Remuneration @dsm-firmenich

EGM Kaiseraugst (CH)

29-6-2023
Two iconic companies coming together in a merger of equals
dsm–firmenich will become a much larger and stronger company, and more than the sum of its parts

Integrated global footprint

Swiss-domiciled, with the seat of the principal in Kaiseraugst (CH), listed on Euronext Amsterdam

The broadest portfolio of ingredients in our industry

c. 30,000 passionate, talented and diverse employees working, incl. 2,000 employees in Science and Innovation, 15 global R&D facilities, 88 manufacturing sites on all continents with presence in 57 countries (with DSM in 54 and Firmenich in 37)

Significant innovation opportunities, leveraging complimentary capabilities to create new concepts with our customers, driving revenue synergies
Four multi-billion international businesses brought together in one new company. 3 of the 4 BU’s are established in Switzerland, with which Switzerland will be the center of gravity.

- **Perfumery & Beauty**: Delighting the world with superior scents created from a palette of sustainable ingredients.
- **Taste, Texture & Health**: Partnering with the food and beverage industry to overcome the trade-off between palate and planet.
- **Health, Nutrition & Care**: Delivering critical nutrients for proactive health in every stage of life and every sort of lifestyle.
- **Animal Nutrition & Health**: Powering the production of sustainable animal protein, transforming global food systems for good.

**World-class science and technology platform**

Vertically integrated supply chain ensuring supply continuity, resilience and deepening trust with our customers.

**Best-in-class support functions**

(1) FY 2021 pro-forma sales for DSM Nutrition and Firmenich combined based on their respective accounting policies. Firmenich financials are presented on the basis of FY 2021 year-end converted in euros. As Firmenich’s FY-end is in June, the FY 2021 financials are based on Firmenich’s FY 2021/22 half-year financials. The pro-forma financials exclude any pro-forma adjustment for synergies and other pro-forma adjustments. The pro-forma financials have not been audited or reviewed by an external auditor. (2) Health, Nutrition and Care sales, exclude Personal Care & Aroma which is included in Perfumery & Beauty.
New remuneration needed that fits NewCo

Legacy scheme of DSM was already lagging, Firmenich scheme closer to NewCo approach

**DSM...**
- Based on NL standards, with still EU Diversified Chemical companies being the reference
- Conservative remuneration approach over the last decade lagging its own remuneration policy, bordering 25th percentile
- Remuneration standards not sufficiently adapted to changes in peer group and industry. DSM already needed to re-design its remuneration framework following its remuneration
- Total ExCo at target remuneration (2022): € 20.0m

**Firmenich...**
- Based on Swiss standards, taking into account the global F&F peers and the global specialty consumer industries in which they operate
- There is a strong competition amongst F&F players for global talent
- Strong focus on industry (closer to FMCG) and direct competitors’ remuneration as disclosed (including IFF, Givaudan)
- Cash settled Long-Term incentive plan
- Total ExCo at target remuneration (2022): € 27.9m
Remuneration proposal
dsm-firmenich
Introduction

dsm–firmenich has decided to actively engage on remuneration as soon as practically possible

- At the inception of the new company dsm–firmenich AG, the NewCo compensation approach has been validated by the legal representatives in order to have the Board of Directors (“BoD”) and Executive Committee (“ExCo”) in place as of the 1st day of trading
- The compensation has been set and approved as follows:
  - For the BoD until the EGM of 29 June 2023, when the remuneration proposal for the period from that EGM until next year’s AGM will be submitted for shareholder approval
  - For the ExCo for the year 2023. At the EGM of 29 June 2023, a proposal will be submitted for shareholder approval for the Executive Committee remuneration of the 2024 calendar year.
- Whilst the legal representatives could have approved the remuneration for BoD and ExCo until 2024 AGM and end of CY24 respectively, dsm–firmenich has decided to actively engage with our investors as soon as practically possible, commencing with the June 2023 EGM meeting and to therefor to submit the remuneration envelopes for approval

Swiss remuneration voting procedure:

**Extraordinary General Meeting dsm–firmenich AG**

- 29 June 2023
  - Binding vote on maximum envelope for remuneration Board of Directors for the period EGM 2023 until AGM 2024
  - Binding vote on maximum envelope of remuneration Executive Committee for CY24

**Annual General Meeting**

- 7 May 2024
  - Binding vote on maximum envelope for remuneration Board of Directors from AGM 2024 until AGM 2025
  - Binding vote on maximum envelope of remuneration Executive Committee for CY25
  - Non-binding vote on the 2023 Remuneration Report
Remuneration principles
addressing complexity and ambition of dsm–firmenich

