	**16.5**

1 See Note 2 Alternative performance measures for the reconciliation to IFRS performance measures.
2 The 2022 figures for Health, Nutrition & Care include the Personal Care & Aroma Ingredients business, which was transferred to Perfumery & Beauty following the merger.

5 Net sales and costs

Accounting policy

Revenue from contracts with customers is recognized by identifying the contract and its performance obligations as well as determination and allocation of the transaction price to these performance obligations. Net sales represent the invoice value less estimated rebates, cash discounts, and indirect taxes. No element of financing is deemed present as sales are made with a short-term credit term.

The payment terms are determined per business segment on a customer basis. dsm-firmenich has neither specific obligations for returns or refunds, nor specific warranties or other related obligations.

Sale of goods

At dsm-firmenich, revenue related to the sale of goods is recognized in the income statement when the performance obligation is satisfied. This is at the point in time when transfer of control of the goods passes to the buyer. Fulfilment of the performance obligations related to goods sold is measured using the commercial shipment terms as an indicator for the transfer of control. Revenue recognized is measured at the fair value of the contractual transaction price allocated to the performance obligation that is satisfied.

Rendering of services

Income coming from the rendering of services is recognized when the service, i.e., the performance obligation, has been performed. Fulfillment of the performance obligations for services rendered is identified according to the individual contract. The revenue recognized is measured at the fair value of the contractual transaction price allocated to the performance obligation that is satisfied.

Licensing (royalties)

Income related to the sale or licensing of technologies or technological expertise is recognized in the income statement either at a point in time or over time, depending on when the contractually identified performance obligations are satisfied. Performance obligations related to license income include the transfer of rights and obligations associated with those technologies. License income is reported in Net sales when the income is part of the ordinary and recurring activities of the business and, if this is not the case, it is reported in Other operating income.

Net sales

	2023	2022
Goods sold	10,410	8,191
Services rendered	205	193
Royalties	12	6
Total	**10,627**	**8,390**

Disaggregation of net sales

	2023	2022
Perfumery & Beauty	**2,619**	**-**
Taste, Texture & Health	**2,471**	**1,545**
Health, Nutrition & Care	**2,246**	**3,784**
– Dietary supplements and I-Health	1,017	–
– Early life nutrition	411	–
– Pharma	285	–
– Biomedical solutions	204	–
– Other	329	–
Animal Nutrition & Health	**3,223**	**2,990**
– Essential Products	2,434	–
– Performance Solutions	789	–
Corporate Activities	**68**	**71**
Total	**10,627**	**8,390**

Total costs

In 2023, total operating costs (the total costs included in operating profit) amounted to €11.2 billion, €3.5 billion higher than in 2022, when these costs stood at €7.7 billion, which is mainly caused by the merger. Total operating costs in 2023 included Cost of sales amounting to €8.0 billion (2022: €5.7 billion); gross profit as a percentage of net sales stood at 25% (2022: 32%).

Employee benefit costs

	2023	2022
Wages and salaries	2,009	1,353
Social security costs	262	169
Pension costs (see also Note 24)	159	102
Share-based compensation (see also Note 27)	29	35
Total	**2,459**	**1,659**

Depreciation, amortization and impairments

	2023	2022
Amortization of intangible assets	477	234
Depreciation of property, plant and equipment owned	428	325
Depreciation of right-of-use assets	75	49
Impairment losses	327	14
Total	**1,307**	**622**

For impairment losses see Note 2 Alternative performance measures.

Other operating income

	2023	2022
Release of provisions	–	10
Gain on sale of assets and activities	17	31
Insurance benefits	53	12
Amendments / settlements to pension plans	–	2
Earn-out payments and other settlements	57	9
Lease income	4	7
Royalties	2	4
Sale of emission rights	8	–
Sundry	47	32
Total	**188**	**107**

Other operating expense

	2023	2022
Additions to provisions	22	4
Exchange differences	13	18
Acquisitions / disposals	59	3
Damages w.r.t insurance	–	4
Sundry	23	22
Total	**117**	**51**

6 Finance income and expense

	2023	2022
Finance income		
Interest income	95	22
Fair value change in derivatives	28	46
Sundry	10	3
Total finance income	**133**	**71**
Finance expense		
Interest expense	(134)	(101)
Interest relating to lease liabilities	(8)	(6)
Interest relating to defined benefit plans	(8)	(3)
Fair value change in derivatives	(33)	(14)
Capitalized interest during construction	4	3
Exchange differences	(73)	(2)
Unwinding of discounted payables	(22)	(23)
Sundry	(9)	(13)
Total finance expense	**(283)**	**(159)**
Total finance income and expense	**(150)**	**(88)**

In 2023, the interest rate applied in the capitalization of interest during construction was 2.5% (same as in 2022). The increase in exchange differences is mainly caused by the devaluation of the Argentine peso.

7 Income tax

Accounting policy

Income tax expense is recognized in the income statement except to the extent that it relates to an item recognized directly in Other comprehensive income or Shareholders' equity.

Current tax is the expected tax payable or receivable on the taxable income for the year, using tax rates enacted at the balance sheet date, and any adjustment to tax payable with respect to previous years. The current tax position also reflects any uncertainty related to income taxes. Current tax assets and liabilities are offset only if certain criteria are met.

Deferred tax assets and liabilities are recognized for the expected tax consequences of temporary differences between the carrying amount of assets and liabilities and their tax base. Deferred tax assets and liabilities are measured at the tax rates that have been enacted or substantially enacted at the balance sheet date, and reflect any uncertainty related to income taxes and are expected to apply when the related deferred tax assets are realized or the deferred tax liabilities are settled. Deferred tax assets, including assets arising from losses carried forward and tax credits, are reassessed over time and recognized to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences and unused tax losses can be utilized. Deferred tax assets and liabilities are stated at nominal value.

Deferred taxes are not provided for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. Deferred tax assets and deferred tax liabilities are offset and presented net when there is a legally enforceable right to offset, and the assets and liabilities relate to income taxes levied by the same taxation authority.

Estimates and judgments

Key estimates for income tax generally relate to uncertain tax positions that could result from different interpretation of tax legislation by local tax authorities in the countries where dsm-firmenich operates. For the measurement of the uncertainty, dsm-firmenich uses the most likely amount or the expected value method to estimate the underlying risk. This requires judgements and final outcome may deviate from the estimates.

Income tax

The income tax benefit on continuing operations was €18 million, which represents an effective income tax rate of 2.8% (2022: tax expense of €124 million, representing an effective income tax rate of 21.0%). The amount excludes tax expense from discontinued operations of €37 million (2022: €66 million) and can be broken down as follows.

	2023	2022
Current tax (expense) / benefit:		
– Current year	(179)	(121)
– Prior-year adjustments	2	16
– Tax credits compensated	2	3
– Non-recoverable withholding tax	(13)	(5)
Total current tax (expense) / benefit	**(188)**	**(107)**
Deferred tax (expense) / benefit:		
– Originating from temporary differences and their reversal	245	(16)
– Prior-year adjustments	3	(17)
– Change in tax rate	(10)	15
– Changes arising from write-down of deferred tax assets	(41)	7
– Changes in previously and newly recognized tax losses and tax credits	9	(6)
Total deferred tax (expense) / benefit	**206**	**(17)**
Total tax (expense) / benefit	**18**	**(124)**
Of which related to:		
– Taxable result excl. APM adjustments	(117)	(139)
– APM adjustments	135	15

The relationship between the income tax rate in Switzerland and the effective tax rate on the taxable result can be explained as follows.

Effective tax rate (continuing operations)

In %	2023	2022
Domestic income tax rate	16.3	25.8
Tax effects of:		
– Deviating rates	19.3	(5.0)
– Change in tax rates	1.5	(2.1)
– Tax-exempt income and non-deductible expense	(2.5)	0.6
– Other effects	2.7	0.9
Effective tax rate taxable result, excl. APM adjustments	**37.3**	**20.2**
APM adjustments (see Note 2)	(34.5)	0.8
Total effective tax rate	**2.8**	**21.0**

The total effective tax rate on the taxable result in 2023 was 2.8% (2022: 21.0%), excluding APM adjustments this was 37.3% (2022: 20.2%). In 2022 the domestic income tax rate of the Netherlands was applicable for DSM BV as parent company. As in 2023 the parent company changed to DSM-Firmenich AG, the statutory rate of Switzerland applies as of 2023.

The effective tax rate in 2023 compared to the Swiss statutory rate as well as compared to the effective tax rate prior year, was negatively impacted by the geographical spread mainly due to the lower vitamin prices and profitability, changes in tax rates under local tax law in various countries and non-deductible expenses. The balance of the deferred tax assets and deferred tax liabilities increased by €1,142 million owing to the changes presented in the following table.

Deferred tax assets and liabilities

	2023	2022
Balance at 1 January		
Deferred tax assets	95	203
Deferred tax liabilities	(476)	(490)
Total	**(381)**	**(287)**
Changes:		
– Income tax income / (expense) in income statement	193	(52)
– Income tax: change in tax percentage	–	15
Total income statement	193	(37)
– Income tax expense in OCI	21	(17)
– Acquisitions and disposals	(1,264)	(6)
– Exchange differences	(108)	(13)
– Reclassification to held for sale	16	(21)
Balance at 31 December	**(1,523)**	**(381)**
Of which:		
– Deferred tax assets	228	95
– Deferred tax liabilities	(1,751)	(476)

In various countries, dsm-firmenich has taken standpoints regarding its tax position which may at any time be challenged, or have already been challenged, by the tax authorities, because the authorities in question interpret the law differently. For particular tax treatments for which there exists uncertainty that they are accepted by tax authorities, dsm-firmenich either recognizes a liability or reflects the uncertainty in the recognition and measurement of its current and deferred tax assets and liabilities.

The deferred tax assets and liabilities relate to the following balance sheet items.

Deferred tax assets and liabilities by balance sheet item

	2023		2022	
	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Intangible assets	54	(1,485)	28	(368)
Property, plant and equipment	29	(279)	15	(181)
Right-of-use assets	–	(40)	–	(34)
Financial assets	59	(18)	28	(25)
Inventories	82	(20)	36	(46)
Receivables	11	(22)	5	(22)
Lease liabilities non-current	31	–	25	–
Other non-current liabilities	1	(88)	1	(2)
Non-current provisions	73	(46)	41	–
Other current liabilities	68	(2)	66	(6)
Lease liabilities current	10	–	11	–
	418	**(2,000)**	**256**	**(684)**
Tax losses carried forward	59	–	47	
Set-off	(249)	249	(208)	208
Total	**228**	**(1,751)**	**95**	**(476)**

No deferred tax assets were recognized for loss carryforwards amounting to €566 million (2022: €153 million).

Unrecognized loss carryforwards amounting to €93 million will expire in the years up to and including 2028 (2022: €54 million up to and including 2027), €1 million between 2029 and 2033 (2022: €30 million between 2028 and 2032) and the remaining €472 million in 2034 and beyond (2022: €69 million between 2033 and beyond). In addition, an amount of €9 million (2022: €17 million) of withholding taxes was unrecognized.

No deferred tax liability is recognized on temporary differences relating to unremitted retained earnings of subsidiaries as the group is able to control the timings of the reversal of these temporary differences and it is probable that they will not reverse in the foreseeable future. The amount of unremitted retained earnings on which no deferred tax liability has been provided for represents €2,253 million (2022: €857 million).

The valuation of deferred tax assets depends on the probability of the reversal of temporary differences and the utilization of tax loss carryforwards, tax credits and withholding tax. Deferred tax assets are recognized for future tax benefits arising from temporary differences and for tax loss carryforwards to the extent that the tax benefits are probable. dsm-firmenich has to assess the likelihood that deferred tax assets will be recovered from future taxable profits. Deferred tax assets are reduced if, and to the extent that, it is not probable that all or some portion of the deferred tax assets will be realized. In the event that actual future results differ from estimates, and depending on tax strategies that dsm-firmenich may be able to implement, changes to the measurement of deferred taxes could be required, which could have an impact on the company's financial position and profit for the year.

8 Goodwill and intangible assets

Accounting policy

Goodwill

Goodwill represents the excess of the cost of an acquisition over dsm-firmenich’s share in the net fair value of the identifiable assets and liabilities in a business combination. Goodwill paid on acquisition of subsidiaries is included in intangible assets. Goodwill paid on acquisition of joint ventures or associates is included in the carrying amount of these entities. Goodwill recognized as an intangible asset is tested for impairment annually, and when there are indications that the carrying amount may exceed the recoverable amount. A gain or loss on the disposal of an entity includes the carrying amount of goodwill relating to the entity sold.

Intangible assets acquired as part of a business combination

Intangible assets acquired in a business combination are recognized at fair value on the date of acquisition and subsequently amortized on a straight-line basis over their expected useful lives. The expected useful lives vary from 4 to 20 years.

Separately acquired intangible assets

Separately acquired licenses, patents, application software and other purchased rights are carried at historical cost less straight-line amortization and less any impairment losses. The expected useful lives vary from 4 to 20 years.

Capital expenditure that is directly related to the development of application software is recognized as an intangible asset and amortized over its estimated useful life (5 to 8 years). Costs of software maintenance are expensed when incurred.

Internally generated intangible assets

Research costs are expensed when incurred. Development expenditure is capitalized if the recognition criteria are met and if it is demonstrated that it is technically feasible to complete the asset; that the entity intends to complete the asset; that the entity is able to sell the asset; that the asset is capable of generating future economic benefits; that adequate resources are available to complete the asset; and that the expenditure attributable to the asset can be reliably measured. Development expenditure that meets the recognition criteria is amortized over the asset's useful life on a straight-line basis.

As long as internally generated intangible assets are under construction, these intangible assets are not amortized as they are not yet available for use. Instead, they are subject to a review for impairment annually, or more frequently if events or circumstances indicate this is necessary. Any impairment is charged to the income statement as it arises.

Impairment of non-financial assets

When there are indications that the carrying amount of a non-financial asset (goodwill, an intangible asset or an item of property, plant and equipment) may exceed the estimated recoverable amount (the higher of its value in use and fair value less costs of disposal), the possible existence of an impairment loss is investigated. If an asset does not generate largely independent cash flows, the recoverable amount is determined for the cash generating unit (CGU) to which the asset belongs. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market interest rates and the risks specific to the asset or CGU.

When the recoverable amount of a non-financial asset or a CGU is less than its carrying amount, the carrying amount is impaired to its recoverable amount and an impairment charge is recognized in profit or loss. An impairment loss is reversed when there has been a change in estimate that is relevant for the determination of the asset's recoverable amount since the last impairment loss was recognized. Impairment losses for goodwill are never reversed.

Estimates and judgments

Key estimates and judgments dsm-firmenich makes in the accounting for goodwill and intangible assets relate to:

- The amortization period of intangible assets, which depends on their useful lives
- The determination of CGUs, which depends on the capacity of the asset or group of assets to generate independent cash flows
- The estimation and allocation of future cash flows, growth rates, discount rates and fair values minus costs of disposal for the impairment testing of goodwill and intangible assets. These estimates are based on historical and current market rates, quoted prices, experience, current business outlooks, and validated by external valuation specialists, where deemed necessary by management

Goodwill and intangible assets

	Goodwill	Customer base	Brands and trademarks	Technology and formulas	Software, licenses and patents	Internally generated	Other	Total
Balance at 1 January 2022								
Cost	2,943	1,140	117	898	592	570	659	**6,919**
Amortization and impairment losses	14	468	52	161	395	174	345	**1,609**
Carrying amount	2,928	672	65	737	197	396	314	**5,309**
Changes in carrying amount:								
– Capital expenditure	–	–	–	–	8	130	–	**138**
– Put into operation	–	–	–	–	90	(100)	10	**–**
– Acquisitions	52	11	4	17	–	2	–	**86**
– Disposal subs	(46)			–	(7)	(7)	(4)	**(64)**
– Amortization	–	(66)	(10)	(58)	(49)	(34)	(23)	**(240)**
– Impairment losses	(4)	–	–	–	(3)	5	–	**(2)**
– Exchange differences	80	14	3	16	6	10	–	**129**
– Reclassification to held for sale	(26)	–	–	–	–	(11)	(182)	**(219)**
– Transfers	–	22	–	22	(1)	–	(43)	**–**
– Other	–			1	8	(1)	2	**10**
	56	(19)	(3)	(2)	52	(6)	(240)	**(162)**
Balance at 31 December 2022								
Cost	2,989	1,249	124	1,005	612	576	270	**6,825**
Amortization and impairment losses	5	596	62	270	363	186	196	**1,678**
Carrying amount	2,984	653	62	735	249	390	74	**5,147**
– Of which acquisition related	2,984	653	62	735	2	–	36	**4,472**
Changes in carrying amount:								
– Capital expenditure	–	1	–	–	2	124	2	**129**
– Put into operation	–	2	2	1	57	(62)	–	**–**
– Acquisitions	8,398	3,451	658	1,149	71	52	10	**13,789**
– Disposal subs	–	–	–	–	(1)	–	–	**(1)**
– Amortization	–	(178)	(40)	(118)	(83)	(38)	(20)	**(477)**
– Impairment losses	(28)	(3)	(3)	(13)	(6)	(13)	(4)	**(70)**
– Exchange differences	(61)	174	30	53	8	13	(5)	**212**
– Reclassification to held for sale	–	–	–	–	–	2	–	**2**
– Transfers	–	–	22	(34)	40	(29)	6	**5**
– Other	–	3	1	–	24	–	(26)	**2**
	8,309	3,450	670	1,038	112	49	(37)	**13,591**
Balance at 31 December 2023								
Cost	11,315	4,880	837	2,174	813	676	258	**20,953**
Amortization and impairment losses	22	777	105	401	452	237	221	**2,215**
Carrying amount	11,293	4,103	732	1,773	361	439	37	**18,738**
– Of which acquisition-related	11,293	4,103	732	1,773	76	–	11	**17,988**

The amortization and impairment losses of goodwill and intangible assets are included in Cost of sales, Marketing & Sales, Research & Development and General & Administrative expenses.

Where dsm-firmenich acquired entities in business combinations in the past, they were accounted for by the acquisition method, resulting in recognition of mainly goodwill, customer- and marketing-related, and technology-based intangible assets.

The amounts assigned to the acquired assets and liabilities are based on assumptions and estimates about their fair values. In making these estimates, management consults independent, qualified appraisers where appropriate.

The merger of equals between DSM and Firmenich, which is accounted for as a business combination under IFRS 3, resulted in the recognition of a significant amount of additional intangible assets. More specifically, the main intangible assets provisionally recognized as result of the merger are customer relationships for €3,407 million, technology for €1,044 million, and trademarks for €648 million. Furthermore, an amount of €8,251 million was recognized as goodwill.

Other significant intangibles were mainly obtained during the acquisitions of Erber Group and Glycom in 2020, and F&F Amyris and First Choice Ingredients in 2021. Intangible assets are amortized on a straight-line basis and subject to impairment trigger testing. There are no intangible assets with an indefinite useful life (same as in 2022).

The carrying amount of the internally generated intangible assets includes €133 million (2022: €143 million) that relates mainly to strategic projects which are not being amortized yet. The recoverable amount of these projects was estimated based on the present value of the future cash flows expected to be derived from the projects (value-in-use).

Goodwill

The CGUs dsm-firmenich identified in 2023 were Perfumery & Beauty (P&B), Taste, Texture & Health (TTH), Health, Nutrition & Care (HNC), and Animal Nutrition & Health (ANH).

Goodwill per Cash generating unit

	2023	2022
Perfumery & Beauty (P&B)	4,191	-
Taste, Texture & Health (TTH)	3,739	544
Health, Nutrition & Care (HNC)	1,784	1,429
Animal Nutrition & Health (ANH)	1,579	1,011
Total	**11,293**	**2,984**

The annual impairment tests of goodwill are performed in the fourth quarter. The recoverable amount of the CGUs is based on a value-in-use calculation.

The cash flow projections are derived from dsm-firmenich's business plan as adopted by the Board and updated periodically — for example when the strategy is updated. More specifically, the cash flow projections are based on the budget for 2024, as approved by management, which is extrapolated throughout the remainder of the forecast period using management's internal forecasts. The key assumptions in the cash flow projections relate to the market growth for the CGUs and the related revenue projections, EBITDA developments, and the rates used for discounting cash flows. For the CGUs P&B, HNC and ANH, which are considered mature businesses, a forecast period of five years is applied before they come to a terminal value. For TTH, an initial forecast period of ten years was applied, reflecting the extended period of time during which the identified synergies arising from the merger are expected to contribute to the growth of this CGU. The terminal value growth rate is determined with the assumption of inflationary growth.

Key assumptions for goodwill impairment tests

	2023	2022
Forecast period (years)		
- Mature business	5	5
- Emerging business	10	10
Terminal value growth	2.0%	1.5%
Pre-tax discount rate		
P&B	8.7%	
TTH	8.6%	
HNC	7.9%	9.1%
ANH	9.2%	10.7%
Organic sales growth (year 1–5)		
P&B	1%–4%	
TTH	3%–8%	
HNC	6%–8%	5%–8%
ANH	4%–8%	4%–7%

For ANH and HNC, the growth assumptions are based on the growth of the global food and feed markets, and the vitamin transformation program; for TTH on the growth assumptions of the global food and beverage markets; and for P&B on the growth assumptions of the global fragrances and personal care markets. A sensitivity test was performed on the impairment tests of the CGUs and showed that the conclusions of these tests would not have been different if a reasonable possible adverse change in key parameters had been assumed.

Based on the sensitivity tests performed on the impairment test of the CGUs P&B and TTH, it was identified that a reasonably possible adverse change in the pre-tax discount rate could cause the carrying amount of these CGUs to exceed their recoverable amount. Holding all other factors constant, increases of, respectively, 127 basis points and 156 basis points in the pre-tax discount rates of P&B and TTH would result in recoverable amounts equal to the carrying amounts of these CGUS. The headroom of P&B and TTH amounted to €1,794 million and €2,032 million, respectively. The remainder of the sensitivity tests performed indicate that the conclusions of the impairment test of the CGUs would not have been different if a reasonably adverse change in any other key parameter had been assumed.

