kemira

Tax Footprint 2024

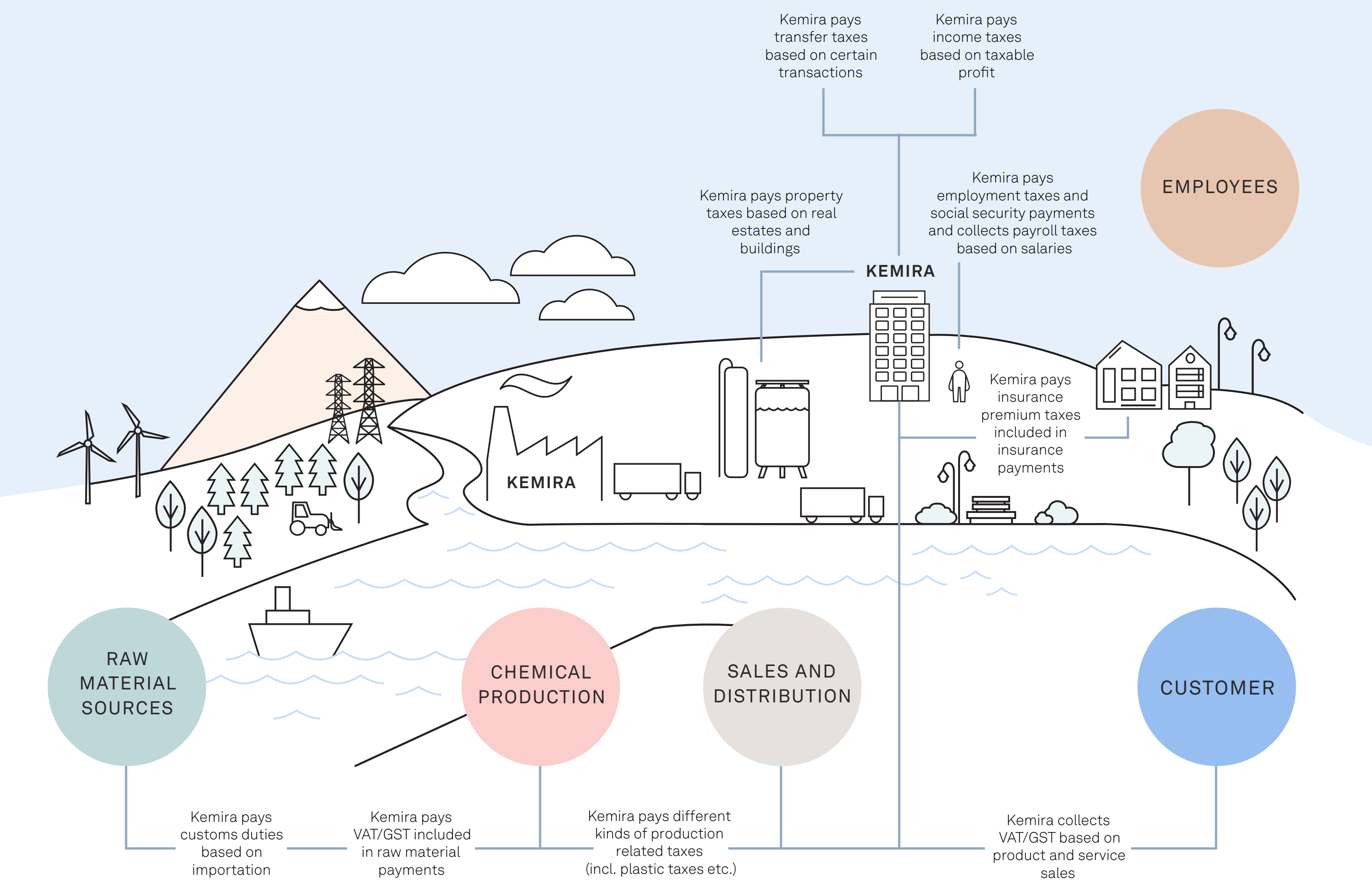
Kemira

Tax footprint report 2024

This tax footprint report is a non-audited report publishing the key aspects of Kemira's global tax policy and the key tax figures. Kemira's quantitative tax analysis is prepared based on the financial statement (e.g. corporate income taxes) and non-audited data derived from Kemira's ERP system. The 2023 key figures are in the brackets for comparison purposes. Kemira published its first tax footprint report in 2017.

