

International Flavors & Fragrances Inc.

# GLOBAL CORPORATE TAX POLICY

May 3, 2022



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# GLOBAL TAX POLICY

**Everything we do to drive growth and profitability must be done with the highest standards of ethics, honesty and integrity. Each action we take as we conduct our jobs must not only adhere to these high standards, but must also comply with this Code and all laws that apply to IFF's business affairs.**

## Introduction

International Flavors & Fragrances Inc. (“IFF” or “we”) is a leading creator and manufacturer of food, beverage, health & biosciences, scent and pharma solutions and complementary adjacent products, which are used in a wide variety of consumer products. IFF cocreates unique products that consumers experience in more than 110,000 unique products sold annually. Our over 24,000 team members globally take advantage of leading consumer insights, natural exploration, research and development, creative expertise, and customer intimacy to develop differentiated offerings for consumer products.

IFF is committed to providing a fair and reasonable economic return to its worldwide subsidiaries based on the functions performed, the risks incurred, and the value of tangible and intangible assets used in the conduct of their business. In doing so, IFF operates under its Code of Conduct (the “Code”), which reflects the following:

Everything we do to drive growth and profitability must be done with the highest standards of ethics, honesty and integrity. Each action we take as we conduct our jobs must not only adhere to these high standards, but must also comply with this Code and all laws that apply to IFF's business affairs.

Being a world-class company and increasing our profitability and operations excellence worldwide cannot, and will not, be done at the expense of our commitment to doing the right thing.

It is our obligation to pay fair and reasonable taxes. The determination of “fair and reasonable” taxes is inherently challenging for a complex multinational business such as IFF. Given our global operating footprint and the competing interests among the numerous tax jurisdictions in which we operate, IFF seeks to ensure the integrity of all reported tax numbers and compliance with all our tax obligations.

For IFF, the concept of “fair taxes” means being a responsible taxpayer that timely pays the right amount of taxes in the right jurisdictions. Thus, our approach to responsible taxpaying will seek to align the long-term interests of all of our stakeholders, including customers, employees, business partners, investors, and the wider society.

IFF's policy is to comply with all local laws and regulations and to follow internationally accepted methodologies and standards, including, in particular, the OECD guidelines for pricing intercompany transactions, including the arm's length principle.

# International Flavors & Fragrances Inc.

## KEY TAX PRINCIPLES

**IFF seeks to file accurate, complete, and timely tax filings, and is committed to compliance with both the spirit and the letter of tax laws and regulations in jurisdictions in which it operates. IFF's tax position is based on the activities of its business units and its overall business strategy; IFF does use tax havens, does not transfer value to low tax jurisdictions, and does not engage in transactions that lack commercial substance.**

### Approach of the group to risk management and governance arrangements

1. We are focused on providing complete, timely and accurate tax filings in accordance with the legal requirements of the applicable tax laws and regulations in the jurisdictions in which we operate. We are committed to complying not only with the letter of the tax laws and regulations in the countries in which IFF operates, but with the spirit of the law as well.
2. Our Global Transfer Pricing Policy conforms to international best practices and is based on the arm's length principle as supported by economic analysis and formal documentation of the commercial nature of the transactions.
3. IFF's Audit Committee is responsible for ensuring tax risks are reviewed, vetted, and controlled. IFF's tax department also maintains robust governance practices, which are constantly reassessed, to facilitate the effective management of tax affairs. We continuously monitor changes in tax laws and adjust the tax strategy accordingly. IFF tax personnel obtain training on various aspects of tax laws and new tax legislation. For tax matters requiring additional specialized knowledge of taxation, we engage legal and accountancy firms or other consultants with the specialized knowledge of taxation to evaluate risks.