9 Property, plant and equipment

Accounting policy

Property, plant and equipment owned

Items of Property, plant and equipment owned are measured at cost less depreciation calculated on a straight-line basis over their estimated useful lives and less any impairment losses. Borrowing costs during construction are capitalized when the underlying asset under construction meets the recognition criteria of a qualifying asset.

Subsequent expenditure is capitalized only when it is probable that future economic benefits associated with the item will flow to the Group. Expenditures relating to major scheduled turnarounds are capitalized and depreciated over the period up to the next turnaround.

The estimated remaining lives of assets are reviewed every year, taking account of commercial and technological obsolescence as well as normal wear and tear. The initially assumed expected useful lives are in principle as follows:

- Buildings 10–50 years
- Plant and equipment 4–15 years
- Land is not depreciated

An item of property, plant and equipment owned is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use or the sale of the asset. Any gain or loss arising on derecognition of the asset is recorded in profit or loss.

Right-of-use assets (leases)

dsm-firmenich mainly leases offices, warehouses, vehicles, machinery, and other equipment.

The Group recognizes a right-of-use asset and a lease liability at the lease commencement date. Right-of-use assets are measured at cost less any depreciation on a straight-line basis over the expected lease term, less any impairment losses, and adjusted for remeasurements of the lease liability. In line with the initially assumed expected useful life of the corresponding asset class within Property, plant and equipment, the minimum expected lease term for building leases is in principle 10 years. However, the contractual terms or specific circumstances could require applying the shorter non-cancellable period in determining the expected lease term. For vehicle leases, the expected lease term is set equal to the contractual term (4–5 years).

Impairment of Property, plant and equipment

If there is an indication of impairment, the carrying amount of an item of Property, plant and equipment or the cash generating unit (CGU) to which it belongs is reviewed and the recoverable amount of the asset or the CGU is estimated. An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount. An impairment loss is reversed when there has been a change in estimate that is relevant for the determination of the asset's recoverable amount since the last impairment loss was recognized.

Estimates and judgments

Key estimates and judgments dsm-firmenich makes in the accounting for items of property, plant and equipment relate to:

- The depreciation period of items of property, plant and equipment, which depend on their useful lives
- The determination of the lease term for lease contracts based on assessment of available renewal options. Estimates are based on the underlying asset class, past practices and current business outlooks
- The estimation and allocation of future cash flows, growth rates, discount rates and fair values minus costs of disposal for the impairment testing of items of property, plant and equipment. These estimates are based on historical and current market rates, experience, and current business outlooks

Composition of Property, plant and equipment

	2023	2022
Property, plant and equipment owned	5,156	3,402
Right-of-use assets	393	174
Total	**5,549**	**3,576**

Property, plant and equipment owned

	Land and buildings	Plant and equipment	Under construction	Not used for operating activities	Total
Balance at 1 January 2022					
Cost	2,108	5,707	564	8	**8,387**
Depreciation and impairments	946	3,673	1	–	**4,620**
Carrying amount at 1 January 2022	**1,162**	**2,034**	**563**	**8**	**3,767**
Changes in carrying amount:					
– Capital expenditure	7	48	443	–	**498**
– Put into operation	70	303	(373)	–	**–**
– Acquisitions	2	1	–	–	**3**
– Disposals and deconsolidations	(55)	(161)	(22)	–	**(238)**
– Depreciation	(71)	(271)	–	–	**(342)**
– Impairment losses	(2)	(16)	–	–	**(18)**
– Exchange differences	28	42	9	–	**79**
– Reclassification to held for sale	(55)	(243)	(42)	–	**(340)**
– Transfer to RoU assets	2	(2)	(6)	(2)	**(8)**
– Other changes	2	(1)	–	–	**1**
	(72)	**(300)**	**9**	**(2)**	**(365)**
Balance at 31 December 2022					
Cost	1,929	4,625	572	6	**7,132**
Depreciation and impairments	839	2,891	–	–	**3,730**
Carrying amount at 31 December 2022	**1,090**	**1,734**	**572**	**6**	**3,402**
Changes in carrying amount:					
– Capital expenditure	13	48	510	–	**571**
– Put into operation	38	259	(297)	–	**–**
– Acquisitions	960	684	222	–	**1,866**
– Disposals and deconsolidations	(5)	10	(12)	–	**(7)**
– Depreciation	(107)	(321)	–	–	**(428)**
– Impairment losses	(68)	(200)	18	–	**(250)**
– Exchange differences	51	(34)	(4)	–	**13**
– Reclassification to held for sale	(5)	–	–	–	**(5)**
– Other reclassifications	65	129	(200)	–	**(6)**
	942	**575**	**237**	**–**	**1,754**
Balance at 31 December 2023					
Cost	2,956	5,642	809	6	**9,413**
Depreciation and impairments	925	3,332	–	–	**4,257**
Carrying amount at 31 December 2023	**2,031**	**2,310**	**809**	**6**	**5,156**

In 2023, impairment losses of €250 million (2022: €18 million) were recognized on Property, plant and equipment, which mainly relate to the impairment of the Jiangshan site (€119 million) and the impairment of the vitamin B6 production line on the Xinghuo site (€106 million). See also Note 2 Alternative performance measures. For acquisitions, see Note 3 Change in the scope of consolidation.

Right-of-use assets

	Land and buildings	Plant and equipment	Total
Balance at 1 January 2022	136	61	**197**
Changes in carrying amount:			
New leases / terminations	8	14	**22**
Remeasurements	12	–	**12**
Depreciation	(33)	(17)	**(50)**
Derecognition	(2)	–	**(2)**
Exchange rate differences	4	1	**5**
Reclassification to held for sale	(6)	(4)	**(10)**
	(17)	**(6)**	**(23)**
Balance at 31 December 2022			
Cost	219	92	**311**
Depreciation and impairments	(100)	(37)	**(137)**
Carrying amount at 31 December 2022	**119**	**55**	**174**
Changes in carrying amount:			
Acquisition	130	33	**163**
New leases / terminations	117	21	**138**
Depreciation	(48)	(27)	**(75)**
Exchange rate differences	1	(1)	**–**
Impairments	(7)	–	**(7)**
	193	**26**	**219**
Balance at 31 December 2023			
Cost	430	128	**558**
Depreciation and impairments	(118)	(47)	**(165)**
Carrying amount	**312**	**81**	**393**

For the disclosures on the lease liabilities that correspond with the right-of-use assets, see Note 19 Borrowings.

10 Associates and joint arrangements

Accounting policy

An associate is an entity over which dsm-firmenich has significant influence but no control or joint control, usually evidenced by a shareholding that entitles dsm-firmenich to between 20% and 50% of the voting rights. A joint venture is an entity over which dsm-firmenich has joint control and is entitled to its share of the net assets and liabilities.

Investments in associates and joint ventures are initially recognized at cost, including transaction costs. Subsequent to initial recognition, these investments are accounted for by the equity method, which involves recognition in the income statement of dsm-firmenich's share of the associate's or joint venture's profit or loss for the year determined in accordance with the accounting policies of dsm-firmenich. Any other results at dsm-firmenich in relation to associated companies are recognized under Other results related to associates and joint ventures. dsm-firmenich's interest in an associate or joint venture is carried in the balance sheet at its share in the net assets of the associate or joint venture together with goodwill paid on acquisition, less any impairment loss.

When dsm-firmenich's share in the loss of an associate or joint venture exceeds the carrying amount of that entity, the carrying amount is reduced to zero. No further losses are recognized unless dsm-firmenich has responsibility for obligations relating to the entity.

Associates and joint ventures

The following table analyses, in aggregate, the carrying amount and share of profit of associates and joint ventures.

	2023			2022
	Associates	Joint ventures	Total	Total
Balance at 1 January	**53**	**8**	**61**	**64**
– Share of the profit of associates and joint ventures	(6)	–	(6)	10
– Other comprehensive income	(3)	–	(3)	–
– Capital payments	5	–	5	4
– Dividends received	(2)	–	(2)	(2)
– Acquisitions	67	7	74	–
– Disposals	–	–	–	(9)
– Other	1	–	1	(6)
Balance at 31 December	**115**	**15**	**130**	**61**

For acquisitions, see Note 3 Change in the scope of consolidation. This mainly includes the 49% share in Essential Labs, LLC.

Joint operations

The operations Veramaris®[3] (2017) and Avansya (2019) are accounted for in accordance with IFRS 11 for joint operations. dsm-firmenich therefore recognizes their amounts for the assets, liabilities, revenues and expenses in accordance with the contractual entitlement and obligations of dsm-firmenich, see also Note 1 General Information.

[3] This trademark is owned by Veramaris V.O.F.

11 Other financial assets

Accounting policy

Other financial assets comprise loans to associates and joint ventures, other participating interests and other long-term investments and receivables.

Other participating interests comprise equity interests in entities in which dsm-firmenich has no significant influence. dsm-firmenich generally applies the irrevocable election upon initial recognition to present subsequent changes in the fair values of these interests in Other comprehensive income (OCI). Fair value changes in OCI will not be recycled through profit and loss upon disposal of the interest. All dividends received will be presented in profit or loss.

dsm-firmenich's business model objective for loans granted is 'held-to-collect contractual cash flows only'. Held to collect loans, other receivables and other deferred items, for which the contractual cash flows consist solely of principal and interest, are measured at amortized cost, using the effective interest method, which generally corresponds to the nominal value, less an adjustment for expected credit loss. Upon disposal of these assets, the gain or loss is recognized in profit or loss. Other long-term investments and receivables, for which the contractual cash flows are not solely principal and interest, are recognized at fair value, with changes in fair value recognized in profit or loss.

	Loans associates and joint ventures	Other participating interests	Other receivables	Other	Total
Balance at 1 January 2022	**1**	**191**	**31**	**4**	**227**
Changes:					
– Charged to the income statement	–	–	1	(1)	**-**
– Disposals	–	(24)	–	–	**(24)**
– Capital payments	–	28	–	–	**28**
– Loans granted / prepayments	1	–	127	–	**128**
– Repayments / (receipts)	–	–	1	3	**4**
– Exchange differences	–	–	(7)	–	**(7)**
– Transfers	–	–	16	–	**16**
– Changes in fair value	–	(66)	–	–	**(66)**
– Expected credit loss (ECL) adjustment and impairments	–	–	(11)	–	**(11)**
– Reclassification from/to held for sale	–	(4)	–	–	**(4)**
– Other changes	–	–	–	4	**4**
Balance at 31 December 2022	**2**	**125**	**158**	**10**	**295**
Changes:					
– Charged to the income statement	–	–	(1)	–	**(1)**
– Acquisitions	7	491	33	7	**538**
– Disposals	–	(10)	–	–	**(10)**
– Capital payments	–	10	–	–	**10**
– Loans granted / prepayments	3	–	13	–	**16**
– Repayments / (receipts)	–	–	–	(4)	**(4)**
– Exchange differences	–	23	(1)	(1)	**21**
– Transfers	–	–	(24)	4	**(20)**
– Changes in fair value through OCI	–	(65)	–	–	**(65)**
– Changes in fair value through income statement	–	(5)	–	–	**(5)**
– Other changes	(1)	7	(89)	(1)	**(84)**

Balance at 31 December 2023	**11**	**576**	**89**	**15**	**691**

For acquisitions, see Note 3 Change in the scope of consolidation. This includes 21.8% of Robertet SA's share interests for €433 million, representing approximately 11% of voting rights. At 31 December 2023, this investment amounts to €416 million.

'Changes in fair value' consists mainly of the value decrease of our minority share in Amyris, Inc. (-€24 million) and the value decrease of our minority share in Robertet SA (-€42 million). These changes are posted to the Fair value reserve in Other comprehensive income.

12 Inventories

Accounting policy

Inventories are stated at the lower of cost and net realizable value. The cost of intermediates, work-in-progress and finished goods includes directly attributable costs and related production overhead expenses.

Net realizable value is determined as the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale. Products whose manufacturing cost cannot be calculated because of joint cost components are stated at net realizable value after deduction of a margin for selling and distribution efforts. Allowances for slow-moving and obsolete inventories have been made.

Cost is generally determined using the weighted average cost formula, unless the nature of the inventories warrants the use of the first in, first out (FIFO) method of valuation.

	2023	**2022**
Raw materials and consumables	1,018	596
Intermediates and finished goods	2,446	1,809
	3,464	**2,405**
Adjustments to lower net realizable value	(74)	(66)
Total	**3,390**	**2,339**

Changes in the adjustment to net realizable value

	2023	**2022**
Balance at 1 January	**(66)**	**(82)**
Additions charged to income statement	(65)	(31)
Utilization / reversals	109	20
Exchange differences	5	(2)
Disposal	27	15
Transfer	(57)	(10)
Reclassification to held for sale	(27)	24
Balance at 31 December	**(74)**	**(66)**

13 Current receivables

Accounting policy

Current receivables, for which the contractual cash flows are solely principal and interest, are initially recognized at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortized cost, which generally corresponds to their nominal, non-discounted value, less an adjustment for expected credit loss.

Loss allowances for trade receivables are always measured at lifetime expected credit loss – see also **Note 23 Financial Instruments and risks**.

	2023	2022
Trade receivables		
Trade accounts receivable	2,161	1,306
Other trade receivables	343	182
Deferred items	62	31
Receivables from associates	2	1
	2,568	**1,520**
Expected credit loss	(15)	(12)
Total Trade receivables	**2,553**	**1,508**
Income tax receivable	**107**	**36**
Other current receivables		
Other taxes and social security contributions	16	23
Employee-related receivables	7	3
Acquisition-/disposal-related receivables	5	7
Interest	4	1
Loans	69	24
Other receivables	81	8
Deferred items	1	12
Total Other current receivables	**183**	**78**
Total current receivables	**2,843**	**1,622**

Information about the expected credit loss that relates to trade accounts receivable resulting in a loss allowance is included under Credit risk in **Note 23 Financial instruments and risks**.

Deferred items comprised €63 million (2022: €43 million) in prepaid expenses that include advance payments for any expenditure that would have otherwise been made during the next 12 months.

14 Current investments

Accounting policy

Current investments are initially recognized at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortized cost using the effective interest method.

Deposits with banks with a maturity between three and 12 months are classified as current investments.

	2023	2022
Fixed term deposits	107	125
Total	**107**	**125**

All fixed-term deposits have been placed with institutions with a high credit rating in line with our counterparty policy. The purpose of the deposits is either to meet short-term cash commitments, or to manage liquidity to such extent that yields are optimized while allowing dsm-firmenich sufficient freedom in fulfilling its (strategic) goals.

For more information regarding the counterparty policy, see Note 23 Financial instruments and risks.

15 Cash and cash equivalents

Accounting policy

Cash and cash equivalents comprise cash at banks and in hand and deposits held at call with banks with a maturity of less than three months at inception.

Deposits will be classified as 'cash equivalent' if held at banks with a maturity of less than three months at inception. Deposits will be classified as 'current investments' if the maturity is more than three months but less than or equal to one year. Bank overdrafts are included in current liabilities. Included in cash and cash equivalents are investments in money-market funds that do not meet the SPPI (Solely Payments of Principal & Interest) criterion but are held to meet short-term cash demand. Money-market fund investments have been placed with institutions with a high credit rating in line with our counterparty policy.

Cash and cash equivalents are measured at amortized cost, or at fair value through profit and loss.

Composition of cash and cash equivalents

	2023	2022
Deposits	384	23
Money-market funds	931	1,493
Cash at bank and in hand	1,139	1,221
Payments in transit	2	18
Total	**2,456**	**2,755**

The purpose of the deposits and money-market funds is either to meet short-term cash commitments, or to manage liquidity to such an extent that yields are optimized, while allowing dsm-firmenich sufficient freedom in fulfilling its (strategic) goals.

Cash at year-end 2023 was not being used as collateral and therefore was not restricted (same as in 2022).

In a few countries, dsm-firmenich faces cross-border foreign exchange controls and/or other legal restrictions that limit its ability to make these balances available at short notice for general use by the group. The amount of cash held in these countries was €211 million at year-end 2023 (2022: €105 million). The cash will generally be invested or held in the relevant country and, given the other liquidity resources available to the Group, does not significantly affect the ability of the Group to meet its obligations.

For more information regarding the counterparty policy, see **Note 23 Financial instruments and risks**.

16 Equity

Accounting policy

dsm-firmenich classifies ordinary shares and other financial instruments, for which settlement of the contractual obligations is at the sole discretion of dsm-firmenich, as equity.

The price paid for repurchased dsm-firmenich shares (treasury shares) is deducted from dsm-firmenich shareholders' equity until the shares are reissued. Treasury shares are presented in the treasury share reserve. When treasury shares are sold or reissued, the amount received is recognized as an increase in equity.

Dividend to be distributed to holders of ordinary shares is recognized as a liability when the Annual General Meeting of Shareholders approves the profit appropriation.

Movements in equity

	2023	2022
Balance at 1 January	**10,845**	**9,397**
Net profit for the year	2,153	1,715
Other comprehensive income	30	227
Options / share units granted	23	34
Dividend	(582)	(459)
Proceeds from issuance of new ordinary shares	11,510	-
Expenditures related to issuance of new shares	(29)	-
Proceeds from reissue of ordinary shares	24	141
Acquisition of NCI without a change in control	48	-
Acquisition (divestment) of subsidiary with NCI	(4)	(4)
Repurchase of shares	(256)	(210)
Liability i.r.t. buy-out non-tendered shares DSM N.V.	(649)	-
Other changes	(43)	4
Balance at 31 December	**23,070**	**10,845**

Share capital

On 31 December 2023, the capital amounted to €2.7 million, consisting of 265.7 million ordinary shares. All DSM-Firmenich AG shares have a nominal value of €0.01 each. The outstanding shares provide an entitlement of one vote per share at the General Meeting of Shareholders. All rights attached to the company's shares held by the Group (treasury shares) are suspended until those shares are reissued.

Share capital movements

	Date of issuance	Quantity	Issue price / share (in €)	Nominal value[1] (in € million)	Share premium (in € million)	Total issuance value (in € million)
DSM N.V. shares swapped into dsm-firmenich shares - 1st offer period	20 April 2023	150,742,711				
DSM N.V. shares swapped into dsm-firmenich shares - 2nd offer period	3 May 2023	16,578,846				
Issued dsm-firmenich shares - compensate for non-tendered shares DSM N.V.	8 May 2023	6,696,477	109.50	0	733	733
Issued dsm-firmenich shares - issued to shareholders Firmenich International SA	8 May 2023	91,658,354	117.58	1	10,776	10,777
Total						**11,510**

1 Nominal value per DSM-Firmenich AG share is €0.01.

In 2023, a total of 167.3 million DSM N.V. shares were exchanged for DSM-Firmenich AG shares (ratio 1:1), 6.7 million new shares were issued and placed in the stock market, and 91.7 million DSM-Firmenich AG new shares were granted to the former Firmenich owners. All shares issued are fully paid.

A number of 6.7 million DSM N.V. shares were not tendered; the company has commenced a statutory buy-out procedure to acquire these shares, and recognized a liability of €649 million at the end of the reporting period.

Prior to the merger, Koninklijke DSM N.V. was the parent of the Group. The changes in the number of issued and outstanding shares in 2022 and 2023 until 8 May are shown in the following table.

Development issued and outstanding shares Koninklijke DSM N.V.

	Issued shares	Issued shares	Treasury shares
	Ordinary	Cumprefs A	Ordinary
Balance at 1 January 2022	**174,786,029**	**44,040,000**	**1,817,299**
Reissue of shares in connection with share-based payments			(617,967)
Repurchase of shares			1,330,000
Dividend in the form of ordinary shares			(818,700)
Balance at 31 December 2022	**174,786,029**	**44,040,000**	**1,710,632**
Number of treasury shares at 31 December 2022	(1,710,632)		
Number of shares outstanding at 31 December 2022	**173,075,397**	**44,040,000**	
Balance at 1 January 2023	**174,786,029**	**44,040,000**	**1,710,632**
Reissue of shares in connection with share-based payments			(280,021)
Shares DSM N.V. swapped to DSM-Firmenich AG shares	(167,321,557)		(662,616)
Cancellation of shares	(767,995)	(44,040,000)	(767,995)
Non-tendered shares recognized as liability	(6,696,477)		
Balance at 31 December 2023	**-**	**-**	**-**

On 28 April 2023, 44.0 million outstanding Cumulative preference shares A Koninklijke DSM N.V. were repurchased for the amount of €256 million. On 31 May 2023, all Cumulative preference shares A and C were canceled.

As of the completion of the merger, DSM-Firmenich AG is the new parent of the Group. The changes in the number of issued and outstanding shares starting 8 May are shown in the following table.

Development issued and outstanding shares DSM-Firmenich AG

	Issued shares Ordinary	Treasury shares Ordinary
Balance at 1 January 2023	**-**	**-**
Issue of new shares via tender process	167,321,557	
Issue of new shares via placement in the market	98,354,831	
Swap treasury shares DSM N.V. to DSM-Firmenich AG		662,616
Reissue of shares in connection with share-based payments		(270,044)
Balance at 31 December 2023	**265,676,388**	**392,572**
Number of treasury shares at 31 December 2023	(392,572)	
Number of shares outstanding at 31 December 2023	**265,283,816**	

Share premium

The share premium increased by €11,260 million mainly due to the issuance of new shares (€11,758 million), partly offset by the dividend distribution out of share premium on 6 July 2023 of €425 million by DSM-Firmenich AG.

Treasury shares

In 2023, the Group did not repurchase own shares to fulfill its obligations under the share-based compensation plans. At 31 December 2023, dsm-firmenich possessed 0.4 million ordinary shares, or 0.15% of the share capital, for servicing share-option rights and share plans. The average purchase price of the ordinary treasury shares as at 31 December 2023 was €112.34.