Kemira prioritizes transparency in tax matters and discloses comparable information for the investors' and other stakeholders' purposes. The aim of this report is to provide understanding how the tax matters are managed in Kemira and how much Kemira pays and collects taxes globally.

TAXES THROUGH THE FULL VALUE CHAIN FROM RAW MATERIAL SUPPLY TO FINISHED GOODS DELIVERIES TO CUSTOMERS



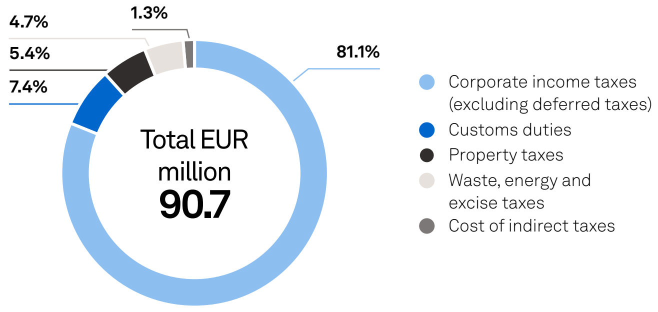
Kemira as a taxpayer in 2024

Kemira pays and collects taxes globally as stated in the existing local tax legislation in each of the operating countries. Kemira's approach to tax matters is to support responsible business performance in a sustainable way. Taxation is an essential factor in our current business environment and it has a significant impact on Kemira's business, financing and growth opportunities.

Kemira manages taxes according to Kemira´s global tax policy ("Tax Policy"). Tax Policy sets standards to managing and executing tax matters throughout the Kemira Group. In order to support sustainable business operations with high ethical corporate responsibilities, Tax Policy is aligned with our corporate strategy and values as well as the Kemira Code of Conduct. Tax Policy has been approved by the Management Board. We are committed to conduct our business in compliance with all applicable laws and regulations and according to high ethical standards. We are a responsible corporate citizen in all our operating countries.

Kemira provides sustainable chemical solutions for water-insetive industries, best suited products and expertise to improve our customers' product quality and process and resource efficiency. Sustainability is embedded into Kemira's strategy and long-term success as Kemira's customers are increasingly seeking sustainable solutions. Kemira operates in over 100 countries and has subsidiaries in approximately 40 countries globally. Our business is built upon a combination of centralized business processes and local performance. Consequently, our profits are generated both in Finland, our headquarter jurisdiction, and locally according to arm's length transfer pricing principles.

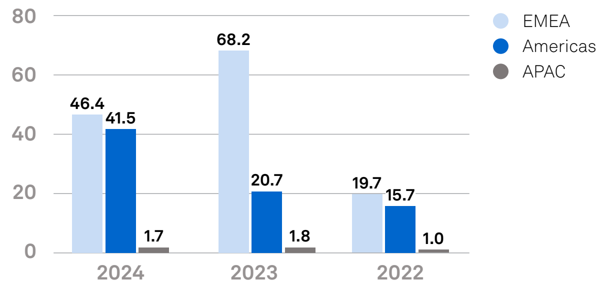
TAXES BORNE 2024
EUR MILLION AND %



Chemical industry is a capital-intensive and, therefore, it is important that our business operations, structures and financing are organized in the most tax effective way (i.e., corporate income tax, VAT, property tax, customs duties, energy tax, waste tax, plastic tax, withholding tax etc.). Sustainability is an integral part of Kemira's group strategy and is a key driver for Kemira's business.

