

Taxation at DSM 2021

Creating brighter lives for all

HEALTH • NUTRITION • BIOSCIENCE



DSM

BRIGHT SCIENCE. BRIGHTER LIVING.

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Tax policy

We believe a responsible approach to tax is an integral part of doing sustainable business in a robust, well-functioning society. Income from direct and indirect taxation, generated as a result of the vigorous economic activity of companies such as DSM, is a primary source of revenue for public exchequers. As such, tax is a subject relevant for society at large while also becoming more and more complex. This paper brings together all the relevant information that DSM makes public on taxation, from policies to payments, in one central resource.

We are a global, purpose-led, science-based company active in Health, Nutrition & Bioscience, applying science to improve the health of people, animals and the planet. DSM's purpose is to create brighter lives for all. DSM's products and solutions address some of the world's biggest challenges while simultaneously creating economic, environmental and societal value for all its stakeholders - customers, employees, shareholders, and society at large. We deliver innovative solutions for human nutrition, animal nutrition, personal care and aroma, medical devices, green products and applications, and new mobility and connectivity. Including our associated companies, we deliver annual net sales of about € 10 billion with approximately 23,000 employees. We were founded in 1902 and are listed on Euronext Amsterdam.

Our strategy addresses the main important societal trends and has especially strong alignment with 5 of the 17 United Nations Sustainable Development Goals (SDGs). In this way the growth and success of DSM benefits all stakeholders. More information can be found in the [Royal DSM Integrated Annual Report 2021](#).

Taxes play a vital role in achieving the SDGs. They are a key mechanism by which organizations contribute to the economies of the countries in which they operate. We view the fulfillment of our tax obligations as part of embracing sustainability and providing value for all our stakeholders.

We deliver performance by making decisions every day that show what we stand for: taking responsibility, championing sustainability and delivering value. These values are at the heart of our Tax Policy – our tax principles.

Accountability and Governance

The DSM tax policy and tax strategy is the responsibility of the CFO. The tax strategy is updated annually and reviewed by the Audit Committee of the Supervisory Board.

Our corporate- and business-level management as well as our employees have a legal duty to comply with applicable tax requirements. DSM's [Whistleblower Policy - DSM Alert](#) is applicable to all corporate policies, including our tax policy, which is a mechanism for reporting concerns about unethical or unlawful behavior and the organizational integrity in relation to tax.

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

Compliance

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

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

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

Business Structure

DSM's tax position is consistent with the normal course of its business operations as well as the geographic spread of its activities. We do not support the use of artificial structures (tax havens) nor will we enter into tax avoidance activities.

Relationships with tax authorities

DSM has fostered good working relationships with tax authorities in various countries, which has long-term benefits for both DSM and the authorities.

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

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

Seeking & Accepting Tax Incentives

With our unique science-based competences, we have created a strong platform for growth and are ideally positioned to contribute to, and capture the growth opportunities offered by, the global megatrends and SDGs, with a particular focus on developing innovative solutions addressing our focus domains of Health, Nutrition & Bioscience.

Our innovation and research & development capabilities support us in achieving our growth targets. Around 1522 employees (continuing operations) are employed in our R&D activities around the world. We accept tax incentives primary related to innovation offered by a governments to support investment, employment and economic development. We strive to implement these incentives in the manner intended by the relevant statutory, regulatory or administrative framework – we do not engage in tax planning that aims only at avoiding tax costs.

Supporting Effective Tax Systems

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

DSM regularly participates in meetings of the Confederation of Netherlands Industry and Employers (VNO-NCW) – the Dutch employers' federation, which advises Dutch government from an employer's perspective.

Transparency

We provide regular information to our stakeholders, including investors, employees, civil society and the general public, about our approach to tax and taxes paid. We first published this paper in 2015 and have updated it annually since then. We benchmark our tax transparency using the Dutch Association of Investors for Sustainable Development (VBDO) Tax Transparency Benchmark to identify improvement areas for consideration for future disclosure. Over the last six years we stayed in the upper quartile of the benchmark.