Other reserves in Shareholders' equity

	Translation reserve	Hedging reserve	Reserve for share-based compensation	Fair value reserve	Total
Balance at 1 January 2022	**177**	**(77)**	**39**	**17**	**156**
Changes:					
Fair-value changes of derivatives	–	(6)	–	–	**(6)**
Release to income statement	(16)	53	–	–	**37**
Fair-value changes of other financial assets	–	–	–	(61)	**(61)**
Exchange differences	267	–	–	–	**267**
Options and performance shares granted	–	–	34	–	**34**
Options and performance shares exercised/canceled	–	–	(29)	–	**(29)**
Transfer to retained earnings	–	–	–	(28)	**(28)**
Income tax	(4)	(3)	–	–	**(7)**
Total changes	247	44	5	(89)	**207**
Balance at 31 December 2022	**424**	**(33)**	**44**	**(72)**	**363**
Changes:					
Fair-value changes of derivatives	–	34	–	–	**34**
Release to income statement	6	(7)	–	–	**(1)**
Fair-value changes of other financial assets	–	–	–	(65)	**(65)**
Exchange differences	144	–	–	–	**144**
Options and performance shares granted	–	–	23	–	**23**
Options and performance shares exercised/canceled	–	–	(23)	–	**(23)**
Transfer to retained earnings	–	–	–	(5)	**(5)**
Income tax	–	(1)	–	5	**4**
Total changes	150	26	–	(65)	**111**
Balance at 31 December 2023	**574**	**(7)**	**44**	**(137)**	**474**

The increase in the Translation reserve in 2023 is mainly caused by a weakening of the euro against the Swiss franc versus a strengthening against the US dollar and Chinese renminbi. As a consequence, the total value of the subsidiaries increased, which led to a positive exchange difference of €144 million.

Additional information on the reserves is provided in Note 6 Share capital to the Parent company financial statements.

Dividend

Prior to the merger, dividend was paid to the holders of cumulative preference shares A and of non-tendered ordinary shares of Koninklijke DSM N.V. In the subsequent period, the Group paid a dividend to the holders of ordinary shares of DSM-Firmenich AG.

Dividend distribution in the reporting year

	2023	2022
Shareholders Koninklijke DSM N.V.		
Per cumulative preference share A: €0.14 (2022: €0.13)	6	6
Interim dividend ordinary shares: (2022: 0.93)	–	161
Final dividend ordinary shares: €22.58 (2022: €1.70)	151	292
Shareholders DSM-Firmenich AG		
Per ordinary share: €1.60	425	
Total	**582**	**459**

Deeply subordinated fixed rate resettable perpetual notes

Firmenich International SA issued deeply subordinated fixed rate resettable perpetual notes for the amount of €750 million on 3 June 2020 with a coupon of 3.75% payable annually at the sole discretion of the issuer until the first reset date i.e. 3 September 2025. Thereafter, the interest rate is reset every 5 years. In 2023, the remuneration on the deeply subordinated fixed rate resettable perpetual notes amounts to €28 million. In accordance with the provisions of IAS 32 Financial Instruments – Presentation, this instrument is accounted for in equity.

17 Non-controlling interests

Accounting policy

Non-controlling interests in subsidiaries are measured at the proportionate share of the subsidiaries' identifiable net assets.

	2023					2022
	Andre Pectin	Yimante	Anthea Aroma	Other	Total	
% of non-controlling interest	25%	25%	50%			
Balance at 1 January	**46**	**47**	**–**	**9**	**102**	**79**
Changes:						
- Share of profit/charged to income statement	5	8	3	–	**16**	15
- Acquisitions	–	–	18	30	**48**	–
- Divestments	–	–	–	(4)	**(4)**	(4)
- Transfers	–	9		–	**9**	11
- Capital payments	–	–	–	–	**–**	4
- Exchange differences	(3)	(3)	–	(3)	**(9)**	(3)
Total changes	2	14	21	23	**60**	23

Balance at 31 December	**48**	**61**	**21**	**32**	**162**	**102**

The shareholding by dsm-firmenich in Yimante Health Ingredients (Jingzhou) Company Ltd. is 75%. The profit will be distributed in a 50:50 proportion. The impact of this arrangement has led to a transfer of €9 million (2022: €11 million) within equity from shareholders' equity to non-controlling interest.

For acquisitions, see Note 3 Change in the scope of consolidation.

Not fully-owned subsidiaries on a 100% basis

	2023					2022
	Andre Pectin	Yimante	Anthea Aroma	Other	Total	
Assets						
Intangible assets	42	20	–	60	**122**	92
Property, plant and equipment	38	127	23	87	**275**	310
Other non-current assets	2	37	1	55	**95**	91
Inventories	42	18	14	69	**143**	68
Receivables	35	47	11	93	**186**	109
Current investments	51	–	–	–	**51**	44
Cash and cash equivalents	1	7	13	82	**103**	41
Total assets	**211**	**256**	**62**	**446**	**975**	**755**
Liabilities						
Provisions (non-current)	10	1	3	10	**24**	14
Borrowings (non-current)	–	–	–	95	**95**	167
Other non-current liabilities	–	1	–	8	**9**	2
Borrowings and derivatives (current)	–	66	5	3	**74**	50
Other current liabilities	8	21	12	118	**159**	112
Total liabilities	**18**	**89**	**20**	**234**	**361**	**345**
Net assets (100% basis)	**193**	**167**	**42**	**212**	**614**	**410**
Net sales	95	219	42	264	**620**	159
Net profit for the year	21	35	6	8	**70**	56
Cash provided by / (used in) operating activities	15	55	10	74	**154**	91

18 Provisions

Accounting policy

Provisions are recognized when there is a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources will be required to settle the obligation, and when a reliable estimate of the amount can be made. The underlying assumptions in the recognition of provisions are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

In cases where the effect of the time value of money is material, provisions are measured at the present value of the expenditures expected to be required to settle the obligation. Where discounting is used, the increase in the provision due to the passage of time is recognized as financial expense.

Differences between the final obligations and the initial estimates are recognized in the consolidated income statement in the period in which such determination is made.

Estimates and judgments

Key estimates made in the accounting for provisions relate to the estimates made in determining the likelihood and timing of potential cash flows included in their measurement.

	Restructuring costs and termination benefits	Environmental costs	Other provisions	Total
Balance at 1 January 2022	**53**	**37**	**34**	**124**
Of which current	49	4	10	**63**
Changes:				
– Additions	44	–	8	**52**
– Releases	(15)	(5)	(8)	**(28)**
– Uses	(41)	(3)	(7)	**(51)**
– Other change	–	–	(2)	**(2)**
Total changes	(12)	(8)	(9)	**(29)**
Balance at 31 December 2022	**41**	**29**	**25**	**95**
Of which current	39	2	4	**45**
Changes:				
– Acquisition	3	–	46	**49**
– Additions	102	4	40	**146**
– Releases	(9)	–	(21)	**(30)**
– Uses	(66)	(3)	(16)	**(85)**
– Other change	1	3	(3)	**1**
Total changes	31	4	46	**81**
Balance at 31 December 2023	**72**	**33**	**71**	**176**
Of which current	25	3	6	**34**

In cases where the effect of the time value of money is material, provisions are measured at the present value of the expenditures expected to be required to settle the obligation. The rate used for discounting decreased from 4.2% to 3.5%. Depending on the risk profile, the discount rates used at the end of 2023 vary from 3.5% to 5.7% (2022: 4.2% to 5.8%). The balance of provisions measured at present value increased by less than €2 million in 2023 in view of the passage of time (similar to 2022).

The provisions for restructuring costs and termination benefits mainly relate to the costs of redundancy schemes connected to the dismissal of employees and costs of termination of contracts. These provisions generally have a term of one to three years.

The restructuring program following up on the change in strategy, aiming to concentrate on Health, Nutrition and Bioscience, which was launched at the end of 2021, was finalized in 2023, with €8 million being used during the year. Furthermore, a restructuring program following up on (the preparation of) the merger of DSM with Firmenich, which was launched in 2022, was also continued. An additional €8 million was recognized for this program, and €9 million was used during the year. Following the announcement of the closure of the Pinova ingredients plant, a provision of €52 million was created, of which €23 million was used so far. In addition, a restructuring provision of €26 million was created, following the announced restructuring of the vitamin asset footprint, of which €12 million was used so far. The other additions to the provisions for restructuring costs and termination benefits in 2023 relate mainly to the various smaller restructuring projects (same as in 2022).

The provisions for environmental costs relate to soil clean-up obligations, among other things. These provisions have an average life of around 30 years.

Several items have been combined under Other provisions, for example, demolition costs, onerous contracts and legal claims. These provisions have an average life of one to 10 years.

19 Borrowings

Accounting policy

Borrowings

Borrowings, including bonds, are not held for trading and are initially recognized at fair value of the proceeds received, net of transaction costs. Subsequently, borrowings are stated at amortized cost using the effective interest method with any discount or premium on the borrowing amortized over the applicable term. The corresponding interest expenses are recorded as financial expense in profit or loss.

Lease liabilities

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, dsm-firmenich uses its incremental borrowing rate as the discount rate. In determining the incremental borrowing rate, dsm-firmenich applies the practical expedient to use a single discount rate to portfolios of leases with reasonably similar characteristics, as reflected in the contractual currency and expected lease term of these contracts.

In general, dsm-firmenich splits the contractual consideration into a lease and a non-lease component based on their relative stand-alone prices. For vehicle leases, however, dsm-firmenich applies the practical expedient not to make this split but rather accounts for the fixed consideration as a single lease component.

Over time, the lease liability is increased by the interest expense related to the unwinding of the lease liability and decreased by the lease payments made. The lease liability is remeasured when dsm-firmenich reassesses or modifies the contractual terms and conditions, including indexation.

Payments related to short-term leases (leases with a term shorter than 12 months) are recognized on a straight-line basis in profit or loss.

Borrowings

	2023		2022	
	Total	Of which current	Total	Of which current
Bonds	4,133	500	2,741	–
Private loans	254	104	116	14
Lease liabilities	415	84	179	44
Credit institutions	28	28	28	28
Total	**4,830**	**716**	**3,064**	**86**

In agreements governing loans with a residual amount at year-end 2023 of €4,133 million (31 December 2022: €2,741 million), negative pledge clauses have been included that restrict the provision of security.

At 31 December 2023, there was €1,340 million in borrowings outstanding with a remaining term of more than 5 years (at 31 December 2022, €1,044 million).

The schedule of repayment of borrowings is as follows.

Borrowings by maturity

	2023	2022
2023	–	86
2024	716	558
2025	633	579
2026	1,560	775
2027 and 2028	581	528
After 2028	1,340	538
Total	**4,830**	**3,064**

A breakdown by currency is given in the following table.

Borrowings by currency

	2023	2022
EUR	4,283	2,833
CNY	140	80
USD	142	84
CHF	102	20
BRL	23	19
Other	140	28
Total	**4,830**	**3,064**

On balance, total borrowings increased by €1,766 million due to the following changes.

Movements of borrowings

	2023	2022
Balance at 1 January	**3,064**	**3,098**
Loans taken up	15	51
Repayments	(549)	(29)
Unwinding (interest)	28	9
Acquisitions / consolidation changes	2,195	9
Transfers	28	–
Disposals	(2)	(28)
Reclassification to held for sale	–	(8)
Changes in debt to credit institutions	–	(21)
New lease arrangements (incl. remeasurements)	128	34
Payment of lease liabilities	(73)	(57)
Exchange differences	(4)	6
Balance at 31 December	**4,830**	**3,064**

A breakdown of bonds is given below.

Bonds

			Nominal amount	2023	2022
EUR loan	2.38%	2014—2024	500	500	500
EUR loan	1.00%	2015—2025	500	500	499
EUR loan	0.75%	2016—2026	750	749	749
EUR loan	0.25%	2020—2028	500	498	496
EUR loan	0.63%	2020—2032	500	496	498
CHF loan	1.00%	2020—2023	475	–	
EUR loan	1.38%	2020—2026	750	711	
EUR loan	1.75%	2020—2030	750	679	
Total			**4,725**	**4,133**	**2,741**

The bonds issued by DSM B.V. have a fixed interest rate and are listed on the AEX.

- The 2.375% EUR bond 2014–2024 of €500 million was pre-hedged by means of forward starting swaps, resulting in an effective interest rate for this bond of 3.97%, including the settlement of the pre-hedge
- The 1% EUR bond 2015–2025 of €500 million was pre-hedged by means of forward starting swaps, resulting in an effective interest rate for this bond at 3.65%, including the settlement of the pre-hedge
- The 0.75% EUR bond 2016–2026 of €750 million was pre-hedged by means of a collar resulting in an effective interest rate for this bond of 1.08%, including the settlement of the pre-hedge
- The 0.25% EUR bond 2020–2028 of €500 million has an effective interest rate of 0.29%
- The 0.625% EUR bond 2020–2032 of €500 million has an effective interest rate of 0.70%

The bonds issued by Firmenich Productions Participations SAS (guaranteed by Firmenich International SA) have a fixed interest rate and are listed on the Euronext Dublin.

- The 1.375% EUR bond 2020–2026 of €750 million has an effective interest rate of 3.18%
- The 1.750% EUR bond 2020–2030 of €750 million has an effective interest rate of 3.47%

The 1% CHF bond 2020-2023 of CHF475 million issued by Firmenich Productions Participations SAS was redeemed on 19 December 2023.

A breakdown of private loans is given below.

Private loans

	2023	2022
CNY loan	128	63
Other loans	126	53
Total	**254**	**116**

A breakdown of the lease liabilities is given below.

Lease liabilities by maturity

	2023	2022
2023	–	49
2024	92	40
2025	77	28
2026	56	20
2027	40	15
2028	33	10
After 2028	196	50
Total undiscounted lease liabilities at 31 December	494	212
Lease liabilities included in the Balance Sheet at 31 December	**415**	**179**
Current	84	44
Non-current	331	135

In addition to the contractual lease commitments, dsm-firmenich has identified explicit renewal options available to dsm-firmenich, which are currently not reasonably certain to be exercised and are therefore not included in the measurement of the lease. The associated future lease payments which are uncommitted and optional for dsm-firmenich, are estimated around €181 million (undiscounted; 2022: €86 million). The interest expense on the lease liabilities was €8 million (2022: €6 million) and the total repayments of the lease liabilities amounted to €73 million in 2023 (2022: €57 million). These cash flows are reported as financing cash flows. dsm-firmenich's policy regarding financial risk management is described in Note 23 Financial instruments and risks.

20 Other non-current liabilities

Accounting policy

Other liabilities are measured at amortized cost, which generally corresponds to the nominal value, or at fair value through profit and loss. The latter is mainly applied to acquisition-related liabilities.

Government grants are recognized at their fair value if there is reasonable assurance that the grant will be received and all related conditions will be complied with. Cost grants, which are grants that compensate dsm-firmenich for expenses incurred, are recognized as income over the periods necessary to match the grant on a systematic basis to the cost that it is intended to compensate. If the grant is an investment grant, its fair value is initially recognized as deferred income in Other non-current liabilities and then released to profit or loss over the expected useful life of the relevant asset.

	2023	2022
Investment grants / customer funding	70	55
Deferred items	30	25
Acquisition-/divestment-related liabilities	45	123
Other	1	2
Total	**146**	**205**

The change in the Other non-current liabilities includes the impact of the merger, and the settlement of an earn-out liability relating to a previous acquisition. See also **Note 3 Change in the scope of the consolidation**.

21 Current liabilities

Accounting policy

Other liabilities are measured at amortized cost, which generally corresponds to the nominal value, or at fair value through profit and loss. The latter is mainly applied to acquisition-related liabilities.

	2023	2022
Trade payables		
Received in advance	8	4
Trade accounts payable	2,063	1,410
Notes and cheques due	–	1
Total Trade payables	**2,071**	**1,415**
Income tax payable	**177**	**64**
Other current liabilities		
Other taxes and social security contributions	85	46
Interest	135	23
Pensions	2	2
Investment creditors	146	118
Employee-related liabilities	310	246
Payables associates and joint ventures relating to cash facility	3	2
Acquisition-/divestment-related liabilities	748	53
Other	7	–
Total Other current liabilities	**1,436**	**490**
Total current liabilities	**3,684**	**1,969**

Included in trade accounts payable are amounts due to suppliers which could be part of a supply chain finance arrangement between the supplier and a third-party bank. dsm-firmenich suppliers have the option to enter into such supply chain finance arrangements with third party banks, which provides them with the option of earlier payment based on terms linked to dsm-firmenich's investment grade credit rating. If a supplier chooses to participate in such an arrangement, this does not impact the classification of the trade payable for dsm-firmenich, as these supply chain finance arrangements are concluded between the banks and the suppliers and do not alter the payment conditions between the supplier and dsm-firmenich. Therefore, these amounts remain classified as trade payables.

In acquisition-/divestment-related liabilities, an amount of €649 million is related to the statutory buy-out of non-tendered shares of DSM N.V. See further **Note 16 Equity**.

22 Contingent liabilities and other financial obligations

The contingent liabilities and other financial obligations in the following table are not recognized in the balance sheet.

	2023	2022
Guarantee obligations on behalf of associates and third parties	170	178
Outstanding orders for projects under construction	15	6
Other	131	104
Total	**316**	**288**

Guarantee obligations are principally related to VAT and duties on the one hand and to financing obligations of associated companies or related third parties on the other. Guarantee obligations will only lead to a cash outflow when called upon. At year-end, no obligations had been called upon. Most of the outstanding orders for projects under construction will be completed in 2024. Other relates mainly to contingent liabilities in contracts for catalysts.

Litigation

dsm-firmenich has a process in place to monitor legal claims periodically and systematically. dsm-firmenich is involved in several legal proceedings, most of which are related to the ordinary course of business. dsm-firmenich does not expect these proceedings to result in liabilities that have a material effect on the company's financial position. In cases where it is probable that the outcome of the proceedings will be unfavorable, and the financial outcome can be measured reliably, a provision has been recognized in the financial statements and disclosed in Note 18 Provisions.

In 2015, an award was issued against DSM Sinochem Pharmaceuticals India Private Ltd. (DSP India) in a protracted arbitration case in India going back to 2004 involving a joint venture that DSP India had formed with Hindustan Antibiotics Ltd., which suspended its operations in 2003. DSP India (renamed to Centrient Pharmaceuticals after divestment by former DSM in 2018) is covered by an indemnity from DSM B.V. for this case. In 2015, DSP India made an application with the Civil Court in Pune (India) to set aside the arbitral award. The award amounts to INR 127.5 crore (€14 million as at year-end 2023) excluding interest of 12% per year as of 2004. In 2019, former DSM provided the Bombay High Court a bank guarantee of INR 150 crore (€16 million as at year-end 2023). At the end of 2023, the application proceedings were still pending. dsm-firmenich views this case as unfounded and is of the opinion that the likelihood of the award being ultimately set aside is high. Therefore, no liability is recognized in respect of this case.

In 2019, Brazilian tax authorities disagreed with certain tax treatment as applied by the company in 2014–2016, which would have an effect on such prior year income tax returns of around BRL 100 million (€19 million as at year-end 2023), including penalties and interest. dsm-firmenich views this case as unfounded and considers that the possibility of winning this case is high, as confirmed by external legal counsel. Therefore, no liability relating to this case is recognized. During 2023 no relevant developments took place that alter this view.

In 2023, certain competition authorities commenced an industry-wide investigation into the fragrances sector. As part thereof, unannounced inspections were carried out at several Firmenich offices and Firmenich received a subpoena from the Antitrust Division of the United States Department of Justice. The company is fully cooperating with the authorities. The investigations are expected to continue at least until next year. As per the date of release of this report, no further update on the status or outcome of the investigation is available. In addition, multiple lawsuits have been filed against the company in the USA and Canada relating to the investigations.

23 Financial instruments and risks

Policies on financial risks

As an international company, dsm-firmenich is exposed to financial risks in the normal course of business. A major objective of Group Treasury is to minimize the impact of market, liquidity and credit risk on the value of the company and its profitability. In order to achieve this, a systematic financial and risk management system has been established. Furthermore an internal control framework is in place, and the controls are monitored and tested periodically.

The derivatives contracts used by dsm-firmenich are entered into exclusively in connection with the corresponding underlying transaction (hedged item) relating to normal operating business. The instruments used are customary products, such as currency swaps, cross-currency interest rate swaps, collars, forward exchange contracts and interest rate swaps.

An important element of dsm-firmenich's capital management is the allocation of cash flow. dsm-firmenich primarily allocates cash flow to investments aimed at strengthening its business positions and securing the payment of dividends to its shareholders. The remaining cash flow is further used for acquisitions and partnerships that strengthen dsm-firmenich's competences and market positions. The net debt to equity ratio (gearing) is 8.8 (2022: 0.8), see also **Note 25 Net debt**.

Liquidity risk

Liquidity risk is the financial risk that an entity does not have and/or cannot access enough liquid cash and/or assets to meet its obligations. This can happen if the entity's credit rating falls, or when it experiences sudden unexpected cash outflows or an unexpected drop in cash inflows, or some other event that causes counterparties to avoid trading with or lending to the entity. Additionally, an entity can be indirectly exposed to market liquidity risk if the financial markets on which it depends are subject to loss of liquidity.

The primary objective of liquidity management is to optimize the corporate cash position, among other things, by securing availability of sufficient liquidity for execution of payments by dsm-firmenich entities, at the right time and in the right place.

At 31 December 2023, dsm-firmenich had cash and cash equivalents of €2,456 million (2022: €2,755 million).