Tax consequences of business operations and decisions can be material (for example in acquisitions, divestment and financing). Due to extensive global reach of Kemira's operations and investments, the business decisions may have tax impacts in multiple jurisdictions. From tax perspective, the focus is to support profitable organic and inorganic growth in our business segments as well as to meet all statutory and legal requirements.

CORPORATE INCOME TAXES BORNE BY REGION ON CASH FLOW BASIS
EUR MILLION



KEMIRA'S TAX CONTRIBUTION
The amount and type of taxes paid by Kemira are shown in the adjacent graphics. In 2024, the amount was EUR 292.1 million (322.8) of which EUR 90.7 million (106.8) related to taxes borne and EUR 201.4 million (216.0) to taxes collected.

Taxes borne include corporate income taxes (excluding deferred taxes), property taxes, excise taxes, custom duties, waste taxes, plastic taxes, energy taxes and cost of indirect taxes. Taxes collected include value added tax (VAT), goods and services tax (GST), sales and use tax, payroll taxes and withholding taxes.

Tax environment in 2024

The global tax environment is arguably more dynamic and challenging than before. The actions of the OECD's Base Erosion and Profit Shifting (BEPS) 2.0 project has effected the international taxation leading to a several tax legislative changes in many jurisdictions. The requirements for public transparency and mandatory disclosures have increased the administrational burden for multinationals' operations globally.

Kemira is within the scope of the OECD Pillar 2 model rules – a set of rules ensuring a global minimum level of taxation of 15% for multinational enterprises. Pillar 2 legislation has been enacted in many Kemira countries, including Finland, where the rules came into effect from 1 January 2024. Kemira applies the mandatory IAS 12 exception in its financial statements to recognizing and disclosing information about deferred tax assets and liabilities related to Pillar 2 income taxes. Based on the Kemira's assessment majority of the group companies are expected to pass the safe harbor rules during the transitional period, and only 2-3 group companies are expected to require detailed GloBE calculations, which, however, are not expected to result any increase in taxes. Therefore, it is not expected that Pillar 2 has an impact on the amount of the Group's income taxes.

In 2023, Kemira signed an agreement to divest its Oil & Gas related business to a global industrial chemicals corporation based in the United States and India. The transaction enabled Kemira to focus on its core businesses and to accelerate its profitable growth strategy. The closing of the transaction took place in Q1/2024. The transaction was carried out as a combination of share and asset deals, and the tax treatment has been closely monitored and analyzed in the respective jurisdictions.

Generally Kemira has recognized the following tax trends:

- continuously changing global tax environment,
- increasing administrational burden due to requirements for public transparency and mandatory disclosures as well as related increased penalty risks; and
- increasing complexity around VAT, excise tax and tax compliance.

Kemira is well prepared to be compliant with the new requirements.

Five key elements of Kemira's tax strategy

1 TAX MANAGEMENT

Kemira's Tax Policy follows a sustainable tax strategy in order to implement Kemira's corporate strategy, values and the Kemira Code of Conduct from tax perspective and to support management in high ethical corporate responsibilities. Tax strategy and principles apply to all Kemira's local entities in all jurisdictions.

The scope of Kemira's tax strategy covers:

- Corporate income taxes
- Indirect taxes
- Customs duties
- Employment taxes
- Property taxes
- Energy, waste and plastic taxes
- Other applicable tax matters

Kemira's global tax team is responsible for managing and executing Kemira's Tax Policy. The global tax team is a part of Kemira CFO organization and it is responsible for preparing, documenting and executing Kemira's tax strategy and group level tax considerations. The issues prepared and presented by the global tax team are approved by the CFO, the Management Board or the Board of Directors of Kemira Oyj according to Tax Policy. In addition, head of taxes reports the tax status annually to the audit committee.