Supporting the transformation to sustainable solutions

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

We strive to promote resource efficiency and the reduction of greenhouse gas emissions as well as advocating for a shift to a low-carbon economy, which includes implementing a meaningful price on carbon. High-performance materials which improve energy efficiency in and lower emissions from the automotive, maritime and food sectors contribute to a more sustainable environment. In our Nutrition businesses, we provide a full range of solutions to improve the global environmental footprint of food and animal meat production, including a reduction of GHG emissions. Our core SDGs can be found in the [Royal DSM Integrated Annual Report 2021](#).

DSM is an advocate of the development and implementation of a global system to put a meaningful *price* on the use of carbon. To encourage investments in low-carbon and carbon-free technologies, we use an internal carbon price in the valuations of key investment projects and in the Profit and Loss statements of the business groups for internal management reporting. Since 2019, business growth projects must either be GHG-neutral or else be compensated for within the same business. This increases the visibility of, and encourages accountability for, the impact of carbon on the business. In 2021, we increased the ICP from €50/t CO₂eq to €100/t CO₂eq to better reflect the updated insights on the actual price of CO₂ to society.

Used as part of a broader decarbonization efforts, this approach prepares DSM to operate under future climate policies and regulations including green taxes.

A complement to carbon pricing could be a reduction in taxes on labor while increasing those on the use of scarce resources. Shifting taxes from labor to resources would simultaneously stimulate the development of the circular economy (where products and systems are designed in such a way that they can be returned and the materials recycled, re-used or remanufactured, meaning that waste no longer exists but becomes the input for a new round of production) and a more conscious use of resources, whilst also stimulating job creation and flexibility on the labor-market.

DSM engages in dialogue with various partners and stakeholders on these topics including the World Bank, the Dutch think-tank Ex'Tax and the World Business Council for Sustainable Development (WBCSD). DSM has a long-term relationship with the WBCSD, in particular as regards the development of metrics to measure external impacts such as through Life Cycle Assessments. DSM aims to be a front-runner in climate action. Our approach is to improve the impact of our own operations, enable our customers to do the same through our products and advocate for action on climate.

Tax governance, control & risk management

Tax governance

DSM has a robust governance framework founded on [DSM Articles of Association](#), [DSM Code of Business Conduct](#), the company's Management Framework including Corporate Requirements and Directives, and its risk management system. DSM applies all 113 best practices of the [Dutch Corporate Governance Code](#). DSM's Managing Board is responsible for establishing the approach to taxation under the supervision of the Audit Committee of the Supervisory Board. All members of the Supervisory Board are independent in accordance with the Best Practice provisions of the [Dutch Corporate Governance Code](#).

Tax is the ultimate [responsibility](#) of our Chief Financial Officer and is part of the finance function of the company. A global team of tax professionals – Group Taxation - advises the Managing Board, the Executive Committee and the business on the management of tax matters and tax risks. Proper organization, procedures and processes are in place at DSM between the tax team, the business, and other Corporate Staff, Shared Services and Functional Excellence departments. The aim is to create a strong interconnection to keep everyone aware of relevant tax legislation and to ensure compliance.



Group Taxation has been assigned by the Managing Board with the duty of setting up and overseeing the functioning of a worldwide tax control framework that enables us to be aware of the worldwide tax risks for DSM. To ensure effective application of this framework, Group Taxation has set up requirements that must be followed by all units of DSM. Taxation Requirements are part of the DSM Corporate Requirements and cover key tax processes as shown on the graph.

In meeting the company's legal tax obligations, our global tax team operates with full integrity and professionalism.

Group Taxation team of professionals has an international and diverse profile. As the international tax landscape is rapidly changing, DSM Group Taxation transformed its way of working into a functional approach: leaders in (tax) Strategy, Regional Tax, Business Tax, Transfer Pricing, Customs, Indirect Tax, Tax Control & Accounting, Communication and M&A.

This functional approach focuses on key competencies while also overseeing the tax operations teams whose primary focus is on tax compliance. Moreover, it enables the tax team to efficiently ensure compliance and cover all relevant tax aspects of our business. The leaders in functional areas are being led globally by the VP Group Taxation and meet regularly to provide updates on relevant tax matters.