At the end of 2023, DSM B.V. has a committed credit facility amounting to €1.0 billion, maturing on 28 May 2025. The agreement for the committed credit facility has neither financial covenants nor material adverse changes clauses. The committed credit facility links the interest rate to dsm-firmenich's greenhouse gas (GHG) emission reduction. Next to that there is another credit facility of former Firmenich amounting to CHF 0.75 billion, maturing on 4 March 2025. At year-end 2023, no loans had been taken up under the committed credit facilities.

The bridge financing facility contracted in 2022 by former DSM was cancelled in 2023 and there were no drawings under the facility.

In 2023, a bridge financing facility amounting to €1.0 billion was contracted by DSM B.V., maturing on 13 December 2025 and there is no drawing under the facility at year-end.

Furthermore, DSM B.V. has a commercial paper program amounting to €2.0 billion (2022: €2.0 billion). The company will use the commercial paper program to a total of not more than €1.0 billion (2022: €1.0 billion). At 31 December 2023, no commercial paper had been issued (same as 2022).

dsm-firmenich has no derivative contracts to manage currency risk or interest rate risk outstanding under which margin calls by the counterparty would be permitted.

Floating-rate and fixed-rate borrowings and monetary liabilities analyzed by maturity are summarized in the following table. Borrowings excluding credit institutions are shown after taking into account related interest rate derivatives in designated hedging relationships. dsm-firmenich manages financial liabilities and related derivative contracts on the basis of the remaining contractual maturities of these instruments. The remaining maturities presented in the following table provide an overview of the timing of the cash flows related to these instruments. Financial assets are not linked to financial liabilities in order to meet cash outflows on these liabilities.

Financial liabilities

	Carrying amount	Within 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	After 5 years
2022							
Borrowings	3,064	86	558	579	775	22	1,044
Monetary liabilities	2,110	1,969	45	59	15	10	12
Guarantees	178	14	28	–	–	–	136
Derivatives	27	23	3	1	–	–	–
Interest payments	100	27	27	15	10	4	17
Cash at redemption[1]	9	2	2	1	1	1	2
Total	**5,488**	**2,121**	**663**	**655**	**801**	**37**	**1,211**
2023							
Borrowings	4,830	716	633	1,560	39	542	1,340
Monetary liabilities	3,747	3,690	35	6	3	3	10
Guarantees	170	18	1	4	–	–	147
Derivatives	36	28	–	8	–	–	–
Interest payments	201	52	41	33	18	18	39
Cash at redemption[1]	119	27	27	24	12	12	17
Total	**9,103**	**4,531**	**737**	**1,635**	**72**	**575**	**1,553**

1 Difference between nominal redemption and amortized costs.

The following table reflects the exposure of the derivatives to liquidity risk. It contains the cash flows from derivatives with positive fair values and from derivatives with negative fair values so as to provide a complete overview of the derivative-related cash flows. The amounts are gross and undiscounted.

Derivatives cash flow

	2023	2024	2025	2026	2027	**Total**
2022						
Inflow	2,287	52	33	29	4	**2,405**
Outflow	(2,270)	(52)	(34)	(33)	(4)	**(2,393)**
2023						
Inflow		2,608	23	13	5	**2,649**
Outflow		(2,591)	(23)	(21)	(4)	**(2,639)**

Market risk

Market risk can be subdivided into interest rate risk, currency risk and price risk.

Interest rate risk

Interest rate risk is the risk that adverse movements of interest rates lead to high costs on interest-bearing debt or assets, which negatively impact the company's capability to honor its commitments. The aim is to minimize the interest rate risks associated with the financing of the company and thus at the same time optimizing the net interest costs. This translates into a certain desired profile of fixed-interest and floating-interest positions, including cash and cash equivalents, with the floating-interest position not exceeding 60% of net debt.

There were no outstanding fixed-floating interest rate swaps (end of 2022 none).

The following analysis of the sensitivity of borrowings, assets and related derivatives to interest rate movements assumes an instantaneous 1% change in interest rates for all maturities from their level on 31 December 2023, with all other variables held constant. A 1% reduction in interest rates would result in a €23 million pre-tax loss in the income statement and equity on the basis of the composition of financial instruments on 31 December 2023, as floating-rate borrowings are more than compensated for by floating-rate assets (mainly cash). The opposite applies in the case of a 1% increase in interest rates. The sensitivity of financial instruments with a floating interest rate on 31 December 2023 to changes in interest rates is set out in the following table.

For more information regarding fixed or floating interest, see Note 19 Borrowings.

Sensitivity to change in interest rate

	2023			2022		
	Carrying amount	Sensitivity		Carrying amount	Sensitivity	
		+1%	(1%)		+1%	(1%)
Loans to associates and joint ventures	4	–	–	2	–	–
Current investments	107	1	(1)	125	1	(1)
Cash and cash equivalents	2,456	25	(25)	2,755	28	(28)
Short-term borrowings	(716)	(1)	1	(86)	–	–
Long-term borrowings	(4,114)	(2)	2	(2,978)	(1)	1

Currency risk

Currency risk is the risk that adverse movements of foreign currencies negatively impact the results of operations and the financial condition of the company, for example due to losses on assets or liabilities in foreign currencies. The aim is to hedge 100% of the currency risks resulting from sales and purchases at the moment of recognition of the receivables and payables. This is realized by transferring at spot rates the respective exposures to the Group, which are, consequently (on a netted basis), hedged externally.

In addition, operating companies may — under strict conditions — opt for hedging currency risks from firm commitments and forecast transactions. The currencies giving rise to these risks are primarily USD, CHF and JPY. The risks arising from currency exposures are regularly reviewed and hedged when appropriate. dsm-firmenich uses currency forward contracts, spot contracts, and average-rate currency forwards and options to hedge the exposure to fluctuations in foreign exchange rates. At year-end, these instruments had remaining maturities of less than one year. For the hedging of currency risks from firm commitments and forecast transaction cash flows, hedge accounting is applied. Hedge accounting is not applied for hedges of recognized trade receivables and trade payables hedged with short-term derivatives.

To hedge intercompany loans, receivables and payables denominated in currencies other than the functional currency of the subsidiaries, dsm-firmenich uses currency swaps or forward contracts.

The following analysis of the sensitivity of net borrowings and derivative financial instruments to currency movements against the euro assumes a 10% change in all foreign currency rates against the euro from their level on 31 December 2023, with all other variables held constant. A +10% change indicates a strengthening of the foreign currencies against the euro. A -10% change represents a weakening of the foreign currencies against the euro.

Sensitivity to change in exchange rate

	2023			2022		
	Carrying amount	Sensitivity		Carrying amount	Sensitivity	
		+10%	(10%)		+10%	(10%)
Loans to associates and joint ventures	4	–	–	2	–	–
Current investments	107	8	(8)	125	5	(5)
Cash and cash equivalents	2,456	48	(48)	2,755	29	(29)
Short-term borrowings (excluding lease liabilities)	(604)	(9)	9	(42)	(4)	4
Long-term borrowings (excluding lease liabilities)	3,783	(10)	10	(2,843)	(6)	6
Lease liabilities	(415)	(32)	32	(179)	(14)	14
Currency forward contracts	(12)	(43)	43	1	14	(14)
Average-rate forwards used for economic hedging[1]	25	(5)	5	18	(19)	19
Other derivatives	40	1	(1)	78	1	(1)

1 Fair-value change reported in Hedging reserve.

Sensitivity changes on these positions will generally be recognized in profit or loss or in the translation reserve in equity, with the exception of the instruments for which cash flow hedge accounting or net-investment hedge accounting is applied.

In case of a strengthening or weakening of the euro against USD, CHF and CNY (being the key currencies), this would affect the translation of financial instruments denominated in these currencies taking into account the effect of hedge accounting and assuming all other variables being constant.

	Profit or loss		Equity	
	Strengthening	Weakening	Strengthening	Weakening
EUR				
USD (10% movement)	(61)	61	(366)	366
CHF (10% movement)	8	(8)	(299)	299
CNY (10% movement)	(343)	343	(81)	81

Price risk

Financial instruments that are subject to changes in stock exchange prices or indexes are subject to a price risk. At year-end 2023, mainly other participating interests are subject to price risks.

Credit risk

Credit risk is the risk that a (commercial or financial) counterparty may not be able to honor a financial commitment according to the contractual agreement with dsm-firmenich. The company manages the credit risk to which it is exposed by applying credit limits per institution and by dealing exclusively with institutions that have a high credit rating.

At the balance sheet date, there were no significant concentrations of credit risks.

For all financial assets measured at amortized cost, the estimation of the loss allowance for doubtful accounts receivable is based on an expected credit loss (ECL) model.

For trade receivables, dsm-firmenich uses an allowance matrix to measure the lifetime ECL for trade receivables. The loss rates depend among other things on the specified aging categories and are based on historical write-off percentages, taking market developments into account.

For other financial assets, dsm-firmenich applies an ECL model that reflects the size and significance of dsm-firmenich's exposure to credit loss. The ECL is based on the allocation of a credit risk grade which is based on data that is determined to be predictive of the risk of loss (including but not limited to external ratings, audited financial statements, management accounts and cash flow projections and available press information about customers) and applying experienced credit judgement. Credit risk grades are defined using qualitative and quantitative factors that are indicative of the risk of default and are aligned to external credit rating definitions from Moody's.

Risk of default is herewith considered as the risk of bankruptcy, or any legal impediment to the timely payment of either interest and/or principal, as well as missed or delayed disbursement of either interest and/or principal.

The loss allowance on non-current financial assets that has been taken into consideration at the end of 2023 was €0 million (2022: €2 million).

With regard to treasury activities (for example cash, cash equivalents and derivatives held with banks or financial institutions) it is ensured that financial transactions are only concluded with counterparties that have at least a Moody's credit rating of A3 for long-term instruments. At Business Unit level, outstanding receivables are continuously monitored by management. Appropriate allowances are made for any credit risks that have been identified in line with the expected credit loss policy.

The development of the outstanding trade accounts receivable per aging category is as follows.

	2023	**2022**
Neither past due nor impaired	2,008	1,117
1–29 days overdue	100	69
30–89 days overdue	29	100
90 days or more overdue	24	20
Total	**2,161**	**1,306**

The table below provides information about the credit risk exposure per aging category and the ECL for trade accounts receivable of €15 million at 31 December 2023 (31 December 2022: €12 million), see **Note 13 Current receivables**.

	2023			2022		
	Weighted average loss rate	Gross carrying amount	Expected credit loss	Weighted average loss rate	Gross carrying amount	Expected credit loss
Neither past due nor impaired	0.1%	2,008	**(2)**	0.1%	1,117	(1)
1–29 days overdue	0.3%	100	**-**	0.0%	69	-
30–89 days overdue	1.2%	29	**-**	1.0%	100	(1)
90 days or more overdue	54.2%	24	**(13)**	53.0%	20	(10)
Total		**2,161**	**(15)**		**1,306**	**(12)**

The changes in the expected credit loss for trade accounts receivable are as follows.

	2023	2022
Balance at 1 January	**(12)**	**(23)**
Net remeasurement of expected credit loss	(5)	7
Deductions	1	3
Disposals	–	1
Exchange differences	1	–
Balance at 31 December	**(15)**	**(12)**

The maximum exposure to credit risk is represented by the carrying amounts of financial assets that are recognized in the balance sheet, including derivative financial instruments. Former DSM has International Swaps and Derivatives Association (ISDA) agreements in place with its financial counterparties that allow for the netting of exposures in case of a default of either party, but do not meet the criteria for offsetting in the balance sheet. The following table presents the carrying amounts of the derivative financial instruments subject to these agreements. No significant agreements or financial instruments were available at the reporting date that would reduce the maximum exposure to credit risk.

Exposure to credit risk related to derivatives

	2023	2022
Receivables from derivatives presented in the balance sheet	88	124
Related amounts not offset in the balance sheet	(14)	(23)
Net amount	**74**	**101**
Liabilities from derivatives presented in the balance sheet	(36)	(27)
Related amounts not offset in the balance sheet	14	23
Net amount	**(22)**	**(4)**

Notional value of derivative financial instruments

	2023			2022		
	Non-current	Current	Total	Non-current	Current	Total
Cross-currency interest rate swaps	(25)	(31)	**(56)**	(29)	(87)	(116)
Forward exchange contracts, currency options, currency swaps	(2)	(905)	**(907)**	(7)	(973)	(980)
Other derivatives	-	(5)	**(5)**	-	(1)	(1)
Total	**(27)**	**(941)**	**(968)**	**(36)**	**(1,061)**	**(1,097)**

Information about financial assets is presented in **Note 10 Associates and joint arrangements**, **Note 11 Other financial assets**, **Note 13 Current receivables**, **Note 14 Current investments** and **Note 15 Cash and cash equivalents**.

dsm-firmenich may grant corporate guarantees for credit support of subsidiaries and associates, to get access to credit facilities which are necessary for their operating working capital needs and which cannot be funded by the corporate cash pools and/or for bank guarantees needed for local governmental requirements. Information on guarantees is presented in **Note 22 Contingent liabilities and other financial obligations**.

Hedge accounting

dsm-firmenich uses derivative financial instruments to manage financial risks relating to business operations and does not enter into speculative derivative positions. The purpose of cash flow hedges is to minimize the risk of volatility of future cash flows. These may result from a recognized asset or liability or a forecast transaction that is considered highly probable (firm commitment). dsm-firmenich determines the existence of an economic relationship between the hedging instrument and hedging item based on currency, amount and timing of their respective cash-flows. The hedge ratio is dependent on the risk analysis related to the specific cash flow, and can vary from 50% to 100%. Changes in fair value as a result of changes in interest (for cash flows hedges) or as a result of changes in exchange rate (for firm commitment hedges) are recognized in Other comprehensive income (Hedging reserve), and ineffectiveness (mainly as a result of changes in timing of the hedged transactions) will be recognized in the income statement. As soon as the forecast transaction is realized (the underlying hedged item materializes), the amount recognized in the Other comprehensive income will be reclassified to the income statement. In case the hedged future transaction is a non-financial asset or liability, the gain or loss recognized in Other comprehensive income will be included in the cost of acquisition of the asset or liability.

The purpose of a hedge of a net investment is to reduce the foreign currency translation risk of an investment in a company whose functional currency is not the euro. Changes in fair value are recognized in Other comprehensive income (Translation reserve), and ineffectiveness will be recognized in the income statement. The amount recognized in Other comprehensive income will be reclassified to the income statement, upon divestment of the respective foreign subsidiary.

The purpose of a fair value hedge is to hedge the fair value of assets or liabilities reflected on the balance sheet. Changes of fair value in hedging instruments, as well as hedged items, will be recognized in the income statement.

Cash flow hedges

In 2023, former DSM hedged USD 498 million (2022: USD 611 million) of its 2024 projected net cash flow in USD against the EUR by means of average-rate currency forward contracts at an average exchange rate of USD 1.10 per EUR for the four quarters of 2024. Each quarter, the relevant hedges for that quarter will be settled and recognized in the income statement.

In 2023, former DSM also hedged JPY 7,535 million (2022: JPY 5,687 million) of its 2024 projected net cash flow in JPY against the EUR by means of average-rate currency forward contracts at an average exchange rate of JPY 147.11 per EUR for the four quarters of 2024. Former DSM also hedged the projected CHF obligations against the EUR, namely CHF 393 million (2022: CHF 417 million) at an average exchange rate of CHF 0.95 per EUR. These hedges have fixed the exchange rate for part of the USD and JPY receipts and CHF payments in 2024. Cash flow hedge accounting is applied for these hedges. As a result of similar hedges concluded in 2022 for the year 2023, €24 million positive was recognized in the 2023 operating profit of the segments involved in accordance with the realization of the expected cash flows. There was no ineffectiveness in relation to these hedges.

Net investment hedges

The partial hedging of the currency risk associated with the translation of former DSM's CHF-denominated investments was zero at end of 2023 (same as 2022).

	Cash flow hedges Foreign currency risk	
	Inventory purchases	**Other[1]**
2022		
Nominal amount hedged item	29	194
Carrying amount assets	1	18
Carrying amount liabilities	-	-
Line item balance sheet	Derivatives	Derivatives
Change in the value of the hedging instrument	4	(28)
Costs of hedging recognized in OCI	4	1
Reclassified from hedging reserve to income statement	10	30
Line item income statement	Cost of sales	Sales
2023		
Nominal amount hedged item	12	108
Carrying amount assets	1	25
Carrying amount liabilities	-	(1)
Line item balance sheet	Derivatives	Derivatives
Change in the value of the hedging instrument	-	(6)
Costs of hedging recognized in OCI	-	(30)
Reclassified from hedging reserve to income statement	2	(24)
Line item income statement	Cost of sales	Sales

Fair value of financial instruments

The fair value of derivatives and long-term instruments are based on calculations, quoted market prices or quotes obtained from intermediaries.

The portfolio of derivatives consists of average-rate forward contracts that are valued against average foreign exchange forward rates obtained from Bloomberg and other derivatives that are valued using a discounted cash flow model,

applicable market yield curves and foreign exchange spot rates. Inputs for the fair value calculations represent observable
market data that are obtained from external sources that are deemed to be independent and reliable.

dsm-firmenich uses the following hierarchy for determining the fair value of financial instruments:

- Level 1: quoted prices in active markets for identical assets or liabilities
- Level 2: other techniques for which all inputs that have a significant effect on the fair value are observable, either directly or indirectly
- Level 3: techniques that use inputs that have a significant effect on the fair value that are not based on observable market data

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for the financial assets and financial liabilities measured at amortized cost if the carrying amount is a reasonable approximation of the fair value.

Fair value of financial instruments

	Carrying amount					Fair Value			
	Amort. Cost	Fair value hedging instr.	FVTPL	FVOCI	Total	Level 1	Level 2	Level 3	Total
Assets 2022									
Non-current derivatives	–	4	78	–	**82**	–	82	–	**82**
Other participating interests	–	–	–	125	**125**	27	62	36	**125**
Non-current loans to associates and JVs	2	–	–	–	**2**				
Other non-current receivables	158	–	–	–	**158**				
Trade receivables	1,508	–	–	–	**1,508**				
Other current receivables	78	–	–	–	**78**				
Current derivatives	–	42	–	–	**42**	–	42	–	**42**
Current investments	125	–	–	–	**125**				
Cash and cash equivalents	1,262	–	1,493	–	**2,755**	1,493	–	–	**1,493**
Liabilities 2022									
Non-current borrowings	(2,978)	–	–	–	**(2,978)**	(2,432)	–	–	**(2,432)**
Non-current derivatives	–	(4)	–	–	**(4)**	–	(4)	–	**(4)**
Other non-current liabilities	(82)	–	(123)	–	**(205)**	–	–	(123)	**(123)**
Current borrowings	(86)	–	–	–	**(86)**	–	–	–	**–**
Current derivatives	–	(23)	–	–	**(23)**	–	(23)	–	**(23)**
Trade payables	(1,415)	–	–	–	**(1,415)**				
Other current liabilities	(490)	–	–	–	**(490)**				
Assets 2023									
Non-current derivatives	–	2	44	–	**46**	–	46	–	**46**
Other participating interests	–	–	–	576	**576**	467	78	31	**576**
Non-current loans to associates and JVs	11	–	–	–	**11**				
Other non-current receivables	104	–	–	–	**104**				
Trade receivables	2,553	–	–	–	**2,553**				
Other current receivables	183	–	–	–	**183**				
Current derivatives	–	42	–	–	**42**	–	42	–	**42**
Current investments	107	–	–	–	**107**				
Cash and cash equivalents	1,526	–	931	–	**2,456**	931	–	–	**931**
Liabilities 2023									
Non-current borrowings	(4,114)	–	–	–	**(4,114)**	(3,482)	–	–	**(3,482)**
Non-current derivatives	–	(3)	(5)	–	**(8)**	–	(3)	(5)	**(8)**
Other non-current liabilities	(101)	–	(45)	–	**(146)**	–	–	(45)	**(45)**
Current borrowings	(716)	–	–	–	**(716)**	(498)	–	–	**(498)**
Current derivatives	–	(28)	–	–	**(28)**	–	(28)	–	**(28)**
Trade payables	(2,071)	–	–	–	**(2,071)**				
Other current liabilities	(1,436)	–	–	–	**(1,436)**				

24 Employee benefits

Accounting policy

Short-term employee benefits
Short-term employee benefits are generally recognized as an expense in the period the employee renders services to dsm-firmenich.

Post-employment benefits: Defined contribution plans
For dsm-firmenich's defined contribution plans, the obligations are limited to the payment of contributions, which are recognized as Employee benefit costs.

Post-employment benefits: Defined benefit plans
For defined benefit plans, the aggregate of the value of the defined benefit obligation and the fair value of plan assets for each plan is recognized as a net defined benefit liability or asset. Defined benefit obligations are determined using the projected unit credit method. Plan assets are recognized at fair value. If the fair value of plan assets exceeds the present value of the defined benefit obligation, a net asset is only recognized to the extent that the asset is available for refunds to the employer or for reductions in future contributions to the plan. Defined benefit pension costs consist of three elements: service costs, net interest, and remeasurements. Service costs are part of Employee benefit costs and consist of current service costs. Past service costs and results of plan settlements are included in Other operating income or expense. Net interest is part of Finance income and expense and is determined on the basis of the value of the net defined benefit asset or liability at the start of the year, and on the interest on high-quality corporate bonds. Remeasurements are actuarial gains and losses, the return (or interest cost) on net plan assets (or liabilities) excluding amounts included in net interest and changes in the effect of the asset ceiling. These remeasurements are recognized in Other comprehensive income as they occur and are not recycled through profit or loss at a later stage.

Post-employment defined benefit plans include pension plans and other post-employment benefits.

Other employee benefits
The service cost, the net interest on the net defined liability (asset) and remeasurements of the net defined liability (asset) related to other long-term employee benefits, such as jubilee and incentive plans, are recognized in profit or loss.

Estimates and judgments
Management makes assumptions regarding variables such as discount rate, future salary increases, life expectancy, and future healthcare costs. Management consults with external actuaries regarding these assumptions at least annually for significant plans. Changes in these key assumptions can have a significant impact on the projected defined benefit obligations, funding requirements and periodic costs incurred.