2 TAX COMPLIANCE

Kemira files hundreds of local direct and indirect tax returns annually. Kemira is committed to meet all statutory compliance obligations in each jurisdiction and the target is to comply with the applicable tax rules in its operating countries for all tax filing, reporting and payment obligations, including DAC6 and Pillar 2 reporting. Kemira has a Global Tax Compliance process and controls in place, and Kemira has invested in a monitoring tool to ensure that all statutory corporate income tax returns are prepared correctly and filed on time. Kemira is also committed to react to the tax authorities' requests in a timely manner.

Kemira applies the OECD standards in cross-border transactions, and it is ensured that Kemira's transfer pricing is in accordance with the "arm's length principle". Kemira has implemented an automated transfer pricing processes with aid of operational Transfer Pricing Analytics solution. Kemira has centralized business models, one single ERP system and robotics to manage these processes. Kemira also meets the transfer pricing and Country-by-Country ("CbC") reporting requirements in each jurisdiction as required.

Kemira has establish a centralized process and tools to analyse the outcome of the Pillar 2 related safe harbor rules and GloBE calculations, and manages the analysing and compliance requirements centrally.

3 SUSTAINABLE APPROACH TO TAX PLANNING

Kemira creates value to its stakeholders by optimizing the tax efficiency of its business operations, including applying tax incentives and exemptions where available. These are always aligned with our commercial objectives as taxation is a consequence of business operations and is, therefore, based on business decisions and needs. We do not operate in tax haven countries for tax reasons. Kemira aims for a low tax risk level and does not engage in any artificial arrangements.

4 TAX RISK MANAGEMENT

Tax risks are identified within Kemira's risk assessment process and managed in alignment with Kemira's enterprise risk management system. Kemira communicates general tax related principles within the group and has harmonized practices and working methods for tax matters. Tax risk management is a part of Kemira Group's Enterprise Risk Management process.

The day to day tax affairs are managed by Kemira's global tax team together with the relevant local finance team according to the Kemira's Tax Policy.

Processes relating to different taxes are allocated to appropriate specialists within the global tax team who carry out a review in order to identify key risks and to set mitigating controls in place. Kemira has reduced the level of tax risks by implementing various internal processes, controls, tools and analytics.

Kemira's target is to mitigate tax risks by:

- monitoring all applicable laws, rules and regulations, case law and disclosure requirements globally;
- ensuring that all decisions are taken at an appropriate level and supported with documentation evidencing the facts, conclusions and risks involved;
- seeking professional advice and opinions from independent external advisors in complex and uncertain tax matters; and
- aiming to achieve certainty in tax positions.

5 TRANSPARENCY AND RELATIONSHIP WITH TAX AUTHORITIES

Kemira is transparent and proactive in all interactions with the tax authorities. Kemira has an open and positive working relationship with the tax authorities and we aim at constructive dialogue with them. Kemira is committed to a full transparency in all tax matters with the tax authorities. In case of different interpretations between Kemira and the tax authorities, Kemira aims to resolve such differences in a constructive and professional way with the intention to effectively bring matters to a conclusion.

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Financial statement disclosures

Kemira publishes tax information as a part of the group's financial statements; the Note 2.6 Income taxes and Note 4.4 Deferred tax liabilities and assets. The Management evaluates regularly the positions taken in the tax returns to identify situations in which the applicable tax regulation may be subject to interpretation. The Management evaluates also other potential uncertainties related to the tax positions identified in the tax audits or disputes. The potential provisions are recorded based on estimated outcome and probability.

The tax reconciliation below explains the difference between the statutory tax rate in Finland compared to the rate at which Kemira is effectively taxed as per the tax charge on the income statements.

