

Remuneration @dsm-firmenich

EGM Kaiseraugst (CH)

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

dsm-firmenich

Innovators in Nutrition, Health & Beauty

€11.4bn

2021 PF sales

5-7%

projected organic growth

c. 30,000

FTEs

c.16,000

patents

22-23%

projected Adj. EBITDA margin

€700m+

2021 R&D spend

15

R&D centers

~€350m

projected Adj. EBITDA synergies

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



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:

29 June 2023

Extraordinary General Meeting dsm-firmenich AG

- 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

7 May 2024

Annual General Meeting

- 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

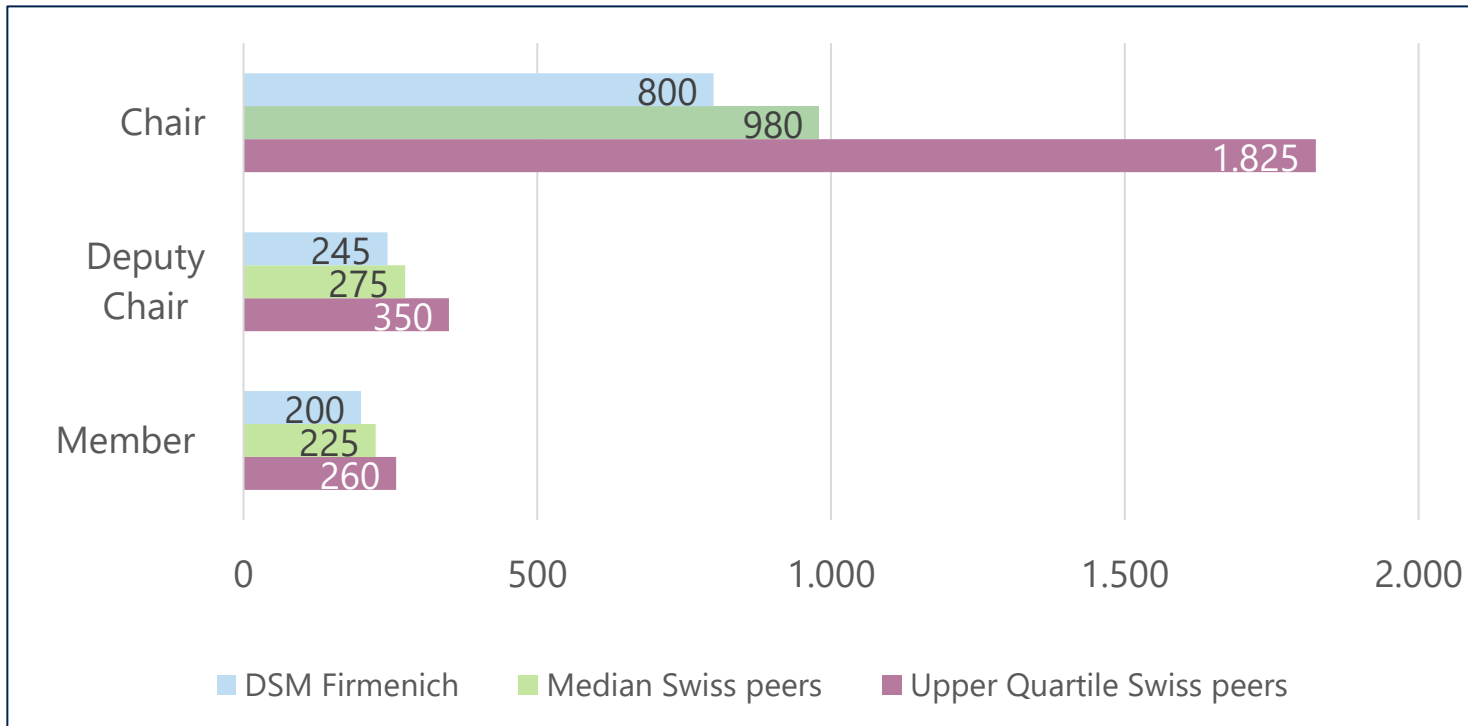
addressing complexity and ambition of dsm-firmenich