The Employee benefit liabilities of €569 million (2022: €292 million) consist of €388 million related to pensions (2022: €247 million), €58 million related to other post-employment benefits (2022: €16 million) and €123 million related to other employee benefits (2022: €29 million). See also the table below.

	2023	2022
Employee benefit liabilities		
Pension plans and other post-employment benefits	446	263
Other employee benefits	123	29
Total	**569**	**292**
Of which current	49	5

The Group operates a number of defined benefit plans and defined contribution plans throughout the world, the assets of which are generally held in separately administered funds. The pension plans are generally funded by payments from employees and from the relevant group companies. The Group also provides certain additional healthcare benefits to retired employees in the US and Switzerland.

Post-employment benefits are employee benefits (other than termination benefits and short-term employee benefits) that are payable after the completion of employment. Post-employment benefit accounting is intended to reflect the recognition of post-employment benefits over the employee's approximate service period, based on the terms of the plans and the investment and funding.

The charges for post-employment benefit costs recognized in the income statement (Note 5 Net sales and costs) relate to the following.

Post-employment benefit costs

	2023	2022
Defined benefit plans:		
- Current service costs pension plans	55	38
- Other post-employment benefits	4	3
Defined contribution plans	100	61
Total pension costs included in employee benefit costs	**159**	**102**
- Pension costs included in Other operating (income) / expense	(1)	(2)
Total in operating profit, continuing operations	**158**	**100**
Pension costs included in Financial income and expense	8	3
Total continuing operations	**166**	**103**
Discontinued operations	4	19
Total	**170**	**122**
Of which:		
- Defined contribution plans	103	79
- Defined benefit plans	67	43

For 2024, costs for the defined benefit plans relating to pensions are expected to be €86 million (2023: €40 million).

Changes in net liabilities of the post-employment benefits recognized in the balance sheet are shown in the following overview.

	Funded and unfunded defined benefit obligations	Fair value of plan assets	Impact of minimum funding requirement/ asset ceiling	Net liabilities/ (assets) recognized in the balance sheet
Balance at 1 January 2022	2,156	(1,887)	–	**269**
Included in income statement:				
– Current service cost	40	–	–	**40**
– Interest expense / (income)	19	(16)	–	**3**
Total included in income statement	59	(16)	–	**43**
Included in other comprehensive income:				
– Loss / (gain) from change in financial assumptions	(500)	–	–	**(500)**
– Return on plan assets excluding interest income	–	369	–	**369**
– Asset ceiling change, excluding movement through income statement	–	–	126	**126**
Total included in other comprehensive income	(500)	369	126	**(5)**
Other				
– Benefits paid (including transfers in and out)	(84)	70	–	**(14)**
– Contributions by plan participants	19	(19)	–	**–**
– Employer contributions	–	(42)	–	**(42)**
– Currency translation adjustment and other	63	(68)	3	**(2)**
– Reclassification held for sale	(5)	–	–	**(5)**
Total other	(7)	(59)	3	**(63)**
Balance at 31 December 2022	**1,708**	**(1,593)**	**129**	**244**
Net defined benefit assets				**(19)**
Net defined benefit liabilities				**263**
Total				**244**
– Current service cost	59	3	–	**62**
– Interest (expense) / income	74	(69)	3	**8**
Total included in income statement	133	(66)	3	**70**
Included in other comprehensive income:				
– Loss / (gain) from change in demographic assumptions	(6)	–	–	**(6)**
– Loss / (gain) from change in financial assumptions	203	–	–	**203**
– Experience loss / (gain)	20	–	–	**20**
– Return on plan assets excluding interest income	–	(61)	–	**(61)**
– Asset ceiling change, excluding movement through income statement	–	–	(62)	**(62)**
Total included in other comprehensive income	217	(61)	(62)	**94**
Other				
– Benefits paid (including transfers in and out)	(186)	154	–	**(32)**
– Contributions by plan participants	44	(44)	–	**–**
– Employer contributions	–	(63)	–	**(63)**
– Settlements	(190)	186	–	**(4)**
– Balance sheet transfer	3	–	–	**3**
– Acquisition / disposals	1,480	(1,407)	18	**91**
– Currency translation adjustment and other	130	(136)	5	**(1)**
Total other	1,281	(1,310)	23	**(6)**
Balance at 31 December 2023	**3,339**	**(3,030)**	**93**	**402**
Net defined benefit assets				**(44)**
Net defined benefit liabilities				**446**
Total				**402**

The fair value of the plan assets consists of 78% of quoted assets (2022: 94%).

Pension-plan assets by category

	2023	2022
Equities	843	389
Bonds	1,061	730
Derivatives	1	–
Property	577	350
Insurance policies	48	1
Other	417	108
Cash and bank deposits	83	15
Total plan assets	**3,030**	**1,593**

The pension-plan assets include neither ordinary dsm-firmenich shares nor property occupied by dsm-firmenich. In 2024, dsm-firmenich is expected to contribute €79 million (actual 2023: €67 million) to its defined benefit plans in the core countries.

The countries with the most significant defined benefit obligations for dsm-firmenich are specified in the following table.

Defined benefit plans in core countries

	Switzerland	United States of America	United Kingdom	Germany	Other countries	Total
Defined benefit plans 2022						
Funded and unfunded defined benefit obligations	1,096	201	159	244	8	**1,708**
Fair value of plan assets	(1,228)	(203)	(154)	(8)	–	**(1,593)**
Net excess of liabilities/(assets) over obligations	**(132)**	**(2)**	**5**	**236**	**8**	**115**
Unrecognized assets due to asset ceiling	124	4	1	–	–	**129**
Net excess of liabilities/(assets) over obligations recognized	**(8)**	**2**	**6**	**236**	**8**	**244**
Composed of						
Net defined benefit assets	(9)	(10)	–	–	–	**(19)**
Net defined benefit liabilities	1	12	6	236	8	**263**
Total changes	**(8)**	**2**	**6**	**236**	**8**	**244**
Defined benefit plans 2023						
Funded and unfunded defined benefit obligations	2,633	197	210	256	43	**3,339**
Fair value of plan assets	(2,621)	(196)	(200)	(10)	(3)	**(3,030)**
Net excess of liabilities/(assets) over obligations	**12**	**1**	**10**	**246**	**40**	**309**
Unrecognized assets due to asset ceiling	93	–	–	–	–	**93**
Net excess of liabilities/(assets) over obligations recognized	**105**	**1**	**10**	**246**	**40**	**402**
Composed of						
Net defined benefit assets	(30)	(14)	–	–	–	**(44)**
Net defined benefit liabilities	135	15	10	246	40	**446**
Total changes	**105**	**1**	**10**	**246**	**40**	**402**

The main actuarial assumptions for the year (weighted averages) are:

Actuarial assumptions for major plans

	Switzerland	United States of America	United Kingdom	Germany
2022				
Discount rate	2.20%	5.40%	4.80%	3.70%
Price inflation	1.25%	0.00%	3.35%	0.00%
Salary increase	2.25%	3.00%	0.00%	3.20%
Pension increase	0.00%	0.00%	3.15%	2.60%
2023				
Discount rate	1.30%	5.00%	4.50%	3.20%
Price inflation	1.25%	0.00%	3.15%	2.20%
Salary increase	2.25%	3.00%	0.00%	2.80%
Pension increase	0.00%	0.50%	2.93%	2.20%

The above mentioned actuarial assumptions are harmonized for all defined benefit plans in a country.

Sensitivities of significant actuarial assumptions

The discount rate, the future increase in wages and salaries and the pension increase rate were identified as significant actuarial assumptions. The following impacts on the defined benefit obligation are to be expected.

- A 0.25% increase/decrease in the discount rate would lead to a decrease/increase of 2.9% (2022: 2.5%) in the defined benefit obligation
- A 0.25% increase/decrease in the expected increase in salaries/wages would lead to an increase/decrease of 0.3% (2022: 0.3%) in the defined benefit obligation
- A 0.25% increase/decrease in the expected rate of pension increase would lead to an increase/decrease of less than 1.6% (2022: 0.6%) in the defined benefit obligation

The sensitivity analysis is based on realistically possible changes as at the end of the reporting year. Each change in a significant actuarial assumption was analyzed separately as part of the test. Interdependencies were not taken into account.

Main defined benefit plans description

The dsm-firmenich Group companies have various pension plans, which are geared to the local regulations and practices in the countries in which they operate. As these plans are designed to comply with the statutory framework, tax legislation, local customs, and economic situation of the countries concerned, it follows that the nature of the plans varies from country to country. The plans are based on local legal and contractual obligations.

dsm-firmenich's current policy is to offer defined contribution retirement benefit plans to new employees wherever possible. However, dsm-firmenich still has a (small) number of defined benefit pension and healthcare schemes from the past or in countries where legislation does not allow us to offer a defined contribution scheme. Generally, these schemes have been funded through external trusts or foundations, where dsm-firmenich faces the potential risk of funding shortfalls.

The most significant defined benefit schemes are:

- DSM Nutritional Products (DNP) AG Pension Plan in Switzerland (DNP AG)
- Pension Plan at Firmenich SA in Switzerland
- DSM UK Pension Scheme in the UK
- Consolidated Pension Plan of DSM North America, Inc. in the US
- Pension plan at Firmenich, Inc. in the US
- Pension Plan at DSM Nutritional Products GmbH in Germany (DNP GmbH)

For each plan, the following characteristics are relevant:

DNP AG Pension Plan in Switzerland

The DNP AG Pension Plan is a typical Swiss Cash Balance plan. For accounting purposes, this plan is qualified as a defined benefit plan. It is a contribution-based plan, with no promise of indexation for on-going pensions. The Swiss state minimal requirements for occupational benefit plans have however to be respected.

The purpose of the plan is to protect the (legacy) DSM employees against the economic consequences of retirement, disability and death. The employer and employees pay contributions to the pension plan at rates set out in the pension plans rules based on a percentage of salary. The amount of the retirement account can be taken by the employee at retirement in the form of pension or capital.

The weighted average duration of the defined benefit obligation is 10.8 years (2022: 10.0 years) which could be seen as an indication of the maturity profile of the scheme.

According to the Swiss Federal Law on Occupational Retirement, Survivors and Disability (LPP/BVG), the Swiss Pension plans are managed by independent and legally autonomous entities which have the legal structure of foundation. The Pension Boards are composed of equal numbers of employee and employer representatives. Each year, the Pension Boards decide the level of interest, if any, to apply to the retirement accounts in accordance with the pension policy.

It is also responsible for the investment of the assets and defining the investment strategy for long-term returns with an acceptable level of risk. The plan assets are collectively invested (no individual investment choice).

Firmenich SA Pension Plan in Switzerland

The Firmenich SA Pension Plan is a typical Swiss Cash Balance plan. For accounting purposes, this plan is qualified as a defined benefit plan. It is a contribution-based plan, with no promise of indexation for on-going pensions. The Swiss state minimal requirements for occupational benefit plans have however to be respected.

The purpose of the plan is to protect the (legacy) Firmenich employees against the economic consequences of retirement, disability and death. The employer and employees pay contributions to the pension plan at rates set out in the pension plans rules based on a percentage of salary. The amount of the retirement account can be taken by the employee at retirement in the form of pension or capital.

The weighted average duration of the defined benefit obligation is 14.3 years which could be seen as an indication of the maturity profile of the scheme.

According to the Swiss Federal Law on Occupational Retirement, Survivors and Disability (LPP/BVG), the Swiss Pension plans are managed by independent and legally autonomous entities which have the legal structure of foundation. The Pension Boards are composed of equal numbers of employee and employer representatives. Each year, the Pension Boards decide the level of interest, if any, to apply to the retirement accounts in accordance with the pension policy. It is also responsible for the investment of the assets and defining the investment strategy for long-term returns with an acceptable level of risk. The plan assets are collectively invested (no individual investment choice).

DSM UK Pension Scheme

The DSM UK Pension Scheme was closed as of 30 September 2016 for all pension accruals. An unconditional indexation policy is applicable for the vested pension rights.

The weighted average duration of the defined benefit obligation is 13.9 years (2022: 14.3 years), which could be seen as an indication of the maturity profile of the scheme.

The pension plan is managed and controlled by a dsm-firmenich company pension fund. The Board of Trustees consists of representatives of the employer and the employees who have an independent role. Till last year, there were two company guarantees in place: (1) a guarantee from DNP AG (capped at GBP 14 million) related to the 2012 valuation, and (2) a guarantee from Royal DSM (capped at GBP 11 million) related to arrangements with respect to former UK divestments. Both guarantees were surrendered by a one-time payment of the company.

There is a long-term de-risking strategy for the DSM UK Pension Scheme in place with the objective to align the company's intentions and the Trustees responsibility with respect to this plan.

Consolidated Plan of DSM North America, Inc. in the US

The Consolidated Plan in the US has been closed to new entrants since 2014. As of 31 December 2016, the plan was closed for pension accrual of the non-unionized employees, and as a result of the DRF divestment in 2021, it was fully frozen for all unionized employees as well. In December 2023, all pension liabilities within the plan were fully settled with an insurance company.

As a result of the settlement, the weighted average duration of the defined obligations is 0.0 years (2022: 9.7 years).

The pension plan was managed and controlled by a DSM company pension fund. The pension fund will finalize the last formalities and will finally be liquidated.

Pension plan at Firmenich, Inc. in the US

The plan provides benefits on a defined benefit basis, and is closed to all new employees. The plan was also frozen to the majority of current employees for future benefit accruals. The grandfathered Group of participants to the defined benefit plan continue to accrue benefits which are payable at retirement and on death in service. With exceptions for optional lump sum amounts for certain sections of the plan, the benefits are paid out as annuities.

The US pension plan is qualified under and is managed in accordance with the requirements of US federal law. In accordance with federal law the assets of the plan are legally separate from the employer and are held in a pension trust. The law requires minimum and maximum amounts that can be contributed to the trust, together with limitations on the amount of benefits that may be provided under the plan. There are named fiduciaries that are responsible for ensuring the plan is managed in accordance with the law. The fiduciaries are responsible for defining the investment strategy for long-term returns with an acceptable level of risk as well as the oversight of the investment of plan assets. The employees do not contribute to the plan and the employer contributes to the plan amounts which are at least equal to the minimum required by the law and not more than the maximum that would limit the tax deductibility of the contributions.

The weighted average duration of the defined benefit obligation is 9.6 years which could be seen as an indication of the maturity profile of the scheme.

DNP GmbH Pension Plan in Germany

The DNP GmbH Pension Plan in Germany has been closed to new entrants as of 31 December 2008. The accrual is still applicable for employees who have been participating in the plan since 2008. The pension plan is a final-pay pension plan (averaged over the last 12 months prior to retirement) and service-related benefit.

The liability is on the balance sheet of DSM Nutritional Products GmbH. No assets are allocated to this liability. All reimbursements will be paid out by the local company.

The weighted average duration of the defined benefit obligation is 12.0 years (2022: 12.9 years), which could be seen as an indication of the maturity profile of the scheme.

Other employee benefits

Other employee benefits comprise jubilees, long-term incentive (LTI) plans to senior management and deferred compensation liabilities. The changes in other employee benefits are listed below.

	Other employee benefits
Balance at 1 January 2022	**40**
Of which current	5
Changes:	
– Additions	(3)
– Uses	(4)
– Reclassification to held for sale	(4)
Total changes	(11)
Balance at 31 December 2022	**29**
Of which current	4
Changes:	
– Acquisition	97
– Additions	54
– Releases	(15)
– Uses	(43)
– Other change	1
Total changes	94
Balance at 31 December 2023	**123**
Of which current	49

25 Net debt

The development of the components of net debt is as follows.

	Cash and cash equivalents	Current investments	Non-current borrowings	Current borrowings	Derivatives	Total
Balance at 1 January 2022	**1,561**	**489**	**(2,995)**	**(103)**	**29**	**(1,019)**
Change from operating activities	965	–	(9)	–	65	**1,021**
Change from investing activities	876	(364)	7	20	–	**539**
Reclassification from non-current to current	–	–	40	(40)	–	**-**
Transfers	(58)	–	17	39	2	**-**
Dividend	(345)	–	–	–	–	**(345)**
Interest	(52)	–	–	–	–	**(52)**
Proceeds from reissued shares	25	–	–	–	–	**25**
New/unwinding leases	–	–	(34)	–	–	**(34)**
Repurchase of shares	(210)	–	–	–	–	**(210)**
Other	(5)	–	–	–	(5)	**(10)**

Change from financing activities	**(645)**	**-**	**23**	**(1)**	**(3)**	**(626)**
Exchange differences	(2)	–	(4)	(2)	6	**(2)**
Total changes	**1,194**	**(364)**	**17**	**17**	**68**	**932**
Balance at 31 December 2022	**2,755**	**125**	**(2,978)**	**(86)**	**97**	**(87)**
Change from operating activities	1,265	–	–	–	(49)	**1,216**
Change from investing activities	(726)	(18)	(1,652)	(569)	–	**(2,965)**
Reclassification from non-current to current	–	–	578	(578)	–	**-**
Transfers	(610)	–	90	516	4	**-**
Dividend and remuneration perpetual notes	(610)	–	–	–	–	**(610)**
Interest	(61)	–	(19)	–	–	**(80)**
Proceeds from (re)issued shares	757	–	–	–	–	**757**
New/unwinding leases	–	–	(136)	–	–	**(136)**
Repurchase of shares	(256)	–	–	–	–	**(256)**
Other	(40)	–	–	–	–	**(40)**
Change from financing activities	**(820)**	**-**	**513**	**(62)**	**4**	**(365)**
Exchange differences	(18)	–	3	1	–	**(14)**
Total changes	**(299)**	**(18)**	**(1,136)**	**(630)**	**(45)**	**(2,128)**
Balance at 31 December 2023	**2,456**	**107**	**(4,114)**	**(716)**	**52**	**(2,215)**

In 2023, the gearing (net debt / equity plus net debt) was 8.8% (in 2022: 0.8%).

26 Notes to the cash flow statements

The cash flow statement provides an explanation of the changes in cash and cash equivalents. It is prepared on the basis of a comparison of the balance sheets at 1 January and 31 December. Changes that do not involve cash flows, such as changes in exchange rates, amortization, depreciation, impairment losses and transfers to other balance sheet items, are eliminated.

Changes in working capital due to the acquisition or disposal of consolidated companies are included under Investing activities.

The Consolidated cash flow statement includes an analysis of all cash flows in total, therefore including both continuing and discontinued operations. For the amounts related to discontinued operations split by activities and a reconciliation of results from continuing operations to total, see Note 3 Change in the scope of the consolidation.

Most of the changes in the cash flow statement can be traced back to the detailed statements of changes for the balance sheet items concerned. For those balance sheet items for which no detailed statement of changes is included, the table below shows the link between the change according to the balance sheet and the change according to the cash flow statement.

Change in operating working capital

	2023	2022
Operating working capital		
Balance at 1 January	2,432	2,330
Balance at 31 December	3,872	2,432
Balance sheet change	**1,440**	**102**
Adjustments:		
– Exchange differences	47	(63)
– Changes in consolidation (including acquisitions and disposals)	(1,899)	399
– Transfers/non-cash value adjustments	148	21
Total change in operating working capital according to the cash flow statement	**(264)**	**459**

In 2023, the operating working capital continuing operations was €3,872 million (2022: €2,432 million), which amounts to 31.1% of annualized fourth-quarter net sales (2022: 29.0%).

Acquisition of subsidiaries of €3,691 million consists of the cash related part of the consideration for Firmenich International SA of €3,500 million, Adare Biome of €290 million and acquisition/earn-out related costs of €184 million, offset partly by the cash held by the acquired entities of €285 million. The disposal of subsidiaries, businesses and associates of €3,533 million consists primarily of the cash impact of the divestment of the Engineering Materials business for €3,553 million. See also Note 3 Change in the scope of the consolidation.

27 Share-based compensation

Accounting policy

Share-based compensation at dsm-firmenich consists of the granting of Performance Share Units (PSUs) and Restricted Share Units (RSUs), and stock option plans to eligible employees.

PSUs and RSUs generally vest after three years on the achievement of predefined vesting conditions. The cost of PSUs and RSUs is measured by reference to the fair value of the dsm-firmenich shares on the date on which the PSUs and RSUs were granted or modified. The cost is recognized in profit or loss (Employee benefit costs) during the vesting period, together with a corresponding increase in equity. Vesting conditions other than market conditions are considered by adjusting the number of equity instruments, so that the amount recognized during the vesting period in employee benefit costs is based on the number of share units that eventually vest.

Estimates and judgments

Key estimates related to share-based compensation costs for PSUs and RSUs are the estimation of fair values of the shares on the grant or modification date, and the number of shares that will vest. An independent third party conducts the fair value calculation as far as vesting is tied to market conditions, using the Monte Carlo method.

Restricted- and Performance Share Unit Plan

The dsm-firmenich Restricted- and Performance Share Unit Plan provides rules for the grant of RSUs and/or PSUs to eligible employees. Considering the plan rules that allow multiple grant dates, best practice is to effectuate the grant of share units on the last trading day at the Amsterdam Stock Exchange in March. In principle PSUs will be granted; RSUs may be granted in specific circumstances.

Subject to the plan and considering the effective date of the merger, the 2023 grant was conducted per 31 July 2023. This grant concerned the Members of the Executive Committee and the Global Management Team (i.e., the group of senior leaders composed of employees eligible for an LTI grant under policies applicable at both legacy companies). The performance period of this grant ends 31 December 2025, vesting will be effectuated 31 March 2026.

The number of share units to be granted is based on job level, contribution, and the face value of the dsm-firmenich share over a reference period. As a result, the number of share units to be granted annually will fluctuate with the share price development.