### Attitude of the group toward tax planning

4. We endeavor to align our tax position with the objectives and undertakings of our business units and with the context of our overall business strategy.
5. We may operate in low-tax or no-tax jurisdictions for legitimate and justifiable business reasons. However, we will endeavor to allocate profits where the value is created through our operational and commercial business activities.
6. We may make investments in assets, or engage in transactions, where tax incentives, exemptions, or other tax benefits are specifically authorized by the laws or regulations of a jurisdiction in which we operate and do not result in a selective advantage placing us in a more favorable financial position than other similarly-situated taxpayers.
7. We will not use secrecy jurisdictions or so-called "tax havens" for the purposes of tax avoidance.

# International Flavors & Fragrances Inc.

## KEY TAX PRINCIPLES

**IFF seeks to avoid uncertainty in its tax positions and engages in transactions with commercial substance at arm's length prices. We seek to establish and maintain constructive and cooperative relationships with tax authorities and are transparent in our relationships with them.**

### Level of risk that the group is prepared to accept

8. We will seek to avoid uncertainty and unexpected results in our tax positions and will not use tax structures that do not have commercial substance. Where uncertainty exists, we seek to have at least a "more likely than not" tax position. Additionally, our tax approach will consider our corporate social responsibilities, our reputation, and our brand as factors that may override even a more likely than not technical tax position.
9. We may seek tax rulings from tax authorities to confirm the applicable tax treatment of an investment, a restructuring or a transaction based on a full disclosure of all relevant facts and circumstances. We will not seek special tax treatment that is not specifically authorized by the government of a jurisdiction in which we operate, or which would result in a selective advantage that places us in a more favorable financial position than other similarly-situated taxpayers.
10. The arm's length standard will be applied to all of IFF's intercompany transactions.

### Approach of the group towards dealings with tax authorities

11. We seek to establish and maintain open, constructive, and cooperative relationships with tax authorities, based on integrity, mutual trust, and respect.
12. We seek to develop and maintain transparency in our relationships with tax authorities, as well as in how our tax affairs are approached and implemented, and how tax-related items are discussed and reported in our financial statements.
13. We do not utilize third parties for the purposes of tax lobbying. Where appropriate, we provide governments and tax authorities our perspectives regarding the constructive development of tax policy, legislation and regulatory and administrative guidance.

# IFF EFFECTIVE TAX RATES

**For calendar years 2020 and 2021, IFF's effective tax rate was approximately 17 and 21 percent, respectively**

IFF reports its financial results under U.S. generally accepted account principles ("US GAAP"). For the years ended December 31, 2020, and December 31, 2021, IFF had effective tax rates of 16.8 percent and 21.2 percent, respectively. These rates are calculated as follows:

All amounts USD	2020	2021
Net sales	5,084,238,567	11,655,879,188
Cost of goods	2,998,373,358	7,920,765,392
<b>Gross profit</b>	<b>2,085,865,209</b>	<b>3,735,113,796</b>
Other controllable expenses	1,498,302,388	3,109,963,524
<b>Operating profit</b>	<b>587,562,821</b>	<b>625,150,272</b>
Restructuring, interest, and other income/expenses	146,192,829	270,666,184
<b>Pretax income</b>	<b>441,369,992</b>	<b>354,484,088</b>
<b>Income taxes</b>	<b>73,998,979</b>	<b>75,128,626</b>
<b>Effective tax rate</b>	<b>16.8%</b>	<b>21.2%</b>

IFF also reports its financial results using non-GAAP measures, adjusting primarily to remove extraordinary items. Adjusted non-GAAP results may exclude, for example, operational improvement or other specified initiatives; costs related to restructures, acquisitions, and divestitures; integration-related costs; etc. For 2021, IFF reported non-GAAP taxes of \$203.1 million against approximately \$1 billion of non-GAAP income, resulting in a non-GAAP effective tax rate of 20.1 percent.