To enhance and upgrade existing tax processes within the company we have transitioned all direct tax compliance in countries where members of Group Taxation are not present to one global service provider, which also provides an IT solution for the storage of the tax data. In 2020 and 2021 we have engaged a global service provider for local transfer pricing documentation – this allows us to monitor the consistency of documentation centrally while fulfilling the local specific requirements.

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

We believe that digitalization will further improve making tax processes sustainable while creating value. Together with IT and a third-party advisor, we have developed a 'tax IT roadmap' for the coming years, defining several IT projects that will assist with the updated digital requirements of the various tax authorities such as electronically filing tax returns. Examples of Roadmap implementation include DAC6 reporting tool, automation in VAT and CIT compliance initiatives.

Group Taxation aims to connect its tax competences with DSM's Health, Nutrition and Bioscience businesses, regions and support groups, enabling purpose led solutions while performance driven, all in line with DSM's strategy.

Tax risk management & control

DSM identifies and discloses relevant regulatory risks, including taxation risks, plus related mitigation actions in its [Integrated Annual Report](#). As part of the DSM risk management process, tax risks and incidents are reported and discussed with the Audit Committee of the Supervisory Board. Both financial-related and non-financial risks are considered by the Audit Committee. Non-financial risks include amongst others risks related to people, organization, culture and operational and reputational aspects. Tax risks are also included in DSM's Risk appetite overview in the [Royal DSM Integrated Annual Report 2021](#).

The existing Tax Control Framework is a tax risk management and control system, which enables Group Taxation to be aware of the worldwide tax risks for DSM. Compliance with both direct and indirect tax matters is monitored through this Tax Control Framework to achieve an effective, efficient and transparent tax function.

Tax risks are monitored through our Tax Control Framework, enabling that Group Taxation is aware of the worldwide tax risks for DSM. Internal procedures for specific risk areas:

Area	Risk	Mitigation
Organization	Reorganizations and business restructurings result in a misalignment with our tax approach	Group Taxation is fully involved in corporate reorganizations and business restructurings (changes in legal structure, ERP systems, M&A, cross-border activities etc.) to ensure these restructurings are in line with DSM's Tax Policy
Operations	Intercompany transactions do not reflect normal course of business	Group Taxation is defining Transfer Pricing Policy and oversees the transfer pricing monitoring so that intercompany transactions are in line with functional analysis of the legal entities
Compliance	Failure to comply with statutory obligations	We monitor the changes in tax legislation to ensure compliance within local jurisdictions. Furthermore, for the countries where Group taxation is not present,

		direct tax compliance is with global service provider to ensure compliance with local tax obligations
Reputation	Reputational damage due to lack or misleading communication on tax towards stakeholders	Clear disclosure of DSM's tax position, for instance through the publication of this paper
People	Lack of training and awareness on tax matters	We create and maintain tax awareness within the organization through external webinars, e-learning and manuals, as well as via the new Group Taxation webinars introduced in 2019

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

Our [Internal Control Framework](#) covers policies and procedures across all functions to identify, monitor, control and mitigate key risks. The framework was approved by the CFO and shared with the external auditor. The control framework contains a description of the key tax processes risks and the internal control measures DSM has taken to mitigate the key risks. Depending on the nature of the risk tests are conducted monthly, quarterly or annually to ensure tax risks are closely monitored.

Once reviewed, the VP Group Taxation is responsible for presenting an annual Letter of Representation to the CFO to confirm the absence of material tax risks.

In addition, Corporate operational audit department conducts independent operational audits on behalf of Management Board.

In the context of the annual audit of external auditors, the tax team discusses key transactions as well as any relevant correspondence with tax authorities with the external auditors.

Managing Board on a yearly basis issues a Statement which gives reasonable assurance on operation of internal risk management and control systems, including tax risks and controls being part of financial reporting.

Stakeholders

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

We aspire to be a company for all, creating value for all our stakeholders — customers, employees, investors, suppliers and society at large — and building a stronger legacy and a brighter future for generations to come.

We determine the materiality relevant to the company through a process of ongoing stakeholder engagement and disclose it in the company's Integrated Annual Report. Our materiality matrix in 2021 represents the 19 material topics and addresses both the impact of the company on the topic and the impact of the topic on the company. Taxation is considered an integral part of the material topic "Business ethics and transparency" of the [Royal DSM Integrated Annual Report 2021](#).