RSUs and PSUs are subject to a vesting period of 3 years starting at the grant date. Vesting of RSUs is subject to continued employment until the vesting date ('time vesting'). In addition, vesting of PSUs is also subject to the achievement of predefined performance targets at the end of the performance period. In view of the merger of equals between DSM and Firmenich, it was decided (as included in the Offering Circular) that the PSUs granted under DSM's Long-Term Incentive plan in 2021 and 2022, respectively, shall vest against the average of the vesting result achieved over the vesting that occurred in 2020, 2021 and 2022. Non-vested share units will be forfeited. If employment is terminated prior to the vesting date, specific rules regarding vesting and forfeitures apply.

As included in the Offering Circular, all rights of eligible persons recorded as outstanding immediately prior to the settlement of the merger related to equity grants made under DSM legacy plans related to DSM stock, such as PSUs, RSUs or stock options, have been exchanged for equivalent rights related to dsm-firmenich stock ('roll-over').

In line with the Articles of Association and the respective plan rules, fifty percent of the Base Fee due to the Members of the Board of Directors has been delivered in RSUs. The 2023 grant was implemented on 30 September 2023 and concerns the period between 18 April 2023 and the 2024 AGM. In principle, the vesting term is three years. However, if a board mandate ceases for whatever reason within such vesting period, outstanding unvested RSUs will vest (in full or pro-rated) as per the effective date of such cessation, subject to a one year holding period.

The 2023 grant of PSUs under the dsm-firmenich Restricted- and Performance Share Unit Plan to Members of the Executive Committee and other eligible employees is based on the at target level; in 2023 this concerned 398,886 share units.

The grant to the Members of the Board of Directors concerns 50% of the applicable Base Fee and involved 18,239 RSUs in 2023.

Overview of share units granted to Members of the Board of Directors

Year of grant	Outstanding at 31 Dec. 2022	In 2023			Outstanding at 31 Dec. 2023	Share price at date of grant (€)	Expiry date
		Granted	Vested	Forfeited/ expired			
2023	-	18,239	-	-	18,239	80.21	18 Apr 2026

At former DSM, grants to the Executive Committee were based on the maximum number to vest while the grant to other eligible employees is – as of 2021 – based on the 'at-target' grant level (in previous years this was the 'maximum number' that could vest). This 'at-target' grant level includes RSUs as well as PSUs. The 2020 grant vested 31 March 2023. The vesting percentage for the Managing Board / Executive Committee was 105% of the at target grant (or 70% of the maximum to vest i.e., the number initially granted). For other eligible employees, all outstanding RSUs vested the vesting date, while the vesting % for the PSUs was 135% of the at target grant. In total 56,088 RSUs and 85,435 PSUs vested.

Overview of share units Executive committee and other eligible employees

Year of grant	Outstanding at 31 Dec. 2022	In 2023 Granted	Vested[1]	Forfeited/ expired	Outstanding at 31 Dec. 2023	Share price at date of grant (€)	Expiry date
2020	104,118	15,942	(118,897)	(1,163)	–	103.50	31 Mar 2023
2021	89,667	–	(13,398)	(2,178)	74,091	144.30	31 Mar 2024
2022	86,053	180	(10,011)	(3,033)	73,189	162.50	31 Mar 2025
2023	–	319,317	(1,546)	(4,571)	313,200	97.67	31 Mar 2026
2023 Total	**279,838**	**335,439**	**(143,852)**	**(10,945)**	**460,480**		
	at 31 Dec. 2021				at 31 Dec. 2022		
2022 Total	236,833	90,486	(35,885)	(11,596)	279,838		

1 Restricted- and Performance Share Units may partly vest upon termination of employment in connection with, for example, divestments, retirement or early retirement.

In September 2022, a group of senior key employees (excluding the Co-CEOs) at DSM received an RSU grant, which was subject to completion of the merger between DSM and Firmenich. As the merger was completed, the RSUs were finally granted. Upon vesting, the respective grant will be settled in cash.

These cash-settled RSUs vest in September 2025 and have a fair value on 31 December 2023 of €92.00.

Overview of cash-settled RSUs

Year of grant	Outstanding at 31 Dec. 2022	In 2023 Granted	Vested	Forfeited/ expired	Outstanding at 31 Dec. 2023	Share price at date of grant (€)	Expiry date
2022	102,166	194	(4,141)	(4,130)	94,089	117.45	30 Sep 2025

Measurement of fair value

The following assumptions were used to determine the fair value of the equity-settled share units at grant date.

Assumptions equity-settled share units

	2023	2022
Share units granted to ExCo and other executives		
Risk-free rate[1]	2.79%	0.25%
Expected share life in years	3	3
Nominal share life in years	3	3
Share price in €[1]	100.50	162.50
Expected dividend in €	1.00	2.50
Fair value of share granted in €	97.67	156.37
Share units granted to Board of Directors		
Risk-free rate[1]	3.45%	
Expected share life in years[2]	1	
Nominal share life in years	1	
Share price in €[1]	80.13	
Expected dividend in €	1.00	
Fair value of share granted in €	79.16	

1 The differences in the risk-free rate and share price are due to different grant dates.
2 The performance period of the share unit is one year, it vests however only after three years.

Share-based compensation

An amount of €29 million is included in the costs for wages and salaries for share-based compensation (2022: €35 million).

The following table specifies the share-based compensation.

Share-based compensation

	2023	2022
Stock options	–	7
Equity-settled share units	23	27
Cash-settled share units	6	1
Total expense	**29**	**35**

28 Related parties

Accounting policy

dsm-firmenich has identified its key management personnel and its associates and joint ventures as related parties. For associates and joint ventures, see also Note 10 Associates and joint arrangements.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, as defined by IAS 24 ‘Related Parties’. IAS 24 requires disclosure of key management personnel split in the total of short-term employee benefits (salary and short-term incentive), post-employment (pension expenditure) and other long-term benefits, termination benefits and share-based payment cost (share-based compensation).

Transactions with associates and joint ventures

	2023	2022
Sales to	12	18
Purchases from	105	35
Loans to	11	1
Receivables from	17	17
Payables to	5	4
Interest from	–	1
Commitments to	6	–

dsm-firmenich may issue guarantees as credit enhancement of associates to acquire bank facilities for these associates. dsm-firmenich has provided guarantees to third parties for debts of associates for an amount of €28 million (2022: €60 million). Expected credit losses for receivables from related parties amount to zero (same as 2022).

Other related-parties disclosures relate entirely to key management of dsm-firmenich, being represented by the company’s management. For further details about their remuneration, see below.

Key management personnel

For the period January 2023 until March 2023, the Supervisory Board, the Managing Board, and the Executive Committee of former DSM meet the definition of key management personnel. As of April 2023, the Members of the Board of Directors and the Members of the Executive Committee of dsm-firmenich meet the definition of key management personnel. Personnel expenses are recognized in the regarding service period. Personnel expenses relating to the remuneration of the

Supervisory Board (SB), the Managing Board (MB), and the Executive Committee (EC) of former DSM over the regarding service period are shown in below table.

Remuneration expenses SB, MB, and EC of former DSM

x € thousand	2023	2022
Base salary / Supervisory Board fees	2,391	6,521
Employer pension contribution	471	1,197
Short-Term Incentive[1]	869	3,399
Share-based compensation[2]	2,518	7,778
Other[3]	16,562	6,612
Total	**22,811**	**25,507**

1 Short-Term Incentive based on target level minus weight of Adjusted EBITDA target.
2 Represents the expenses of Performance Share Units (PSUs) awarded according to IFRS rules. These costs are considered over the vesting period and therefore cover several years.
3 Includes benefits, severance payments for ExCo Members that left the Company because of the merger, special payments as included in the Offering Circular (issued 22 November 2022) related to the merger, settlement DSM STI Deferral and Matching Plan, social security contributions and obligations following Article 32bb of the Dutch Wage Tax Act (1964).

The above table shows the remuneration expenses for the Supervisory Board, Managing Board and Executive Committee of former DSM who were in function until 18 April 2023.

Members of the Executive Committee of former DSM are entitled to the remaining rights of their prior LTI (Long-Term Incentive) plan, which consists of share-based payments. The share-based payment costs included for the reporting period relate to the pro-rata part of the full 2023 costs.

The Members of the Board of Directors (BoD) and Executive Committee (ExCo) of dsm-firmenich were appointed effective 18 April 2023. The remuneration over the period starting 18 April 2023 up to and including 31 December 2023 is shown in the below table.

Remuneration expenses BoD and ExCo DSM-Firmenich AG over the period 18 April 2023 until 31 December 2023

x € thousand	2023	2022
Base salary / Committee fee in cash	6,841	
Employer pension contribution	807	
Short-Term Incentive	3,973	
Share-based compensation[1]	4,401	
Other	1,498	
Subtotal	**17,520**	
Employer social securities	585	
Total	**18,105**	

1 Represents the expenses of Performance Share Units (PSUs) awarded according to IFRS rules. These costs are considered over the vesting period and therefore cover several years.

29 Events after the balance sheet date

On 13 February 2024, DSM-Firmenich AG completed the voluntary tender offer of 8 January 2024 for 4,163,287 DSM B.V. ordinary shares for a total consideration amounting to €400 million. dsm-firmenich now holds 98.5% of the shares of DSM B.V. The company will seek to acquire the remaining 1.5% shares through the statutory buy-out procedure at the Enterprise Chamber of the Amsterdam Court of Appeal, which started on 17 July 2023.

On 15 February 2024, dsm-firmenich announced the initiation of a process to carve-out and separate out the Animal Nutrition & Health (ANH) business from the Group. The company believes that the full potential of the ANH business could be best realized through a different ownership structure for which all potential separation options will be considered. dsm-firmenich would expect to be in a position to separate the business in the course of 2025.

Statutory Auditor's Report

To: the General Meeting of DSM-Firmenich AG, Kaiseraugst.

Report on the audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of DSM-Firmenich AG and its subsidiaries (the Group), which comprise the consolidated balance sheet as at 31 December 2023, the consolidated income statement, consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements (pages 192 to 267) give a true and fair view of the consolidated financial position of the Group as at 31 December 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards and comply with Swiss law.

Basis for opinion

We conducted our audit in accordance with Swiss law, International Standards on Auditing (ISA) and Swiss Standards on Auditing (SA-CH). Our responsibilities under those provisions and standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with the provisions of Swiss law, together with the requirements of the Swiss audit profession, as well as those of the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

ACCOUNTING FOR THE MERGER BETWEEN DSM AND FIRMENICH

VALUATION OF GOODWILL

VITAMIN TRANSFORMATION PROGRAM

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

ACCOUNTING FOR THE MERGER BETWEEN DSM AND FIRMENICH

Key audit matter

On 30 May 2022, Koninklijke DSM N.V. and Firmenich SA entered into a business combination agreement in which the shareholders agreed to enter a merger of equals by combining the businesses of DSM and Firmenich. The merger was completed through an exchange offer to the DSM shareholders for all DSM ordinary shares, and the contribution of all Firmenich shares (against 34.5% of the total issued share capital and payment of EUR 3,500 million).

The transaction was closed on 8 May 2023 and is accounted for as a business combination.

As part of the acquisition accounting, IFRS Accounting Standards require the recognition and measurement of the identifiable assets acquired and liabilities assumed at their fair values. As a result, DSM-Firmenich recognized goodwill of EUR 8,251 million, representing the difference of the total consideration paid and the fair value of Firmenich's net assets.

Given the size and the judgment applied by management in the provisional purchase price allocation, specifically the valuation of identified intangible assets and property, plant and equipment, we consider it a key audit matter.

Our response

We have made inquiries of management to gain an understanding of the acquisition and the valuation process undertaken by the Group in relation to the Firmenich acquisition accounting and tested the related design and implementation of the relevant controls.

We obtained and read the underlying legal agreements and other transaction related documents and assessed the accounting treatment of various terms.

We obtained the fair value assessment of intangible assets and property, plant and equipment prepared by third party valuation experts engaged by the company to assist management with the purchase price accounting. We assessed the third party valuation firm's qualifications, experience and expertise regarding the assets being valued.

With the assistance of our in-house valuation specialists, we assessed whether the methodologies and models used to value intangible assets and property, plant and equipment are appropriate. We challenged the main assumptions and judgements that affected the valuation by comparing these with market data and our experience of similar transactions.

We also evaluated the presentation and disclosure of the transaction in the consolidated financial statements.

For further information on accounting for the merger between DSM and Firmenich refer to the following:
- Note 3. Change in the scope of consolidation

VALUATION OF GOODWILL

Key audit matter	Our response
As of 31 December 2023, the consolidated financial statements included goodwill amounting to EUR 11,293 million. Goodwill is assessed for impairment by management at least annually by determining the recoverable amount (the higher of its value in use and fair value less costs of disposal), which is then compared to the carrying amount. Management applies judgment in assessing the cash flow projections of the (groups of) cash generating units at which level goodwill is allocated and determining the relevant valuation assumptions. Valuation of goodwill is a key audit matter because the impairment test process is complex. It involves a high degree of management judgment and assumptions, such as cash flow forecasts, growth rates and discount rates of the CGUs, being used in the Group's impairment tests. As disclosed in note 29 to the financial statements and announced on 15 February 2024, DSM-Firmenich AG announced the initation of a process to carve-out and separate out the Business Unit Animal Nutrition & Health (ANH from the Group). Management considered the effects of the decision in the preparation of the consolidated financial statements.	We obtained and documented our understanding of the impairment testing process, the sensitivity analysis and tested the design and implementation of the relevant controls therein. We assessed the determination of the CGUs taking into account the IFRS accounting standards and our knowledge of the organisation, structure and governance of the DSM-Firmenich Group. We evaluated the accuracy of impairment tests, the reasonableness of the key assumptions used to determine the recoverable amounts – including long term growth rates and discount rates based on our understanding of the related CGUs' cash flow projections – and the methodology used by management to prepare its cash flow forecasts. We involved our in-house valuation specialists with specialized skills and knowledge who assisted in assessing the reasonableness of the discount rates and long term growth rates through testing the source information underlying their determination, and in developing a range of independent estimates and comparing those to the discount and long term growth rates applied by management. We assessed the Group's ability to accurately prepare cash flow projections for their CGUs by comparing the actual financial performance to the projections made earlier. We also considered the adequacy of the disclosures on impairment testing and sensitivity tests in the consolidated financial statements. We have also considered the accuracy of the disclosure regarding the ANH separation.

For further information on valuation of goodwill refer to the following:

- Note 8. Goodwill and intangible assets
- Note 29. Events after the balance sheet date

VITAMIN TRANSFORMATION PROGRAM

Key audit matter

During 2023 the Group decided to implement a vitamin transformation program to enable acceleration of strategic actions. This company-wide program is designed to improve the profitability of its vitamin activities and structurally reduce exposure to volatility from price fluctuations.

The plan included a restructuring of the vitamin asset footprint resulting in the closure of the vitamin B6 plant in Xinghuo (China) and the termination of vitamin C production in the plant in Jiangshan (China).

As the company has ceased to use these plants, management prepared an impairment assessment for the plants and related assets on a stand-alone basis. Based on the impairment assessment, losses for the affected property, plant and equipment were recognized in the amount of EUR 106 million for the vitamin B6 Xinghuo plant respectively EUR 119 million for the vitamin C Jiangshan plant. Furthermore, a liability was recognized for remaining contractual obligations.

As per 31 December 2023 the assets and liabilities related to the vitamin C business in Jiangshan are classified as held for sale.

Given the financial impact and the non-recurring nature of these events, the accounting for these impairments is significant to our audit of the financial statements.

Our response

We inquired management and inspected relevant documentation to gain an understanding of the vitamin transformation program. Further, we evaluated management's assessment of impairment indicators as a result of the restructuring of the vitamins assets footprint for the Xinghuo and Jiangshan plants in China and tested the design and implementation of the relevant controls therein.

As a result of the identified impairment indicators, the management has prepared impairment tests. We assessed the results of management's impairment tests and evaluated the appropriateness of the recoverable amount determined for both plants.

For both plants we inspected underlying documentation, amongst others related to internal and external communication of the closure and applicable contractual obligations.

In addition for the closure of the Xinghuo vitamin B6 plant, we performed a site visit and observed that the plant is no longer in use. We enquired local employees and management about future plans and relevant government regulations.

We also considered the adequacy of the disclosures on the impairments in the consolidated financial statements.

For further information on the assets and liabilities held for sale and the impairments related to the vitamin transformation program refer to the following:

- Note 3. Change in the scope of consolidation
- Note 9. Property, plant and equipment

Other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements, the stand-alone financial statements of the company, the compensation report and our auditor's reports thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Board of Directors' Responsibilities for the Consolidated Financial Statements

The Board of Directors is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRS Accounting Standards and the provisions of Swiss law, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law, ISA and SA-CH will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Swiss law, ISA and SA-CH, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors or its relevant committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors or its relevant committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Board of Directors or its relevant committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report, unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

We have also been engaged by the Board of Directors to assess whether the consolidated financial statements have been prepared, in all material respects, in compliance with the requirements laid down in the ESEF Regulation.

Report on Other Legal and Regulatory Requirements

In accordance with Art. 728a para. 1 item 3 CO and PS-CH 890, we confirm that an internal control system exists, which has been designed for the preparation of the consolidated financial statements according to the instructions of the Board of Directors.

We have checked the compliance of the consolidated financial statements of the Group as at 31 December 2023 with the relevant requirements set out in the ESEF Regulation that are applicable to the consolidated financial statements.
For the Group it relates to:

- The consolidated financial statements prepared in a valid xHTML format;
- The XBRL markup of the consolidated financial statements uses the core taxonomy and the common rules on markups specified in the ESEF regulation.

In our opinion, the consolidated financial statements of the Group as at 31 December 2023, identified as DSM-Firmenich_consolidated_ESEF_31-12-2023.zip have been prepared, in all material respects, in compliance with the requirements laid down in the ESEF Regulation.
We recommend that the consolidated financial statements submitted to you be approved.

KPMG AG

Petra Groenland van der Linden Licensed
Audit Expert
Auditor in Charge

Carlos Alvarez
Licensed Audit Expert

Basel, 28 February 2024

Parent company financial statements

Balance sheet at 31 December of DSM-Firmenich AG

x million	*Notes*	2023 EUR	2023 Values in CHF	2022 EUR	2022 Values in CHF
Assets					
Cash and cash equivalents		–	–	1	1
Other short-term receivables from companies in which the entity holds an investment	2	626	580	–	–
Other short-term receivables from other group companies	2	711	658	–	–
Prepaid expenses and accrued income		1	1	–	–
Total current assets		**1,338**	**1,239**	**1**	**1**
Investments	3	34,123	31,599	–	–
Total non-current assets		**34,123**	**31,599**	**–**	**–**
Total assets		**35,461**	**32,838**	**1**	**1**
Liabilities and shareholders' equity					
Trade accounts payable to third parties		4	4	–	–
Short-term liabilities	4	649	601	–	–
Other short-term payables to third parties	4	2	2	–	–
Other short-term payables to other group companies	4	51	47	–	–
Accrued expenses	5	6	6	–	–
Total current liabilities		**712**	**660**	**–**	**–**
Total non-current liabilities		**–**	**–**	**–**	**–**
Total liabilities		**712**	**660**	**–**	**–**
Share capital	6	3	3	–	–
Legal capital reserves:					
- Reserves from capital contributions	7	23,145	21,432	1	1
- Other capital reserves	7	7,687	7,118	–	–
Legal retained earnings					
- Reserves for treasury shares	8	44	41	–	–
Available earnings:					
- Profit brought forward		–	–	–	–
- Profit for the period		3,870	3,584	–	–
Total shareholders' equity		**34,749**	**32,178**	**1**	**1**
Total liabilities and shareholders' equity		**35,461**	**32,838**	**1**	**1**

The accompanying notes are an integral part of these parent company financial statements.

Income statement of DSM-Firmenich AG

x million	*Notes*	2023 EUR	2023 Values in CHF	2022 EUR	2022 Values in CHF
Dividend income	9	3,924	3,634	–	–
Other operating income	11	20	19	–	–
Other finance income	12	15	14	–	–
Total income		**3,959**	**3,666**	**–**	**–**
Personnel expenses	10	15	14	–	–
Other operating expenses	11	55	51	–	–
Finance expense	12	19	18	–	–
Total expenses		**89**	**82**	**–**	**–**
Profit for the period		**3,870**	**3,584**	**–**	**–**

The accompanying notes are an integral part of these parent company financial statements.

Notes to the parent company financial statements

1 Principles

General aspects

DSM-Firmenich AG is a stock corporation (Aktiengesellschaft) incorporated and domiciled in Switzerland. The Company is based in Kaiseraugst, Switzerland. DSM-Firmenich AG is the holding company of the operating companies of the dsm-firmenich Group, who is a leading supplier in nutrition, health and beauty.

The fiscal year-end of DSM-Firmenich AG (formerly Danube AG, 'the Company') is 31 December. These financial statements of DSM-Firmenich AG were prepared in accordance with Swiss Law on Accounting and Financial Reporting (32nd title of the Swiss Code of Obligations). Where not prescribed by law, the significant accounting and valuation principles applied are described below.

On 8 May 2023, the company published interim financial statements due to the dividends distributed during the year.

The financial statements are presented in euros (EUR or €); the Swiss franc (CHF) values are presented for the purposes of comparison and have been calculated by applying the period-end FX-rate. The comparative figures of the period ending 31 December 2022 were audited in CHF; the EUR amounts are presented for the purposes of comparison. All values in the financial statements are rounded to the nearest million, except when otherwise indicated.

Any main accounting policies applied in the preparation of these financial statements that are not already specified by law, i.e., by the Swiss Code of Obligations, are outlined below in the applicable notes.