For further detail, please see:

- the Results of Operations on page 40 of the IFF 2021 Annual Report
- the discussion of Income Taxes on page 42 of the IFF 2021 Annual Report, and the discussion of Income Taxes on page 35 of the IFF Form 10-K for the year ended December 31, 2021
- the reconciliation of effective tax rate on page 79 of the IFF Form 10-K for the year ended December 31, 2021, and page 94 of the IFF 2021 Annual Report
- the discussion of non-GAAP financial metrics on page 42 of the IFF Form 10-K for the year ended December 31, 2021, and Exhibit A of the IFF 2021 Annual Report



**\$203.1 M**

Income taxes paid on a non-GAAP basis in the year ended December 31, 2021



**21.2%**

Effective tax rate for US GAAP purposes for the year ended December 31, 2021

# IFF CASH TAX RATES

**For calendar years 2020 and 2021,  
IFF's cash tax rate was approximately  
30 and 82 percent, respectively**

IFF reports its financial results under U.S. generally accepted account principles ("US GAAP"). For the years ended December 31, 2020, and December 31, 2021, IFF had cash tax rates of 30.2 percent and 81.6 percent, respectively. These rates are calculated as follows:



## 81.6%

Cash tax rate for the year ended  
December 31, 2021

<i>All amounts USD millions</i>	<b>2020</b>	<b>2021</b>
Net income	5,084	11,656
Cost of goods	2,998	7,921
<b>Gross profit</b>	<b>2,086</b>	<b>3,735</b>
Other controllable expenses	1,498	3,110
<b>Operating profit</b>	<b>588</b>	<b>625</b>
Restructuring, interest, and other income/expenses	146	271
<b>Pretax income</b>	<b>441</b>	<b>354</b>
<b>Cash taxes paid</b>	<b>133</b>	<b>289</b>
<b>Cash tax rate</b>	<b>30.2%</b>	<b>81.6%</b>

Note that for the year ended December 31, 2021, IFF's gross profit reflects the effect of discrete and other one-time items, including but not limited to the costs of restructuring and integration related to the merger of IFF and the nutrition and biosciences business previously owned by DuPont de Nemours, Inc.

For further detail, please see:

- the Results of Operations on page 40 of the IFF 2021 Annual Report
- the Consolidated Statements of Cash Flows on page 55 of the IFF Form 10-K for the year ended December 31, 2021

## IFF DEFERRED TAX ASSETS

As of December 31, 2021, IFF deferred tax assets consist of the following.

All amounts USD millions	2020	2021
Employee and retiree benefits	108	148
Credit and net operating loss carryforwards	271	312
Intangible assets	10	–
Amortizable research and development expenses	30	42
Gain on foreign currency translation	46	–
Interest limitations	51	43
Inventory	14	32
Lease obligations	53	189
Other, net	23	79
<b>Gross deferred tax assets</b>	<b>606</b>	<b>845</b>

As of December 31, 2021, IFF deferred tax liabilities consist of the following.

All amounts USD millions	2020	2021
Property, plant, and equipment, net	60	265
Intangible assets	586	2,486
Right-of-use assets	53	187
Loss on foreign currency translation	–	30
Deferred taxes on deemed repatriation	46	81
<b>Gross deferred tax liabilities</b>	<b>745</b>	<b>3,049</b>

Note that IFF regularly repatriates earnings from non-U.S. subsidiaries to the U.S., and is required to pay income taxes in certain U.S. states, as well as applicable foreign withholding taxes when the repatriation occurs. As noted above, IFF has a deferred tax liability amounting to \$81 million as of December 31, 2021, for the effect of this repatriation attributable to various non-U.S. subsidiaries.

For further detail, please see the Deferred Taxes discussion on page 80 of the IFF Form 10-K for the year ended December 31, 2021.



## Net operating loss and tax credit carryforwards

### Net operating losses

As of December 31, 2021, IFF had net operating loss carryforwards of approximately \$272 million, up from approximately \$246 million as of December 31, 2020. Approximately \$105 million will expire between 2022 and 2041 if not used; the remaining \$167 million may be carried forward indefinitely.