- **Complete new remuneration scheme** for a large globally operating Swiss based company in consumer markets (Not based on legacy systems of either company)
- Aligned with Swiss governance and market practices
- **Align Board and ExCo incentives** to the long-term success of the company, including our group strategy and sustainability ambitions
- Majority of remuneration is not guaranteed. Total pay is closely connected to performance against ambitious targets
- Reward competitively and fairly to attract, engage and retain the best qualified talent (and fit with current remuneration levels in place at Firmenich)
- Benchmarked against European consumer ingredients/staples and industrials peer group (ExCo) and Swiss SMI (BoD)
Remuneration Board of Directors positioned below/at median vs Swiss peers

Considerations:

- In line with market practice, benchmarking for BoD positions is based on the country in which the company is domiciled, i.e., Switzerland. A benchmark has therefore been conducted towards Swiss (SMI listed) peers*.
- The proposed fees are **below median** of the Swiss peers.
- Chairman fees of 800K include committee fees whereas benchmark of Swiss peers excludes committee fees. Chairman positioning well below median at his request.
- Remuneration reflects the accountabilities of a Swiss domiciled BoD

* Peer companies are those companies listed and included in the SMI index, with the exception of UBS, Credit Suisse and Roche on the basis of their pay is materially higher versus the SMI companies

Proposed Committee fees compared to Swiss (SMI listed*) peers
(EUR * 1,000, 1 CHF = 1 €)

<table>
<thead>
<tr>
<th>Role</th>
<th>DSM Firmenich</th>
<th>Median Swiss peers</th>
<th>Upper Quartile Swiss peers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chair</td>
<td>800</td>
<td>980</td>
<td>1,825</td>
</tr>
<tr>
<td>Deputy</td>
<td>245</td>
<td>275</td>
<td>350</td>
</tr>
<tr>
<td>Chair</td>
<td>200</td>
<td>225</td>
<td>260</td>
</tr>
<tr>
<td>Member</td>
<td>200</td>
<td>225</td>
<td>260</td>
</tr>
</tbody>
</table>

Note:
- Committee fees are included for the Chairman
- Chair positioning well below median at his request
- Remuneration reflects the accountabilities of a Swiss domiciled BoD
Remuneration Board of Directors – continued

Considerations:

- Proposed fees sit below or at median of Swiss peers
- Committee fees of the Chair are included in his general fee.
- The BoD currently includes 12 members

<table>
<thead>
<tr>
<th>Proposed Committee fees compared to Swiss (SMI listed*) peers</th>
<th>(1 CHF = 1 €)</th>
</tr>
</thead>
</table>

- **Member other Cies.**
  - Proposal: 20,000
  - Median Swiss peers: 25,000

- **Chair other Cies.**
  - Proposal: 30,000
  - Median Swiss peers: 50,000

- **Member Audit Cie.**
  - Proposal: 25,000
  - Median Swiss peers: 40,000

- **Chair Audit Cie.**
  - Proposal: 40,000
  - Median Swiss peers: 70,000

Particularities Remuneration Board of Directors

- Fees will be paid **half in Cash** and **half in Restricted Share Units** (RSUs), in line with common practice in CH
- All fees are paid exclusively as a fixed amount and are not subject to the achievement of any specific performance conditions. Other than mandatory contributions to the company pension plan (second pillar) as far as applicable because of local Swiss regulations, the fees are not pensionable.

* SMI listed companies excluding UBS, Credit Suisse and Roche on the basis of their pay being materially higher versus the SMI companies
Remuneration Board of Directors – envelope

Total aggregated maximum amount of compensation for the Board of Directors amounts to €4.1m on an annual basis and €3.6m between the 2023 EGM and 2024 AGM

**Considerations re. the envelope**
- Does not include the company-related portion of contributions to social security systems paid in line with applicable laws in any relevant geography.
- The reserve will be used in specific circumstances, for example changes in Committee assignments or subject to regulatory requirements.

**Considerations re. delivery of RSUs**
- The number of RSUs to be granted will be calculated considering the average share price of the dsm-firmenich share over a reference period (for 2023 the average share price in the month post closing (i.e., June) might be used).
- RSUs do not have voting rights and do not provide eligibility for dividend payments.
- 3 year holding period starting at grant date.
- Upon leaving the BoD: accelerated vesting of all outstanding RSUs recorded as unvested at termination date subject to a holding obligation of the obtained shares of one year.