Currency

The Company's currency – as legally determined by the Articles of Association – is EUR, which is also the functional currency. The Company changed its currency, i.e., the denomination of its share capital in the Articles of Association of the Company, from CHF to EUR as of 1 January 2023 as adopted by the Extraordinary General Meeting on 18 April 2023. The Company has determined that for DSM-Firmenich AG as the holding company the primary economic environment is in EUR due to its public listing in EUR on the Euronext in Amsterdam (Netherlands) as of 18 April 2023.

Transactions in foreign currencies are recorded at the exchange rate at the date of the transaction. Assets and liabilities denominated in a foreign currency are translated into EUR at period-end exchange rates.

As required by the Swiss Code of Obligations (cf. art. 958d para. 3), the financial statements are also presented in the national currency, being CHF. The following EUR/CHF exchange rates have been applied in these financial statements to translate the balance sheet and income statement:

- Closing rate on 31.12.2022: 0.9847
- Closing rate on 31.12.2023: 0.9260

For the opening balance sheet as at 1 January 2023, the last audited balances in CHF have been translated to EUR with the closing rate EUR/CHF 0.9847.

x thousand	Share capital	Reserves from capital contributions
Opening balance in CHF as of 1 January 2023	100	600
Opening balance in EUR as of 1 January 2023 - translated at closing date	102	609

Summary of the accounting policies

Cash and cash equivalents

Cash and cash equivalents comprise bank balances.

Investments

Investments in companies where the entity holds an investment are valued at acquisition cost less adjustments for impairment of value.

Foregoing a cash flow statement and additional disclosures in the notes

As DSM-Firmenich AG has prepared its consolidated financial statements in accordance with a recognised accounting standard (IFRS), it has decided to forego presenting additional disclosures as well as a cash flow statement in accordance with the law.

Information on balance sheet and income statement items

2 Other short-term receivables

Other short-term receivables from companies in which the entity holds an investment

A receivable from DSM B.V. of €626 million (CHF 580 million) representing the non-tendered shares in the share capital of DSM N.V. (now DSM B.V.) that DSM-Firmenich AG will acquire through a buy-out-procedure.

Other short-term receivables from other group companies

A receivable of €692 million (CHF 640 million) from the in-house cash pool.

A receivable from other group companies of €20 million (CHF 18 million) composed of recharges of corporate service costs and remuneration of key personnel (disclosed in Other operating income).

3 Investments

Companies in which DSM-Firmenich AG holds an investment are valued at acquisition cost less adjustments for impairment of value.

x million	Domicile	Carrying amount at 31.12.2023 in EUR	Carrying amount at 31.12.2023 values in CHF	Nominal share capital at 31.12.2023	Share in capital / voting rights in % at 31.12.2023
Company					
DSM B.V.	Heerlen (NL)	19,846	18,378	€ 261	96.1 / 96.1
Firmenich International SA	Satigny (CH)	14,277	13,221	CHF 41	100 / 100
Total		**34,123**	**31,599**		

The investments consist of the direct equity share in DSM B.V. and in Firmenich International SA.

The DSM business was transferred into the Company via the first and second capital increase event in the context of the tender procedure involving the exchange of shares of DSM N.V. After the second capital increase, the Company holds a total of 167,321,557 DSM N.V. ordinary shares, representing approximately 96.1% of DSM's aggregate issued and outstanding ordinary share capital. The acquisition cost amounts to €19.8 billion (CHF 18.4 billion). The remaining 3.9% of DSM's ordinary shares (6,696,477) are being acquired via a buy-out procedure in accordance with section 2:359c of the Dutch Civil Code (DCC). The buy-out price will be the closing price of the DSM-Firmenich AG share on 3 May 2023, which is €116.00.

The Firmenich shareholders contributed 8,019,000 shares out of 8,100,000 shares (100% minus any treasury shares held by Firmenich International SA) in the capital of Firmenich International SA to DSM-Firmenich AG in exchange for 91,658,354 DSM-Firmenich ordinary shares via the fourth capital increase and €3.5 billion (CHF 3.5 billion) in cash. At the balance sheet date, the previous Firmenich shareholders own in aggregate 34.5% of DSM-Firmenich AG's issued capital.

A review for impairment was performed based on current market considerations, assessing whether market expectations on delivering the merger results of the initial deal closed in May 2023 significantly changed until 31 December 2023. This review did not lead to an impairment of the Company's investments in the period.

The significant indirect investees in which DSM-Firmenich AG has control are the following:

Company name	Country	Share %	Currency	Share capital in thousands
Indirect investees via DSM B.V.				
DSM Nutritional Products Australia Pty Limited	Australia	100	AUD	17,500
DSM Austria GmbH	Austria	100	EUR	35
DSM Produtos Nutricionais Brasil S.A.	Brazil	100	BRL	1,624,415
DSM Nutritional Products Canada Inc.	Canada	100	USD	228,000
DSM Vitamins (Shanghai) Ltd.	China	100	USD	66,950
DSM Andre Pectin, Co. Ltd. (formerly: Yantai Andre Pectin, Co. Ltd.)	China	75	CNY	313,000
DSM Vitamins Trading (Shanghai) Co., Ltd.	China	100	USD	200
DSM Nutritional Products France SAS	France	100	EUR	63,998
DSM Nutritional Products GmbH	Germany	100	EUR	1,000
Istituto delle Vitamine S.p.A.	Italy	100	EUR	2,580
DSM Japan K.K.	Japan	100	JPY	100,000
DSM Nutritional Products Mexico SA de CV	Mexico	100	MXN	10,000
DSM NL Services B.V.	Netherlands	100	EUR	15,882
DSM Food Specialties B.V.	Netherlands	100	EUR	453
DSM Finance B.V.	Netherlands	100	EUR	1,849,336
DSM Nutritional Products Iberia SA	Spain	100	EUR	261
DSM Nutritional Products Europe AG	Switzerland	100	CHF	1,000
DSM Nutritional Products AG	Switzerland	100	CHF	50,000
DSM Nutritional Products, LLC	United States	100	USD	129,829
DSM Holding Company USA, Inc.	United States	100	USD	1
DSM Biomedical Inc.	United States	100	USD	302
I-Health, Inc.	United States	100	USD	0.1
DSM Food Specialties USA, Inc.	United States	100	USD	0.1
First Choice Ingredients, Inc.	United States	100	USD	0.3
Indirect investees via Firmenich International SA				
Firmenich & Cia. Ltda.	Brazil	100	BRL	83,115
Firmenich Aromatics (China) Co., Ltd.	China	100	CNY	564,605
ArtSci Biology Technologies Co. Ltd	China	90	CNY	20,000
Les Dérivés Terpéniques et Résiniques	France	100	EUR	19,961
Firmenich Aromatics Production (India) Private Limited	India	100	INR	2,322,400
PT Firmenich Indonesia	Indonesia	100	IDR	5,305,000
PT Firmenich Aromatics Indonesia	Indonesia	100	IDR	45,097,500
Firmenich de Mexico S.A. de C.V.	Mexico	100	MXN	104,327
Firmenich Asia Private Ltd.	Singapore	100	SGD	6,000
Firmenich SA	Switzerland	100	CHF	30,000
Firmenich Finance SA	Switzerland	100	CHF	100
Firmenich, Inc.	United States	100	USD	31,350
Chem-Fleur Incorporated	United States	100	USD	27,641
MCP Foods Inc. California	United States	100	USD	5,000
Intercit Incorporated	United States	100	USD	567
Firmenich DISC Inc.	United States	100	USD	3
Aromatic Technologies, Inc.	United States	100	USD	163,603

4 Short-term liabilities and payables

Short-term liabilities

DSM-Firmenich AG acquired on 8 May 2023 Firmenich International SA by issuing 91,658,354 shares and paying €3.5 billion cash to the sellers of the Firmenich business in exchange for 8,019,000 shares out of 8,100,000 shares (100% minus any treasury shares held by Firmenich International SA) of Firmenich International SA. The cash amount was funded by a loan amounting to €3.5 billion (CHF 3.5 billion) granted by DSM N.V. According to the loan agreement, the usage of that loan amount is limited to the financing (directly or indirectly) of the cash component of the acquisition of the Firmenich shares, and the payment of costs, expenses and fees in connection with that transaction.

The loan has an initial maximum maturity term of 12 months with the option to extend this up to two times within the first six months. The interest rate is calculated based on the EURIBOR in relation to the relevant interest period plus a margin based on the runtime of the loan (varying from 0.25% per annum in case of a utilization period of 6 months at maximum to 0.55% per annum for a utilization period of 18–24 months). The loan was redeemed in 2023 upon receipt of upstream dividends from DSM B.V.

DSM-Firmenich AG will acquire via a buy-out procedure in accordance with section 2:359c of the Dutch Civil Code (DCC) the remaining 3.9% of DSM B.V.'s ordinary shares (6,696,477) The buy-out price agrees to the closing price of the dsm-firmenich share on 3 May 2023, which is €116.00. A liability towards the non-tendered shareholders of DSM B.V. has been recognised in the amount of €649 million (CHF 601 million) including €24 million (CHF 22 million) of accrued interest.

Other short-term payables to third parties

An amount of €1 million (CHF 1 million) payable to pension funds is included in Other short-term payables to third parties.

Other short-term payables to other group companies

The outstanding amount on Other short-term payables to group companies reflects the charges by DSM Services B.V. to DSM-Firmenich AG for its share in the merger transaction costs (€49 million / CHF 45 million) and in the costs of the Investor Relations department.

5 Accrued expenses

Accrued expenses are mainly related to remuneration of key personnel.

6 Share capital

On 31 December 2022, the Company's share capital amounted to CHF 100,000, divided into 100,000 fully paid-up registered shares with a par value of CHF 1.00 each.

On 20 April 2023, DSM-Firmenich AG decreased the share capital of the Company from CHF 100,000 to CHF 0 and changed the currency of its share capital from CHF to EUR with retrospective effect from 1 January 2023. Subsequently, DSM-Firmenich AG increased its share capital in four tranches. The tranches were completed on the following dates:

- First capital increase on 20 April 2023
- Second capital increase on 3 May 2023
- Third capital increase on 8 May 2023
- Fourth capital increase on 8 May 2023

x thousand	EUR	Values in CHF
Nominal capital		
Opening balance in CHF on 1 January 2023		100
Capital decrease of 100,000 shares at CHF 1.00 on 20.04.2023		(100)
Share capital increases		
Capital increase of 150,742,711 shares at €0.01 on 20.04.2023	1,507	1,481
Capital increase of 16,578,846 shares at €0.01 on 03.05.2023	166	163
Capital increase of 6,696,477 shares at €0.01 on 08.05.2023	67	66
Capital increase of 91,658,354 shares at €0.01 on 08.05.2023	917	901
Closing balance on 31 December 2023	**2,657**	**2,611**

The first and second capital increases were executed to facilitate the tender procedure whereby the DSM N.V. ordinary shares were exchanged for DSM-Firmenich AG's ordinary shares (ratio 1:1).

The third capital increase was facilitated via investment bank Goldman Sachs, which subscribed to 6,696,477 million DSM-Firmenich ordinary shares at nominal value. Subsequently the shares were placed in the market which resulted in a paid-in capital surplus of €732 million (CHF 678 million).

Via the fourth capital increase, DSM-Firmenich AG issued ordinary shares to Firmenich's shareholders as part of the agreed consideration to contribute 8,019,000 shares out of 8,100,000 shares (100% minus any treasury shares held by Firmenich International SA) of the capital of Firmenich International SA.

On 31 December 2023, the total number of issued DSM-Firmenich AG ordinary shares amounted to 265,676,388.

7 Legal capital reserves

The Legal capital reserves result from the events as explained in Note 6 Share capital. The share issuance costs have been offset against the Legal capital reserves.

x million	EUR	Values in CHF
Legal capital reserves		
- Cash contributions 2022 (opening balance 1 January 2023)	1	1
- Decrease share capital to zero on 20.04.2023	-	-
- Capital increase 1 - contribution in kind on 20.04.2023	17,975	16,644
- Capital increase 2 - contribution in kind on 03.05.2023	1,870	1,732
- Capital increase 3 - 08.05.2023 (issued at nominal value)	-	-
- Capital increase 4 - contribution in kind on 08.05.2023	10,776	9,979
- Paid-in capital surplus[1]	732	678
- Dividend distribution	(425)	(394)
- To reserve for treasury shares	(44)	(41)
- Accrued interest on announced buy-out DSM N.V. shares	(24)	(22)
- Other expenditures related to the share issuance	(29)	(27)
Closing balance on 31 December 2023	**30,832**	**28,550**
Of which:		
- Reserves from capital contributions	23,145	21,432
- Other capital reserves	7,687	7,118

1 Related to capital increase 3, see also Note 6 Share capital.

On 6 June 2023, the Board of Directors proposed to the extraordinary shareholders' meeting an extraordinary dividend distribution. The extraordinary shareholders' meeting held on 29 June 2023, approved the appropriation of available earnings as proposed by the Board of Directors. The extraordinary dividend of €425 million (CHF 394 million) was paid out of the capital contribution reserve on 6 July 2023.

Reconciliation Legal capital reserves and Share premium as per consolidated financial statements

x million	EUR 31.12.2023	Values in CHF 31.12.2023
Legal capital reserves as per statutory financial statements of DSM-Firmenich AG	30,832	28,550
Capital increase 1 - contribution in kind on 20.04.2023	(17,975)	(16,645)
Capital increase 2 - contribution in kind on 03.05.2023	(1,870)	(1,732)
Reserve for treasury shares	44	41
Accrued interest on announced buy-out DSM N.V. shares	24	22
Included in the legal capital reserves	**(19,777)**	**(18,314)**
Opening share premium as per consolidated financial statements	471	436
Cancellation of ordinary shares DSM N.V.	(2)	(2)
Swap shares DSM N.V. into DSM-Firmenich AG	248	230
Liability to non-tendered shareholders DSM N.V.	(42)	(39)
Other	1	1
Included in the share premium as per consolidated financial statements	**676**	**626**
Share premium as per consolidated financial statements	11,731	10,862

8 Reserve for treasury shares

DSM-Firmenich AG holds no treasury shares.

Of the issued capital, 392,572 DSM-Firmenich AG ordinary shares were held by its investment DSM B.V. on 31 December 2023. The acquisition value of these shares amounts to €44.1 million (CHF 40.8 million), for which a Legal capital reserve has been recognized. The average cost price per share is €112.34 (CHF 104.03).

The Reserve for treasury shares has been built by reducing the Reserve from capital contributions accordingly.

9 Dividend income

Dividends received in 2023 were in the amount of €3,778 million (CHF 3,498 million) from DSM B.V. and €146 million (CHF 135 million) from Firmenich International SA.

10 Personnel expenses

Personnel expenses relate to the remuneration of the Members of the Board of Directors and Executive Committee. The Members of the Board of Directors and Executive Committee were appointed on 18 April 2023.

x million	EUR	Values in CHF
Board of Directors fees and remuneration	2	2
Executive Committee remuneration	13	12
Total	**15**	**14**

11 Other operating income and expenses

Other operating income

Other operating income comprises the recharge of the remuneration of the BU heads of the Group to the principal entities of these BUs amounting to €5 million (CHF 5 million), and the recharge of corporate costs of €14 million (CHF 13 million) to DSM Services B.V.

Other operating expenses

Other operating expenses mainly relate to merger related transaction costs as well as audit and other consultancy costs.

12 Other finance income and expense

The other finance income and expenses relate mainly to interest expenses on the short-term loan from DSM N.V., see also Note 4 Short-term liabilities and payables and interest income and interest expense in relation to the in-house cash pool.

Other information

Personnel

The annual average number of full-time employees for financial year 2023, as well as the previous year, does not exceed 250.

Guarantees

DSM-Firmenich AG acts as guarantor to the €1 billion bridge facility setup 13 December 2023, with DSM B.V. as the borrower.

Participation rights granted in 2023

Performance Share Units (PSUs) are granted to the Members of the Board of Directors, and Restricted Share Units (RSUs) to the Members of the Executive Committee. See below tables reflecting the grants in the year 2023.

Granted RSUs to Members of the Board of Directors

	Number of RSUs granted	Value at opening price		Fair value (IFRS)	
		EUR x thousand	Value in CHF x thousand	EUR x thousand	Value in CHF x thousand
Grant of RSUs to members Board of Directors in 2023	18,239	1,463	1,355	1,444	1,337

Granted PSUs to Members of the Executive Committee

	Number of PSUs granted	Value at opening price		Fair value (IFRS)	
		EUR x thousand	Value in CHF x thousand	EUR x thousand	Value in CHF x thousand
Grant of PSUs to members Executive Committee in 2023	87,938	8,868	8,211	8,589	7,953

Major shareholders (above 5%)

Shareholders who hold a substantial position in DSM-Firmenich AG, should notify this immediately to the Netherlands Authority for the Financial Market (AFM). DSM-Firmenich AG has not received notifications of any shareholder holding more than 5% of its share capital.

Events after the balance sheet date

On 13 February 2024, DSM-Firmenich AG completed the voluntary tender offer of 8 January 2024 for 4,163,287 DSM B.V. ordinary shares for a total consideration amounting to €400 million (CHF 370 million). DSM-Firmenich AG now holds 98.5% of the shares of DSM B.V. The company will seek to acquire the remaining 1.5% shares through the statutory buy-out procedure at the Enterprise Chamber of the Amsterdam Court of Appeal, which started on 17 July 2023.

Appropriation of earnings available for distribution

The Board of Directors proposes to the next General Meeting of Shareholders the following appropriation of available earnings.

x million	EUR 31.12.2023
Distribution capacity	
Legal capital reserves	30,832
Profit brought forward	–
Profit for the period	3,870
Non-distributable Legal capital reserves	(1)
Reserves available for distribution	**34,701**
Legal capital reserves	30,832
– Reserves from capital contributions	23,145
– Other statutory reserves	7,687
Available earnings	3,870
Proposed dividend payment[1]	663
Balance of legal capital reserves after dividend to be carried forward	**30,417**
– Balance of Reserves from capital contributions to be carried forward	22,730
– Balance of Other statutory reserves	7,687
Balance of available earnings to be carried forward	**3,622**

1 These figures are based on the share capital issued as at 31 December 2023, and may change depending on the number of shares issued as at the dividend record date. Treasury shares held by DSM-Firmenich AG or its wholly owned subsidiaries do not receive dividends.

The Board of Directors of DSM-Firmenich AG approved the financial statements on 28 February 2024. It proposes to the General Meeting to pay a dividend of €2.50 per share which will be paid out of the capital contribution reserves and available earnings. The dividend is based on the number of issued and outstanding ordinary shares at 8 May 2024.

The ex-dividend date is 9 May 2024, the dividend record date is 10 May 2024, and the payment date is 16 May 2024.

This proposal is subject to adoption of the resolution by the General Meeting of Shareholders to be held on 7 May 2024.

Statutory Auditor's Report

To: the General Meeting of DSM-Firmenich AG, Kaiseraugst.

Report on the audit of the Financial Statements

Opinion

We have audited the financial statements of DSM-Firmenich AG (the Company), which comprise the balance sheet as at 31 December 2023, and the income statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements (pages 274 to 284) comply with Swiss law and the Company's Articles of incorporation.

Basis for opinion

We conducted our audit in accordance with Swiss law and Swiss Standards on Auditing (SA-CH). Our responsibilities under those provisions and standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are independent of the Company in accordance with the provisions of Swiss law, together with the requirements of the Swiss audit profession and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

VALUATION OF INVESTMENTS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

VALUATION OF INVESTMENTS

Key audit matter	Our response
The Company carries investments of EUR 34,123 million (CHF 31,599 million) as at 31 December 2023. The investments consist of the direct equity shares in DSM B.V. and in Firmenich International SA and are valued at acquisition cost less impairment, if any. In determining whether the valuation of the investments is appropriate or not, management compares the recoverable amount (the higher of its value in use and fair value less costs of disposal) with the carrying amount. Management makes assumptions in particular in relation to external data source used to determine the market value. Value in use calculated by management is based on the valuation of goodwill recognized within the investments' consolidated financial statements. As a result, the valuation of the investments is a Key Audit Matter.	We obtained and documented our understanding of the impairment testing process and tested the design and implementation of the relevant controls therein. We also examined, with the support of internal valuation specialists, the impairment assessment prepared by the management: • We evaluated the methodical and mathematical accuracy of the impairment assessment. • We challenged the external data source used to determine the investments' market value and compared it with publicly available data. We also assessed the proper presentation in the financial statements.

For further information on the valuation of investments refer to the following:

- Note 3. Investments

Other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements, the stand-alone financial statements of the Company, the compensation report and our auditor's reports thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Board of Directors' Responsibilities for the Financial Statements

The Board of Directors is responsible for the preparation of the financial statements in accordance with the provisions of Swiss law and the Company's articles of incorporation, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and SA-CH will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Swiss law and SA-CH, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern

We communicate with the Board of Directors or its relevant committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors or its relevant committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Board of Directors or its relevant committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report, unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In accordance with article 728a para. 1 item 3 CO and PS-CH 890, we confirm that an internal control system exists, which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of available earnings and the proposed repayment of legal capital reserve comply with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

KPMG AG

Petra Groenland van der Linden
Licensed Audit Expert
Auditor in Charge

Carlos Alvarez
Licensed Audit Expert

Basel, 28 February 2024

Other information

dsm-firmenich figures: five-year summary

Reporting period

The five-years summary includes information that is presented in accordance with IFRS, which includes Firmenich from the merger date onwards. All figures are including discontinued operations unless stated otherwise, see also Note 3 Change in the scope of the consolidation.