### Tax credit carryforwards

As of December 31, 2021, IFF had approximately \$40 million of tax credit carryforwards, up from approximately \$28 million as of December 31, 2020. If unused, all of such tax credits will expire by 2041.

### Deferred tax assets

Of the \$312 million of deferred tax assets relating to net operating loss and tax credit carryforwards described above, IFF considers a portion unlikely to be realized. Accordingly, a valuation allowance amounting to \$230 million on net operating loss carryforwards and \$2 million of tax credits has been established against these deferred tax assets.



## IFF UNCERTAIN TAX POSITIONS

As of December 31, 2021, IFF had approximately \$130 million of unrecognized tax benefits. If these unrecognized tax benefits were recognized, all the benefits and related interest and penalties would be recorded as a benefit to income tax expense. A reconciliation of these uncertain tax positions is as follows.

<i>All amounts USD million</i>	2020	2021
Balance of unrecognized tax benefits at beginning of year	75	99
Gross amount of increases in unrecognized tax benefits as a result of positions taken during the prior year	11	42
Gross amount of decreases in unrecognized tax benefits as a result of positions taken during the prior year	–	(3)
Gross amount of increases in unrecognized tax benefits as a result of positions taken during the current year	24	5
Amount of decreases in unrecognized benefits relating to settlements with taxing authorities	(2)	(1)
Reduction in unrecognized tax benefits due to the lapse of applicable statute of limitation	(9)	(12)
<b>Balance of unrecognized benefits at end of year</b>	<b>99</b>	<b>130</b>

IFF increased its liabilities for interest and penalties by approximately \$19 million, net, in the year ended December 31, 2021. As of such date, IFF's aggregate provision for unrecognized tax benefits, including interest and penalties, was approximately \$166 million, associated with various tax positions primarily in foreign jurisdictions, none of which were individually material.

*For further detail, please see the Uncertain Tax Positions discussion on page 80 of the IFF Form 10-K for the year ended December 31, 2021.*



# APPLICATION TO IFF ENTITIES AND PROCESS FOR UPDATES

## **This global tax policy is applicable across the entire IFF group.**

We note that the global tax policy complies with Paragraph 19, Schedule 19, of the UK Finance Act of 2016, and is specifically applicable to the following entities:

- A. Boake, Roberts And Company (Holding), Limited
- Aramco Ltd.
- Bush Boake Allen (Pension Trustees) Limited
- Bush Boake Allen Enterprises Limited
- Bush Boake Allen Holdings (U.K.) Limited
- Bush Boake Allen Limited
- Bush Boake Allen Pension Investments limited
- Dandy Lions limited
- Danisco Holding UK Ltd.
- Danisco UK Ltd.
- DuPont Nutrition Manufacturing UK Limited
- Flavors and Essences UK Limited
- FoodBlenders Limited
- Frutarom - Etol (UK) limited
- Frutarom (UK) Holdings Limited
- Frutarom (UK) Ltd.
- Frutarom UK Investments limited
- Hagelin Flv (UK) Ltd.
- International Flavours & Fragrances (CIL) limited
- International Flavours & Fragrances (GB) Holdings Limited
- International Flavours & Fragrances (Pension Trustees) Limited
- International Flavours & Fragrances I.F.F. (Great Britain) Limited
- Nutrition & Biosciences (UK) Ltd.
- Redbrook (UK) limited
- Savoury Flavours (Holding) Limited
- Savoury Flavours Ltd.
- Solae (UK) Limited
- Unique Ingredients Limited

## **This policy is regularly reviewed and updated by a cross-functional IFF team.**

IFF's Audit Committee is responsible for ensuring tax risks are reviewed, vetted, and controlled. IFF's tax department also maintains robust governance practices, which are constantly reassessed, to facilitate the effective management of tax affairs. We continuously monitor changes in tax laws and adjust the tax strategy accordingly.

We review and update this global tax policy at least annually. It was last approved on May 3, 2022.