### Annual fees Board of Directors (EUR thousands)

<table>
<thead>
<tr>
<th>Position</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chair (including committee fees)</td>
<td>800</td>
</tr>
<tr>
<td>Deputy Chair (excl. committee fees)</td>
<td>245</td>
</tr>
<tr>
<td>Member (excl. committee fees)</td>
<td>200</td>
</tr>
<tr>
<td>Chair Audit &amp; Risk Committee</td>
<td>40</td>
</tr>
<tr>
<td>Chair other Committees</td>
<td>30</td>
</tr>
<tr>
<td>Member Audit &amp; Risk Committee</td>
<td>25</td>
</tr>
<tr>
<td>Member other Committees</td>
<td>20</td>
</tr>
</tbody>
</table>
Remuneration Executive Committee – CEO pay

CEO maximum pay positioned at market median vs European peers*

(1 CHF = EUR)

- **Base salary**: € 1,350M
- **STI target**: 100%, performance payout range between zero and 200% vs target
- **LTI target**: 200%, performance payout range between zero and 150% vs target

Considerations:

- Move to new model with one CEO requiring relevant pay position of CEO reflecting enterprise scope
- Maximum compensation aligned with market median positioning versus European peer group
- Focus on long-term value creation in pay mix design
- Variable remuneration represents significant portion: 75% of overall pay mix at target, maximum can only be achieved under exceptional performance conditions

* companies alphabetical order: ABB, AkzoNobel, Alcon, ASML, Beiersdorf, Danone, Givaudan, Heineken, Henkel, Kerry Group, Lindt & Sprüngli, Lonza, Merck KGA, Philips, Reckitt Benckiser, Sika
Remuneration Executive Committee – peer group
Peer group has been defined considering manufacturing companies comparable in size and complexity, domiciled in Switzerland, The Netherlands, and other European countries

<table>
<thead>
<tr>
<th>Company</th>
<th>Country</th>
<th>Industry</th>
</tr>
</thead>
<tbody>
<tr>
<td>Abb</td>
<td>Switzerland</td>
<td>Electrical Components</td>
</tr>
<tr>
<td>Akzo Nobel</td>
<td>Netherlands</td>
<td>Specialty Chemicals</td>
</tr>
<tr>
<td>Alcon</td>
<td>Switzerland</td>
<td>Medical Supplies</td>
</tr>
<tr>
<td>ASML holding</td>
<td>Netherlands</td>
<td>Production Technology Equipment</td>
</tr>
<tr>
<td>Beiersdorf</td>
<td>Germany</td>
<td>Personal Care, Drug and Grocery Stores</td>
</tr>
<tr>
<td>Chocoladefabriken Lindt &amp; Spruengli</td>
<td>Switzerland</td>
<td>Food Products</td>
</tr>
<tr>
<td>Danone</td>
<td>France</td>
<td>Food Products</td>
</tr>
<tr>
<td>Givaudan</td>
<td>Switzerland</td>
<td>Specialty Chemicals</td>
</tr>
<tr>
<td>Heineken</td>
<td>Netherlands</td>
<td>Brewers</td>
</tr>
<tr>
<td>Henkel</td>
<td>Germany</td>
<td>Household Equipment and Products</td>
</tr>
<tr>
<td>Kerry Group</td>
<td>Ireland</td>
<td>Food Products</td>
</tr>
<tr>
<td>Koninklijke Philips</td>
<td>Netherlands</td>
<td>Medical Equipment</td>
</tr>
<tr>
<td>Lonza Group</td>
<td>Switzerland</td>
<td>Biotechnology</td>
</tr>
<tr>
<td>Merck KGA</td>
<td>Germany</td>
<td>Pharmaceuticals</td>
</tr>
<tr>
<td>Reckitt Benckiser</td>
<td>United Kingdom</td>
<td>Nondurable Household Products</td>
</tr>
<tr>
<td>Sika</td>
<td>Switzerland</td>
<td>Building Materials: Other</td>
</tr>
</tbody>
</table>

Considerations:

▪ Manufacturing companies
▪ Geographical spread over the Netherlands, Switzerland and Europe with a minimum of 4 companies per geographical zone
▪ In principle meeting the following criteria as per ISS best practices:
  ▪ Market cap between 0.25 to 4.0 times dsm–firmenich
  ▪ Revenue and number of employees between 0.4 to 2.5 times dsm–firmenich
▪ No US based companies
Remuneration Executive Committee

Envelope Remuneration Executive Committee: maximum total amount of €37.9m for CY2024 (CHF 1 = € 1)

Total envelope on annual basis
- The table on the right provides an overview of the **remuneration envelope**, amounting to €37,9m, including 9 Executive Committee members in CY2024, considering the revised CEO model and new P&B President
- Envelope contains STI payout at maximum, LTI payout at target, valued at grant
- Does not include the company–related portion of contributions to social security systems paid in line with applicable laws in any relevant geography
- Any special payments related to the merger completion as confirmed by DSM and Firmenich as referred to in the Offering Circular are not included