Balance sheet

x € million	2023	2022	2021	2020	2019
Assets					
Goodwill and intangible assets	18,738	5,147	5,309	4,440	3,515
Property, plant and equipment	5,549	3,576	3,964	3,775	4,040
Deferred tax assets	228	95	203	240	217
Share in associates and joint ventures	130	61	64	93	155
Derivatives	46	82	48	61	27
Other financial assets	735	314	302	317	265
Non-current assets	**25,426**	**9,275**	**9,890**	**8,926**	**8,219**
Inventories	3,390	2,339	2,297	1,879	2,019
Current receivables	2,843	1,622	1,697	1,483	1,698
Derivatives	42	42	30	48	19
Current investments	107	125	489	43	688
Cash and cash equivalents	2,456	2,755	1,561	871	800
Assets held for sale	6	1,245	56	1,096	-
Current assets	**8,844**	**8,128**	**6,130**	**5,420**	**5,224**
Total assets	**34,270**	**17,403**	**16,020**	**14,346**	**13,443**
Equity and liabilities					
Shareholders' equity	22,908	10,743	9,318	7,399	7,731
Non-controlling interests	162	102	79	88	104
Equity	**23,070**	**10,845**	**9,397**	**7,487**	**7,835**
Deferred tax liabilities	1,751	476	490	431	296
Employee benefit liabilities	520	287	323	414	413
Provisions	142	50	96	123	120
Borrowings	4,114	2,978	2,995	3,484	2,464
Derivatives	8	4	9	1	7
Other non-current liabilities	146	205	280	163	145
Non-current liabilities	**6,681**	**4,000**	**4,193**	**4,616**	**3,445**
Employee benefits liabilities	49	5	21	42	43
Provisions	34	45	68	61	48
Borrowings	716	86	103	102	189
Derivatives	28	23	40	13	18
Current liabilities	3,684	1,969	2,188	1,771	1,865
Liabilities held for sale	8	430	10	254	-
Current liabilities	**4,519**	**2,558**	**2,430**	**2,243**	**2,163**
Total equity and liabilities	**34,270**	**17,403**	**16,020**	**14,346**	**13,443**

Income statement

x € million	2023	2022	2021	2020	2019
Net sales	11,015	10,480	9,468	9,038	9,010
Net sales from continuing operations	10,627	8,390	7,269	–	–
Adjusted EBITDA[1]	1,441	1,725	1,842	1,650	1,684
EBITDA	3,637	2,646	2,370	1,476	1,586
Adjusted operating profit (EBIT)[1]	428	1,071	1,167	1,011	1,075
Operating profit (EBIT)	2,330	1,994	1,689	736	954
Operating profit (EBIT) from continuing operations	(497)	682	711	–	–
Financial income and expense	(151)	(94)	(106)	(67)	(92)
Income tax expense	(19)	(190)	(245)	(129)	(152)
Share of the profit of associates and joint ventures	(7)	5	342	(32)	54
Net profit for the year	**2,153**	**1,715**	**1,680**	**508**	**764**
Net profit attributable to non-controlling interests	16	15	4	2	6
Net profit available to equity holders of the parent company	**2,137**	**1,700**	**1,676**	**506**	**758**
Dividend on Cumulative Preference Shares	(6)	(6)	(6)	(7)	(8)
Net profit available to holders of ordinary shares	**2,131**	**1,694**	**1,670**	**499**	**750**
Key figures and financial ratios					
Capital employed	26,766	11,473	11,019	10,557	9,311
Capital expenditure:					
- Intangible assets and Property, plant and equipment	700	636	614	622	623
- Acquisitions	14,569	77	754	1,579	585
Disposals	3,559	1,413	1,941	46	44
Depreciation, amortization and impairments	1,307	652	681	740	632
Net debt	(2,215)	(87)	(1,019)	(2,577)	(1,144)
Dividend	582	167	438	420	425
Workforce at 31 December, headcount	29,301	20,682	21,358	23,127	22,174
Financial ratios[1]					
Current assets / current liabilities	1.96	3.15	2.52	2.42	2.42
Equity / total assets	0.67	0.62	0.59	0.52	0.58
Gearing (net debt / equity plus net debt) in %	8.8%	0.8%	9.7%	26.0%	13.0%
Adjusted EBITDA / net sales in %	13.1%	16.5%	19.5%	18.3%	18.7%
Adjusted EBITDA / financial income and expense	12.3	20.1	17.4	24.6	18.3

1 In presenting and discussing dsm-firmenich's financial position, operating results and cash flows, dsm-firmenich uses certain Alternative performance measures (APMs) not defined by IFRS. These APMs are used because they are an important measure of dsm-firmenich's business development and management performance. A full reconciliation of IFRS performance measures to the APMs is given in Note 2 Alternative performance measures.

Concepts and ratios

General

Biosciences

Biosciences[4] are any of the sciences that deal with living organisms.

Business Partners

Business Partners enable excellence and efficiency, by partnering with the Group and the Business Units, helping them to deliver on their ambitions, serve their customers. In addition, the Business Partners will drive excellence with shared centers of expertise, to bring differentiated capabilities to our company.

Category of one

Our ambition is to be more than just a merger of two brilliant companies, each with its own incredible talent and history, but to be seen as a category of one, unique in the world, and something that our customers and stakeholders are proud to be a part of.

Integrated Reporting <IR> Framework – value creation model

The value creation model is based on the International Integrated Reporting Council's Integrated Reporting <IR> Framework and gives an overview of how we create value for our stakeholders based on six capital inputs.

- Human capital
- Societal & relationship capital
- Natural capital
- Financial capital
- Intellectual capital
- Manufactured capital

Plant-forward

A trend descriptor coined by Innova Market Insights in 2021 to signal the plant-based foods category's push toward broader consumer appeal and expansion into more market categories and regions of the world.

Sustainability

Bio-based

Bio-based refers to a material that is derived from a biological source, i.e., a living organism. This includes, but is not limited to, materials derived from plants, animals and fungi.

Circular economy

Circular economy refers to an economy that is restorative and in which materials flows are of two types: biological nutrients, designed to re-enter the biosphere safely, and technical nutrients, which are designed to circulate at high quality without entering the biosphere throughout their entire lifecycle.

1 Source: The Free Dictionary

Chemical Oxygen Demand

Chemical Oxygen Demand (COD)is an indicator of the degree of pollution of wastewater by organic substances.

Eco-efficiency

Eco-efficiency is a concept (created in 1992 by the WBCSD) that refers to the creation of more goods and services while using less resources and creating less waste and pollution throughout their entire life cycle.

Energy

Primary energy is energy that has not yet been subjected to a human engineered conversion process. It is the energy contained in unprocessed fuels.

Final (consumed) energy is the energy that is consumed by end-users. The difference between primary energy and final consumed energy is caused by the conversion process between the two as well as any transmission losses.

Equal pay and gender pay gap

Equal pay is a legal requirement for men and women to be paid the same for performing the same or similar work or work that has been rated as being of equal value (by job evaluation). The gender pay gap zooms in on the difference between what men typically earn overall in an organization compared to women, irrespective of their role or seniority.

Frequency index (Safety)

The Frequency Index is a way to measure safety performance. The number of accidents of a particular category per 100 employees per year.

Total Recordable Incident Rate

The Total Recordable Incident Rate (TRIR) is the number of recordable injuries per 100 dsm-firmenich employees and contractor employees in the past 12 months. The 'TRIR-own' refers only to dsm-firmenich employees.

*TRIR rate = 100 * (# of recordable incidents (past 12 months) / average effective manpower (past 12 months))*

Process Safety Incidents

The PSI rate is the number of Process Safety Incidents per 100 dsm-firmenich employees and contractor employees in the past 12 months.

*PSI rate = 100 * (# of PSIs (past 12 months) / average effective manpower (past 12 months))*

Occupational health

The Occupational health rate is the number of occupational health cases per 100 dsm-firmenich employees and contractor employees in the past 12 months.

*REC rate = 100 * (# of health cases (past 12 months) / average effective manpower (past 12 months))*

Global South

The term Global South is used to describe countries whose economies are not yet fully developed and which face challenges such as low per capita income, excessive unemployment, and a lack of valuable capital. These countries are located largely in the southern hemisphere.

Greenhouse gas emissions

dsm-firmenich applies the **Greenhouse Gas Protocol**, which defines greenhouse gas emissions (GHG) as "atmospheric gases that absorb and emit radiation within the thermal infrared range and that contribute to the greenhouse effect and global climate change." We report GHGs based on their global warming potential over 100 years in carbon dioxide equivalent (CO_2e).

Scope 1 and 2

Scope 1: Direct GHG emissions occur from sources that are owned or controlled by the company (i.e., emissions from combustion in owned or controlled boilers, furnaces, vehicles, etc.).

Scope 2: Indirect GHG emissions relate to the generation of purchased energy (i.e., electricity, heat or cooling) consumed by the company. Purchased energy is defined as energy that is purchased or otherwise brought into the organizational boundary of the company. Scope 2 emissions physically occur at the facility where the energy is generated.

Market-based emissions

Reflects GHG emissions from electricity supplies (Scope 2) that companies have purposely chosen (or their lack of choice) and contracted. Corresponding emission factors:

- Supplier specific emission factor (provided by the supplier)
- Residual emission factor (country-based grid factor, corrected for allocated purchased electricity from renewable resources)

Location-based emissions

Reflects the average GHG emissions intensity of grids on which electricity consumption (Scope 2) occurs (using mostly national grid-average emission factor data). Corresponding emission factor: in most cases, the country emission factor.

Scope 3

Scope 3 emissions are all indirect emissions (not included in Scope 2) that occur in the value chain of the reporting company, including both upstream and downstream emissions.

Net-zero emissions

The Intergovernmental Panel on Climate Change states: "net-zero emissions are achieved when anthropogenic emissions of greenhouse gases to the atmosphere are balanced by anthropogenic removals over a specified period. Where multiple greenhouse gases are involved, the quantification of net-zero emissions depends on the climate metric chosen to compare emissions of different gases (such as global warming potential, global temperature change potential, and others, as well as the chosen time horizon)".

GRI

The Global Reporting Initiative (GRI) has developed Sustainability Reporting Guidelines that strive to increase the transparency and accountability of economic, environmental, and social performance. The GRI was established in 1997 in partnership with the UN Environment Programme. It is an international, multi-stakeholder and independent institution whose mission is to develop and disseminate globally applicable Sustainability Reporting Guidelines. These Guidelines are for voluntary use by organizations for reporting on the economic, environmental, and social dimensions of their activities, products and services.

Guarantee of origin

A guarantee of origin (GO)is defined in EU Directive 2009/28/EC as "an electronic document which has the sole function of providing proof to a final customer that a given share or quantity of energy was produced from renewable sources as required by Article 3(6) of Directive 2003/54/EC." The requirements of a GO are explained in Article 15 of the same Directive.

Living wage

The remuneration received for a standard working time by an employee in a particular place sufficient to afford a decent standard of living for the employee and his/her family. Elements of a decent standard of living include food, water, housing, education, healthcare, transport, clothing, and other essential needs, including provision for unexpected events.

Loss of Primary Containment

Loss of Primary Containment (LOPC) is an unplanned or uncontrolled release of material from the container that is in direct contact with the material.

Mass-balance

Mass-balance accounting is a well-known approach that has been designed to trace the flow of materials through a complex value chain. The mass-balance approach provides a set of rules for how to allocate the bio-based and/or recycled content to different products to be able to claim and market the content as 'bio'-based or 'recycled'-based.

NOx

Nitrogen oxides. These gases are released mainly during combustion.

Renewable resource

A natural resource which is replenished by natural processes at a rate comparable to, or faster than, its rate of consumption by humans or other users. The term covers perpetual resources such as solar radiation, tides, winds and hydroelectricity as well as fuels derived from organic matter (bio-based fuels).

Safety, Health and Environment (SHE)

Our policy is to maintain business activities and produce products that do not adversely affect safety or health, and that fit with the concept of sustainable development. The company does this by setting the following objectives: to provide an injury-free and incident-free workplace; to prevent all work-related disabilities or health problems; to control and minimize the risks associated with our products for their whole life cycle and to choose production processes and products such that the use of raw materials and energy is minimized; to evaluate and improve our practices, processes and products continuously in order to make them safe and acceptable to its employees, the customers, the public and the environment.

SOx

Sulfur oxide. This gas is formed during the combustion of fossil fuels.

VOC

Volatile organic compounds. The term covers a wide range of chemical compounds, such as organic solvents, some of which can be harmful.

Water use and water consumption

Water use includes water used for 'once-through cooling' that is returned to the original water source after use. Water consumption is the portion of water used that is not returned to the original water source after being withdrawn.

Financial

General

This report includes information that is presented on a pro forma basis ('pro forma figures') as well as other alternative performance measures (APMs), and information that is presented in accordance with IFRS as issued by the International Accounting Standard Board ('figures on an IFRS basis'). Please refer to the section below for the definitions as applied.

Pro forma
In preparing the pro forma figures, the financial results of Firmenich and DSM have been combined as if the merger had occurred on 1 January 2022, and with purchase price allocation adjustments included as of 8 May 2023.

APM adjustments
In presenting and discussing dsm-firmenich's financial position, operating results and net results, management uses certain other alternative performance measures (APMs) not defined by IFRS. To arrive at these APMs, adjustments are made for material items of income and expense arising from circumstances such as acquisitions and divestments, restructuring, impairments and other events (i.e., APM adjustments).

For an overview of the APMs and the reconciliations to the most directly reconcilable IFRS metric, please see Note 2 Alternative performance measures to the Consolidated Financial Statements. In calculating financial profitability ratios, use is made of the average of the opening and closing values of balance sheet items in the year under review.

Capital expenditures
Capital expenditures (CAPEX) include all investments in intangible assets and property, plant and equipment.

Core capital employed
Core capital employes is defined as capital employed, adjusted for the impact of the Firmenich purchase price allocation (PPA) – see also Note 3 Change in the scope of consolidation. Average core capital employed is calculated as the average
of the core capital employed at the end of the preceding five quarters, including the current quarter.

Core adjusted return on capital employed (ROCE)
Core adjusted return on capital employed (Core adj. ROCE) is core adjusted EBIT as a percentage of average core capital employed.

Disposals
This includes the disposal of intangible assets and property, plant and equipment as well as the disposal of participating interests and other securities.

Earnings per share
Net profit available to holders of ordinary shares, divided by the average number of ordinary shares outstanding. The financial indicators per ordinary share are calculated on the basis of the average number of ordinary shares outstanding (average daily number). In calculating Shareholders' equity per ordinary share, however, the number of shares outstanding at year-end is used.

Net debt
Net debt is the total of current and non-current borrowings less cash and cash equivalents, current investments and the net position of derivatives.

Operating working capital
The total of inventories and trade receivables, less trade payables. See also Working capital.

Organic sales growth
Organic sales growth is the sales growth excluding the impact of acquisitions, divestments, and currency impacts.

Return on capital employed (ROCE)

ROCE is the adjusted operating profit from continuing operations as a percentage of average capital employed.

R&D expenditure

R&D expenditure relates to all efforts done across the company to develop new products or improve existing products and processes. As such, R&D expenditure includes all costs and capitalized expenditures that relate to Research & Development, as well as costs incurred by other departments to support R&D activities.

Total Shareholder Return

Total Shareholder Return (TSR) is capital gain plus dividend paid.

Working capital

The total of inventories and current receivables, less current payables. See also Operating working capital.

Abbreviations

2'-FL	2'-Fucosyllactose
ACE	Assets, CSR and Employees engagement
ADR	American Depositary Receipts
AFM	*Autoriteit Financiële Markten* (The Dutch Authority for the Financial Markets)
AGM	Annual General Meeting of Shareholders
AGOFCF	Adjusted Gross Operating Free Cash Flow
AI	Artificial Intelligence
AIF	Africa Improved Foods
AMFEP	Association of Manufacturers and Formulators of Enzyme Products
ANH	Animal Nutrition & Health
API	Active Pharmaceutical Ingredient
APM	Alternative Performance Measures
ASC	Aquaculture Stewardship Council
B.E.N.	Better Eggs for Nutrition
BfN	Business for Nature
BLS+	Brighter Living Solutions plus
BMGF	Bill & Melinda Gates Foundation
CBAM	Caron Border Adjustment Mechanism
CBD	Convention on Biological Diversity
CDC	Commonwealth Development Corporation, *nowadays know as British International Investment*
CDE	Concept Development Engine
CDP	Carbon Disclosure Project
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CGU	Cash Generating Unit
CHC	Firmenich Consumer Health Care
CHRO	Chief Human Resources Officer
CIMAP	Central Institute of Medicinal and Aromatic Plants
CO_2e	Carbon dioxide equivalent
COD	Chemical Oxygen Demand
CODM	Chief Operating Decision Maker
CoP	Communication on Progress – UNGC platform
COs	World Food Programme Country Offices
COSO	The Committee of Sponsoring Organizations of the Treadway Commission
CPHI	Convention on Pharmaceutical Ingredients
CPO	Chief Procurement Officer
CSD	Central Security Depository
CSO	Chief Sustainability Officer
CSR	Corporate Social Responsibility
CSRD	Corporate Sustainability Reporting Directive
CST	Crude Sulfate Turpentine
DCC	Dutch Civil Code
DE&I	Diversity, Equity and Inclusion
DFID	Department for International Development
DHA	Docosahexaenoic Acid

DSFIR	dsm-firmenich, as listed on Euronext Amsterdam
EBIT	Earnings Before Interest and Taxes
EBITDA	Earnings Before Interest, Taxes, Depreciation and Amortization
ECL	Expected Credit Loss
EFSA	European Food Safety Authority
EGM	Extraordinary General Meeting
EPA	Eicosapentaenoic Acid
EPD	Environmental Product Declaration
EPP	European People's Party
EPS	Earnings Per Share
ERM	Enterprise Risk Management
ERT	European Round Table for Industry
ESG	Environmental, Social and Governance
ESRS	European Sustainability Reporting Standards
EUDR	European Union Deforestation Regulation
ExCo	Executive Committee
FCLT	Focusing Capital on the Long Term
FEMA	Flavor Extract Manufacturers' Association
FIFO	First in, first out
FMO	*De Nederlandse Financierings-maatschappij voor Ontwikkelingslanden* (Dutch Entrepeneurial Development Bank)
FSA	Farmer Self-Assessment
FSC	Forest Stewardship Council
G&A	General & Administrative
GALS	Gender Action Learning System
GBF	Global Biodiversity Framework
GHG	Greenhouse gas
GMO	Genetically Modified Organisms
GMT	Global Management Team
GNC	Governance & Nomination Committee
GO	Guarantee of origin
GRI	Global Reporting Initiative
GSLT	Global Sustainability Leadership Team
HMO	Human Milk Oligosaccharides
HNC	Health, Nutrition & Care
HR	Human Resources
HRLT	Human Resources Leadership Team
I4N	ImpAct4Nutrition
IASB	International Accounting Standards Board
IBC	International Business Council
ICF	Incremental Cash Flows
IFC	International Finance Corporation
IFRS	International Financial Reporting Standards
IIGCC	Institutional Investors Group on Climate Change
IMD	International Institute for Management Development
IOFI	International Organization of the Flavor Industry
IP	Intellectual Property

IPCC	Intergovernmental Panel on Climate Change
IPO	Initial Public Offering
IR	Integrated Reporting
ISDA	International Swaps and Derivatives Association
ISSB	International Sustainability Standards Board
IUCN	International Union for Conservation of Nature
KPI	Key Performance Indicator
LCA	Life Cycle Assessment
LGBTIQ+	Lesbian, Gay, Bisexual, Transgender, Intersex and Queer
LGG	*Lactobacillus rhamnosus* Goldin Gorbach
LNnT	Lacto-N-neotetraose
LOTOTO	Lock-Out, Tag-Out, Try-Out
LSFF	Large-Scale Food Fortification
LT	Leadership team
LTI	Long-Term Incentive
M&A	Mergers and Acquisitions
M4N	Millers for Nutrition
MEEM	Multi-period Excess Earnings Method
MMS	Multiple Micronutrient Supplement
MNP	Micronutrient Powder
MSC	Marine Stewardship Council
NCI	Non-Controlling Interests
NGO	Non-Governmental Organization
OCI	Other Comprehensive Income
OECD	Organisation for Economic Co-operation and Development
P&B	Perfumery & Beauty
PEA	Polyesteramide
PEF	Product Environmental Footprint
PEFC	Program for the Endorsement of Forest Certification
PFS	Partners in Food Solutions
PPA	Purchase Price Allocation; also Power Purchase Agreement
PPE	Personal Protective Equipment; also Property, Plant and Equipment
PRI	Principles for Responsible Investment
PSU	Performance Share Unit
RCP	Representative Concentration Pathways
RE	Renewable Electricity
REC	Renewable Energy Certificate
REN	Race, Ethnicity & Nationality
RfR	Relief-from-Royalty
ROCE	Return on Capital Employed
RoSPA	Royal Society for the Prevention of Accidents
RSPO	Roundtable for Sustainable Palm Oil
RSU	Restricted Share Unit
SAI	Sustainable Agriculture Initiative
SAL	Sight and Life
SBCC	Social Behavior Change and Communication
SBT	Science Based Target

SBTi	Science Based Targets initiative
SBTN	Science Based Targets for Nature
SDG	Sustainable Development Goal
SFDR	Sustainable Finance Disclosure Regulation
SFE	Supercritical Fluid Extraction
SHE	Safety, Health and Environment
SILC	Stanford Interdisciplinary Lifesciences Council
SoD	Segregation of Duties
SPF	Sun Protection Factor
SPPI	Solely Payments of Principal & Interest
SQLNS	Small Quantity Lipid-Based Nutrient Supplements
STI	Short-Term Incentive
TCFD	Taskforce on Climate-related Financial Disclosures
TfS	Together for Sustainability
TRIR	Total Recordable Incident Rate
TSR	Total Shareholder Return
TTH	Taste, Texture & Health
UEBT	Union for Ethical BioTrade
UN	United Nations
UNGP	United Nations Guiding Principle
WBCSD	World Business Council for Sustainable Development
WEF	World Economic Forum
WFP	United Nations World Food Programme
WRI	World Resource Institute
WWF	Worldwide Fund for Nature

You can find the Integrated Annual Report 2023 online at
annualreport.dsm-firmenich.com/2023/