- **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

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



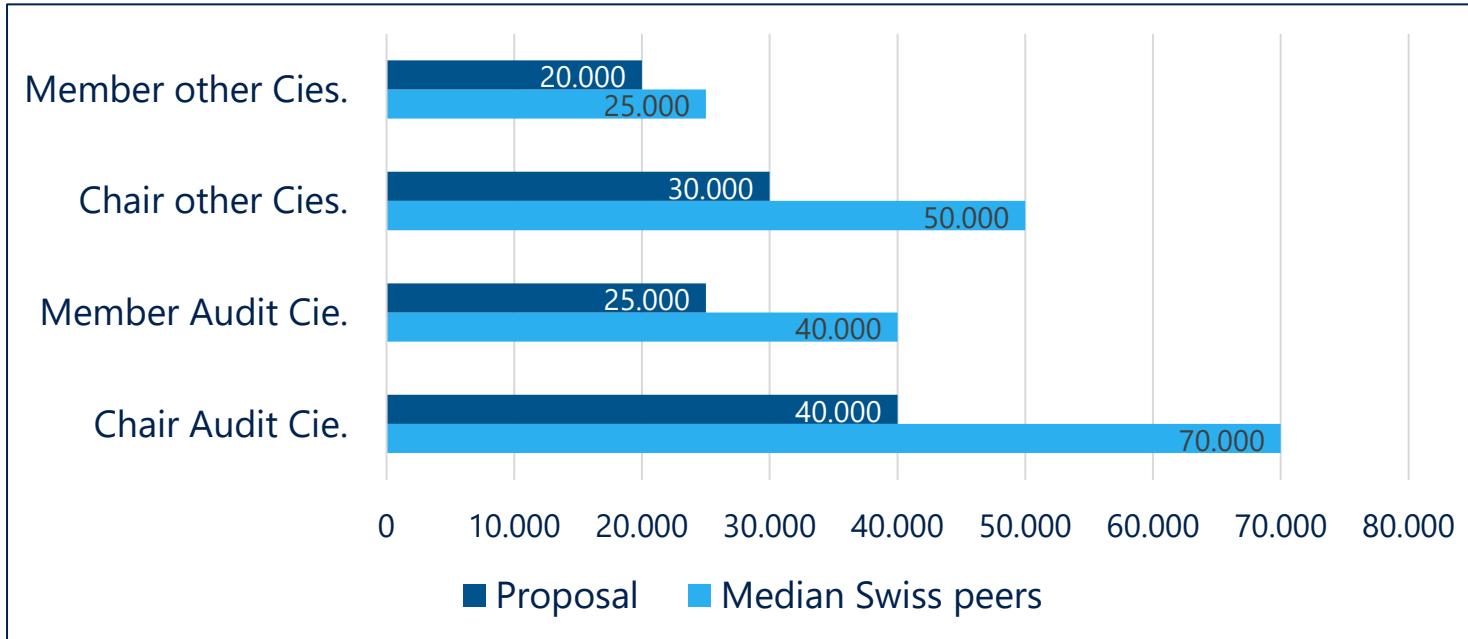
Considerations:

- 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

Remuneration Board of Directors – continued

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



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

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 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

	<i>(EUR thousands)</i>
Chair (including committee fees)	800
Deputy Chair (excl. committee fees)	245
Member (excl. committee fees)	200
Chair Audit & Risk Committee	40
Chair other Committees	30
Member Audit & Risk Committee	25
Member other Committees	20

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

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

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 (CHF1 = €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

(EUR thousands)	Amounts included in envelope
Fixed remuneration and benefits	12,159
Short-term incentive plan at maximum	13,044
Long-term incentive, at target, valued at grant	10,109
Other	2,600
TOTAL	37,912

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

	Fixed Remuneration		Variable remuneration	
	Annual base salary	Benefits & perks	Short-Term Incentive	Long-Term Incentive
Purpose	Reflects competencies and skills set required for the position	Securing health and well-being as well as post retirement income (pension)	Annual incentive aligning short-term business objectives and business drivers with strategic objectives.	Focus on long-term value creation, ensuring that decisions made are in the long-term interest of all stakeholders
Delivery	Cash	Subject to plan rules. (Settled in cash)	Cash	Performance Share Units (PSUs)
Timing / Performance cycle	Monthly payments	Subject to plan rules	Respective financial year. Pay-out end Q1 consecutive year.	Three consecutive financial years, starting with the year of grant. Typical grant date: end Q1
CY24 Goals			<p>BoD will set goals, targets* and their weight. <i>Possible goals/ weighting</i> could be:</p> <ul style="list-style-type: none"> • 30% Adjusted EBITDA • 15% Organic revenue growth • 15% Core free cash flow • 10% Merger synergy performance • 30% Measurable ESG targets <p>STI Payout occurs if min. 75% of adjusted EBITDA goal has been met</p>	<p>BoD will set goals, targets* and their weight. <i>Possible goals /weighting</i> could be:</p> <ul style="list-style-type: none"> • 25% TSR vs peer group** • 25% Core ROCE • 20% Sustainable portfolio solutions • 15% measurable ESG indicators on equity / inclusion • 15% GHG emissions reduction

* 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.

Remuneration Executive Committee – continued

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**



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