Materiality matrix 2021 Graphic from the [Royal DSM Integrated Annual Report 2021](#)



Stakeholders for our tax function are Business, Group Taxation, Executive Committee, Managing Board, Supervisory Board, external auditors, as well as the tax authorities in countries where DSM is operating.

Our approach to ethics and transparency is led by the [DSM Code of Business Conduct](#) and our [Supplier Code of Conduct](#). DSM's tax position is consistent with the normal course of our business operations and reflects the corporate strategy as well as the geographic spread of our activities.

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

- Define the fiscal strategies and policies for DSM globally on yearly basis and present to the Executive Committee and [the Audit Committee](#).
- Advise and support the Managing Board, the Executive Committee, the Support Groups, the business groups and their organizational entities, and the regions and their legal entities with regard to fiscal matters (i.e. via internal webinars).
- Advise and support relevant DSM legal entities with regard to the implementation of legal and organizational structures necessary to reach sustainable solutions balancing both business and fiscal needs.
- Manage tax audits and contact tax authorities when appropriate and conclude, if feasible, advanced tax rulings with them.
- Participate in (inter)national groups of experts to represent DSM's interests.
- Set corporate requirements for the management of DSM's legal entities.

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

Economic value generated and distributed in 2021

Economic value generated €9,468 million

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

DSM contributes to the economy of the more than 55 countries where it currently has operations with a total economic value generated of more than €9,468 million in net sales.

In 2021, we posted an adjusted operating profit of €1,167 million. A regional split of the economic value generated is given in the table.

Please note that all the financial information shared in the below sections represents the total DSM contribution (= continuing operations + discontinued operations¹).

Economic value generated

2021	Nether-lands	Switzer-land	Rest of Europe	North America	Latin America	China	Rest of Asia	Rest of the world	Total
Net sales by origin									
In € million	2,017	2,370	1,336	1,351	666	1,208	423	98	9,468
In %	21	25	14	14	7	13	4	1	100
Adjusted operating profit									
In € million	270	347	131	130	96	116	71	6	1,167
In %	23	30	11	11	8	10	6	1	100

Economic value distributed €8,939 million

DSM's contribution to society in terms of economic value distributed consists of various aspects, including employee benefits, goods and services purchased from suppliers, customs duties and other payments to governments including taxation.

The overall breakdown per category is shown in the table below and further detailed on the following pages.

¹ On 1 April 2021, DSM completed the divestment of the Resins & Functional Materials and associated businesses (together 'RFM') to Covestro AG. Prior to this divestment, DSM reclassified the results of these businesses (the 'disposal group') to 'discontinued operations', and reclassified all related assets and liabilities as held for sale on 30 September 2020.

Economic value distributed

2021	Nether-lands	Switzer-land	Rest of Europe	North America	Latin America	China	Rest of Asia	Rest of the world	Total
Suppliers of goods & services									
In € million	1,252	1,182	775	786	513	736	272	130	5,646
In %	22	21	14	14	9	13	5	2	100
Employees									
Workforce at year-end (headcount)	3,006	2,174	4,161	3,018	2,290	4,704	1,709	296	21,358
Net wages & salaries*, pension costs									
In € million	255	225	196	204	47	63	48	13	1,051
In %	24	21	19	19	4	6	5	1	100
Governments* (wage tax, social security, CIT, VAT, customs duties)									
In € million	310	203	189	178	96	117	42	8	1,141
In %	27	18	17	16	8	10	4	1	100
Capex/investments	112	147	162	87	20	77	6	2	614
Capital providers									480
Philanthropy & sponsorships									6
Total									8,939

*best estimate basis

Value distributed to suppliers of goods & services: €5,646 million

The external spend for DSM in 2021 amounted to €5,646 million (related to goods and services captured in net sales, excluding capex) which also implies further (indirect) tax proceeds for governments.

Value distributed to employees: €1,051 million

DSM's contribution to society includes the provision of employment to more than 21,000 people globally in areas including manufacturing, marketing and sales, logistics, research and development and administration.