<table>
<thead>
<tr>
<th>(EUR thousands)</th>
<th>Amounts included in envelope</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fixed remuneration and benefits</td>
<td>12,159</td>
</tr>
<tr>
<td>Short–term incentive plan at maximum</td>
<td>13,044</td>
</tr>
<tr>
<td>Long–term incentive, at target, valued at grant</td>
<td>10,109</td>
</tr>
<tr>
<td>Other</td>
<td>2,600</td>
</tr>
<tr>
<td>TOTAL</td>
<td>37,912</td>
</tr>
</tbody>
</table>

Remuneration at floor, target and cap
- Total ExCo remuneration at target of € 28.1m, represents a €20M savings versus the respective costs pre–merger of Executive Committees
- For ExCo members other than the CEO:
  - STI sits between 85 and 100% at target, payout range between zero and 170 to 200% maximum
  - LTI sits between 100 and 120% at target, payout range between zero and 180 to 200% maximum post three–year vesting period
## Remuneration Executive Committee – framework

<table>
<thead>
<tr>
<th></th>
<th>Fixed Remuneration</th>
<th>Variable remuneration</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td><strong>Annual base salary</strong></td>
<td><strong>Benefits &amp; perks</strong></td>
</tr>
<tr>
<td>Purpose</td>
<td>Reflects competencies and skills set required for the position</td>
<td>Securing health and well-being as well as post retirement income (pension)</td>
</tr>
<tr>
<td>Delivery</td>
<td>Cash</td>
<td>Subject to plan rules. (Settled in cash)</td>
</tr>
<tr>
<td>Timing / Performance cycle</td>
<td>Monthly payments</td>
<td>Subject to plan rules</td>
</tr>
<tr>
<td>CY24 Goals</td>
<td>BoD will set goals, targets* and their weight. Possible goals/weighting could be:</td>
<td>BoD will set goals, targets* and their weight. Possible goals/weighting could be:</td>
</tr>
<tr>
<td></td>
<td>• 30% Adjusted EBITDA</td>
<td>• 25% TSR vs peer group**</td>
</tr>
<tr>
<td></td>
<td>• 15% Organic revenue growth</td>
<td>• 25% Core ROCE</td>
</tr>
<tr>
<td></td>
<td>• 15% Core free cash flow</td>
<td>• 15% measurables ESG indicators on equity / inclusion</td>
</tr>
<tr>
<td></td>
<td>• 10% Merger synergy performance</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• 30% Measurable ESG targets</td>
<td></td>
</tr>
<tr>
<td></td>
<td>STI Payout occurs if min. 75% of adjusted EBITDA goal has been met</td>
<td></td>
</tr>
</tbody>
</table>

* In its engagement with investor (representatives), dsm–firmenich has taken good notice of the preferred alignment of goal setting, weighting and the setting of underlying thresholds, with the high ambition level of the company.

** Dedicated TSR peer group yet to be defined. TSR peer group is fit for purpose and hence different from BoD and ExCo remuneration peer groups. There will be no payout on the TSR KPI if performance sits below median of the TSR peer group companies.
Benefits

Purpose
▪ Enhance employee engagement and well-being, thus attraction and retention
▪ Provide adequate support and protection of an employee’s health and financial future

Principles for Exco Benefits
▪ Aligned with the Remuneration principles for Executive Committee Roles
▪ Market prevalence with position around median
▪ Compliant with (Swiss) regulations

Offering to Executive Committee
▪ Pension benefit based on location of Exco member
▪ Disability and life insurance coverage
▪ Company car

Main terms & conditions of employment

▪ Employment agreement indefinite period
▪ Minimum shareholding requirement: 300% of base salary for CEO, and 100% for other members of the Executive Committee
▪ Claw back: If legally valid grounds and in case of restatement of accounts
▪ Notice period: 12 months for CEO, and 6 months for ExCo members
▪ Non compete clause up to 12 months after termination of employment (to be decided on case-by-case basis upon end of contract)
▪ Non solicitation of employees / customers of 24 months after termination of employment
▪ Maximum one other Board membership allowed
Significant annual reduction of ~€20m to cost of Board and ExCo for dsm-firmenich

- DSM cost of Board Directors: € 0.9m
- Firmenich cost Board of Directors: € 3.2m
- dsm-firmenich cost Board of Directors: € 4.1m
  (Board size and cost to be reduced over time)

- DSM cost ExCo (at target): € 20m
- Firmenich cost ExCo (at target): € 27.9m
- dsm-firmenich cost ExCo (at target): € 28.1m

- Total reduction cost dsm-firmenich vs previous separate entities = €20m
We bring progress to life™