RECONCILIATION BETWEEN TAX EXPENSE AND TAX CALCULATED AT DOMESTIC TAX RATE

EUR million	2024	2023
Profit before tax	336.3	292.0
Tax at parent company's tax rate 20%	-67.3	-58.4
Foreign subsidiaries' different tax rate	-3.8	-8.0
Non-deductible expenses and tax-exempt profits	-0.4	-30.8
Share of profit or loss of associates	0.1	-0.1
Tax losses during the period without deferred tax	-0.1	-1.3
Tax for prior years	-3.0	2.6
Effect of change in tax rates	0.0	-0.1
Utilization of prior years' tax losses with no deferred tax	0.6	1.0
Changes in deferred taxes	0.4	14.4
Income taxes in the Income Statement	-73.6	-80.7

The effective income tax rate was 21.9% (27.6%).

At the end of 2024, the subsidiaries had EUR 32.3 million (31.1) tax losses, of which no deferred tax benefits have been recognized. The subsidiaries' tax losses are incurred in different currencies and born mainly in China and Brazil.

DEFERRED TAXES

Deferred taxes illustrate timing differences between accounting and taxation. The most significant deferred taxes are elaborated below:

DEFERRED TAXES IN THE BALANCE SHEET

EUR million	Jan 1, 2024	Change 2024	Dec 31, 2024
Deferred tax liabilities			
Intangible and fixed assets	40.4	1.4	41.8
Leased assets	1.7	5.7	7.4
Other shares	37.3	-6.9	30.4
Financial instruments	3.0	-2.6	0.4
Defined benefit arrangements	20.9	2.4	23.3
Fair value adjustments of net assets acquired	0.4	0.1	0.5
Other accruals	4.5	-1.7	2.8
Total	108.3	-1.8	106.5
Deducted from deferred tax assets	-27.0		-33.4
Deferred tax liabilities in the balance sheet	81.3		73.1
Deferred tax assets			
Intangible and fixed assets	8.0	-2.6	5.4
Provisions and accruals	17.7	8.1	25.8
Lease liabilities	4.2	4.9	9.1
Financial instruments	0.6	0.8	1.4
Tax losses and tax credits	17.2	-3.8	13.4
Defined benefit arrangements	3.4	1.2	4.6
Other	7.7	-2.5	5.2
Total	58.8	6.2	65.0
Deducted from deferred tax liabilities	-27.0		-33.4
Deferred tax assets in the balance sheet	31.8		31.5

KEMIRA'S TAX FOOTPRINT AT GROUP LEVEL

The tax footprint report for year 2024 is prepared at region level, including total amounts of all material tax expenses on Taxes borne and Taxes collected basis.

In 2024, the decrease of corporate income taxes was mainly due to the merger and acquisition operations in 2023 including Oil & Gas divestment and Colorants divestment. The decrease of VAT and customs followed the decrease in Kemira Group's revenue during the financial year and the divestment in 2023. Decrease on energy and excise taxes were mainly due to a variation in market and contracts, and also an excise tax credit in Brazil. Lower customs duty mainly followed the divestment of Oil & Gas and Colorants in 2023. Also, one key supplier changed from import to EU origin and hence, Kemira does not bear the custom duties on these supplies.

TAX FOOTPRINT 2024[1)]

	GROUP		EMEA		AMERICAS		APAC	
EUR million	**2024**	**2023**	**2024**	**2023**	**2024**	**2023**	**2024**	**2023**
Taxes borne								
Corporate income taxes (excluding deferred taxes)	73.6	84.8	44.1	49.6	27.9	33.7	1.6	1.5
Customs duties	6.7	8.2	0.2	1.6	4.3	4.7	2.2	1.9
Property taxes	4.3	5.2	1.6	1.9	2.0	2.7	0.7	0.6
Waste, energy, plastic and excise taxes	4.9	7.3	4.1	4.7	0.8	2.6	0.0	0.0
Cost of indirect taxes	1.2	1.3	0.5	0.5	0.3	0.3	0.4	0.5
Total taxes borne	90.7	106.8	50.5	58.3	35.3	44.0	4.8	4.5
Taxes collected								
VAT, GST, sales and use tax	119.2	134.2	95.1	107.4	17.0	21.3	7.2	5.5
Payroll taxes	82.2	81.8	53.7	51.8	25.0	27.0	3.4	3.1
Total taxes collected	201.4	216.0	148.8	159.2	42.0	48.3	10.7	8.6

1) Tax footprint is prepared based on the financial statement figures (e.g. corporate income taxes), non-audited figures derived from Kemira's ERP system. Volumes of customs duties are estimated based on transaction values and applicable customs duty rates and treatments.