Employee salaries and pension costs around the world amounted to €1,051 million in 2021, furthermore wage taxes and social security contributions constituted over €800 million as outlined in payments to governments section below.

Value distributed in capex/investments: €614 million

In 2021, DSM invested €614 million in capital projects around the world, the regional breakdown of which is given above. These investments have also led to considerable indirect economic benefits such as third-party employment and government revenues (an exact value for these indirect benefits is difficult to quantify and so is not included in this paper).

Value distributed to capital providers: €480 million

DSM's capital providers (shareholders and creditors) provide funds to finance the asset base used to create economic value. In turn, these stakeholders receive annual dividend and interest payments from DSM which trigger withholding tax obligations. The total value of interest and dividends distributed to providers of capital in 2021 amounted to €480 million.

Value distributed to philanthropy & sponsorships

DSM supports causes and initiatives that relate to its mission of using its Bright Science to create Brighter Living. It does so by providing products, expertise and funding. We also engage in philanthropic and sponsorship activities to the average yearly amount of approximately € 6 million. Furthermore, DSM is engaged in various cross-sector partnerships aimed at

bringing innovative solutions for improved nutrition to as many beneficiaries as possible, such as with the UN World Food Programme and the Scaling Up Nutrition (SUN) Movement's SUN Business Network, as well as through its continued support of the now independent non-profit humanitarian nutrition foundation Sight & Life. The value of all these programs to society is not included in this amount.

Value distributed to governments in taxes: €1,141 million

DSM believes its obligation is to ensure that the correct amount of tax is paid to authorities and to observe all applicable rules and regulations in the markets where the company operates.

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

For 2021, the estimated total amount of taxes generated by DSM was around €1,141 million (it should be noted that the values for e.g. property taxes and environmental taxes have not been included in this paper).

The value of €1,141 million is further illustrated by tax type in the table below. The vast majority of the taxes borne in 2021 are direct taxes, of which a significant part relates to taxes paid for DSM's employees as wage tax and social security contributions (any other wage-related taxes paid directly by employees are not included in the current valuation). It should be noted that Indirect taxes, including VAT, are reported as year-end balance and do not reflect total amount remitted to governments throughout the year (which would lead to a higher total tax contribution).

Taxes paid per type

2021	
Income tax (incl WHT on dividend)	
In € million	201
Indirect taxes & customs duties*	
In € million	138
Wage tax*	
In € million	621
Social security costs	
In € million	182
Total	1,141

*best estimate basis

The total income tax paid by DSM in 2021, including corporate income tax, dividend and withholding tax, amounted to €201 million. The level of DSM's income tax payments reflects the geographic spread of its results over the years, which is among other things a result of acquisitions and divestments, loss positions and the application of tax regulations in countries where DSM operates. As a result, the relative contribution per region varies from year to year.

The actual amount of corporate income tax paid in a particular year can differ from the accounting expense as reported in the company's [financial statement](#) (2021: €245 million). Differences between the cash outflow and the expense charged are a result of elements such as tax losses in previous years, deferred tax, timing differences or uncertain tax position matters.

The tax accounting expense of €245 million for 2021 represents an amount of €1.42 per average ordinary share in circulation.

The allocation of the total €201 million of corporate income tax paid (incl WHT on dividend) paid by region / countries is presented in the table below.

Income tax paid per region/country

2021	In € million	In %		In € million	In %
EMEA	100	50			
			Netherlands	57	28
			Switzerland	19	10
			Austria	14	7
Americas	71	35			
			USA	39	19
			Brazil	25	12
			Peru	3	1
APAC	30	15			
			China	17	9
			India	5	3
			Japan	4	2
			Other countries [40+]	18	9
Total	201	100			

Europe is an important hub for DSM's major business flows, contributing to 50% of the income tax payments. DSM employs around half of its personnel in Europe and undertakes a significant proportion of its investments, external spend, research and development activities and administrative activities in the region (being also the location of the corporate head office and a number of business group headquarters).

Americas continue to make contribution with around 35% of DSM's total income tax payments being made in the region.

APAC countries had around 15% of total income tax paid in 2021.

The 9 countries in the table represent the largest cash tax payors in DSM. Majority of other 40+ countries in which DSM operates pay below €2 million (not exceeding 1%) in taxes each.