Other payments to governments

In addition to different taxes borne or collected by Kemira, we also make other contributions and compulsory payments to governments. For example in 2024, we paid and collected globally EUR 81.7 million (80.2) employers' and employees' social security payments.

Tax appeals

While Kemira is involved in some tax proceedings incidental to its global operations, Kemira does not expect that the outcome of these legal proceedings will have a materially adverse effect upon its consolidated results or financial position.

Companies registered in countries considered as tax havens

International organizations such as the OECD, the EU and the Global Forum have defined criteria for tax haven jurisdictions. EU and OECD have published lists of jurisdictions considered as non-cooperative tax havens.

Kemira does not operate in tax haven countries or countries with preferential tax regimes for tax reasons. Kemira has no registered companies in the non-cooperative tax haven countries listed by the EU or OECD. Kemira's subsidiaries are listed in the Note 6.2 of the consolidated financial statements.

Kemira has certain production operations in Free-Trade Zones. However, it is likely that the 15% minimum tax requirement according to OECD Pillar II would not apply due to the strong substances in these jurisdictions (i.e. production assets and employees).

In addition to the registered companies, Kemira carries on global sourcing and sales operations in few countries which have been considered as tax havens by the OECD, the EU and the Global Forum. As Kemira is a multinational company with operations in over 100 countries, in order to run business efficiently and reasonably from commercial perspective, pure business operations cannot be avoided in all of the listed countries. In those jurisdictions, Kemira has strong substance and commercial setup, and Kemira is not aiming purely for preferential tax regimes or benefits.

TAX DEFINITIONS	
Corporate income tax	All taxes which are based on the taxable profits of a company and temporary differences between accounting values and tax bases, as defined in the International Financial Reporting Standard IAS12.
Current tax	The corporate income tax due in respect of taxable profits of an accounting period, as defined in the International Financial Reporting Standard IAS12.
Deferred tax	The corporate income tax due in respect of temporary differences between accounting values and tax bases, as defined in the International Financial Reporting Standard IAS12.
Effective income tax rate	Income tax expense divided by Profit before income tax.
Profit before tax	Accounting profit for a period before deducting a charge for corporate income taxes.
Tax	Any amount of money required to be paid to a government without receiving any services, whether by law or by agreement, including without limitation corporate income tax, production taxes, property taxes, employment taxes, sales taxes, asset transfer tax and any other required payments.
Tax borne	Taxes which a company is obliged to pay to a government, directly or indirectly, on that company's own behalf in respect of an accounting period. Taxes borne include corporate income taxes (excluding deferred taxes), property taxes, excise taxes, custom duties, waste taxes and cost of indirect taxes.
Tax collected	Tax which a company is obliged to pay to a government on behalf of another person or a company. Taxes collected include VAT, GST, sales and use tax, payroll taxes and withholding taxes.
Total tax rate	Taxes borne divided by profit before tax increased by taxes borne in operating profit.

KEMIRA is a global leader in sustainable chemical solutions for water-intensive industries. We deliver tailored products and services to improve the product quality, processes, and resource efficiency of our diverse range of customers. Our focus is on water treatment, as well as on fiber and renewable solutions – enabling sustainability transformation for our customers. In 2024, Kemira reported annual revenue of EUR 2.9 billion with a global team of some 4,700 colleagues. Kemira is listed on the Nasdaq Helsinki.

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