Effective tax rate

In the last 5 years, DSM's continuing operations had an effective tax rate of between approximately 17 and 22%, which translates into an average yearly income tax expense of around €145 million. This range of effective tax rates is in line with what we see with peer companies, based on their publicly available information and annual reports.

The average tax rate presented in this paper is calculated based on the income statement as a weighted average of the tax rates in the jurisdictions where DSM undertakes its business operations.

Other effects refer to values including prior year adjustments, losses not recognized or expired and deferred taxes adjustments.

For the relationship between this effective tax rate and the income tax rate in the Netherlands, please refer to the [Royal DSM Integrated Annual Report 2021](#), where all the IFRS taxation figures reported for the years 2020 and 2021 can be found.

The effective income tax rate on the adjusted result from continuing operations was 19.2% in 2021 (2020: 18.5%). The effective tax rate in 2021 was positively impacted by the geographic spread and the tax-exempt income under local tax laws in various countries. The increase of the effective tax rate was mainly due to uncertainties under local laws, partly compensated by higher tax-exempt income in several countries and the higher tax rate in the Netherlands as of 2022. Overall, we expect the ETR for 2022 to be in the range of 19% - 20%.

Effective tax rate

2021	In %
Group average applicable tax rate	20.1
Tax effects of:	
- Change in tax rates	-0.4
- Tax-exempt income and non-deductible expense	-3.1
- Other effects	2.6
Effective tax rate continuing operations	19.2

Preparation of this paper

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

The way that companies such as DSM contribute to society through (direct and indirect) taxes, duties and other payments to governments is not always easy for non-specialists to understand; the relevant information is often spread across various resources including annual and quarterly reports and other publications.

This paper brings together all the relevant information that DSM makes public on taxation, from policies to payments, in one central resource. The information presented relates to the consolidated level of reporting and is applicable to Royal DSM as well as its group companies included in the consolidated financial statements and excludes partners and associates. This paper has not been subject to a separate audit. DSM considers the paper as complying with the requirements of Paragraph 19 of Schedule 19 of the Finance Act 2016.

For the purposes of this paper certain figures are presented on a best estimate basis when calculating the total amount of tax generated and are specifically footnoted as such.

Moreover, certain taxes (e.g., property tax, and environmental tax) have not been included in the overall tax amount paid by DSM in 2021 disclosed in this paper.

In order to clearly understand the content of this paper, an explanation of the technical terms used in compiling this paper is given below. These are not to be used as detailed definitions, but rather to be used as guidance.

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

GRI Reference table

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

GRI 207: Tax 2019

207-1 Approach to tax

[Tax policy](#)

207-2 Tax governance, control, and risk management

[Tax governance, control & risk management](#)

207-3 Stakeholder engagement and management of concerns related to tax

[Stakeholders](#)

207-4 Country-by-country reporting

The names and activities of our locations can be found in the [DSM location finder](#)

We report employees at regional level only in the Integrated Annual Report in the Notes to the consolidated financial statements - 4 Segment information

[Economic value generated and distributed in 2021](#)

Income tax paid is disclosed by region and by the top three countries per region. Other countries are not material to the income taxes paid, contributing no more than 1% each to total income tax

Other information relating to GRI 207-4 Country-by-country reporting is considered company confidential.

Disclaimer

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

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

DSM 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 the company's actual performance and position to differ materially from these statements.

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

As a result, DSM's actual future performance, position and/or financial results may differ materially from the plans, goals and expectations set forth in such forward-looking statements.

DSM has no obligation to update the statements contained in this document, unless required by law.

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

Certain financial information provided in this document has been derived from the 2021 financial statements, which have been audited by external auditors.

DSM

Royal DSM is a global, purpose-led company in Health, Nutrition & Bioscience, applying science to improve the health of people, animals and the planet. DSM's purpose is to create brighter lives for all. DSM's products and solutions address some of the world's biggest challenges while simultaneously creating economic, environmental and societal value for all its stakeholders – customers, employees, shareholders, and society at large. The company was founded in 1902 and is listed on Euronext Amsterdam. More information can be found at www.dsm.com.

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