

Remuneration policy for the Managing Board

This chapter outlines the remuneration policy as approved by the Annual General Meeting of Shareholders. Details of the actual remuneration in 2016 as prepared by the Remuneration Committee and approved by the Supervisory Board can be found in Note 12 of the 'Parent company financial statements' on page 199.

Remuneration policy

The objective of DSM's remuneration policy is to attract, reward, motivate, incentivize and retain qualified and expert individuals that the company needs in order to achieve its strategic and operational objectives, while acknowledging the societal context around remuneration and recognizing the interests of DSM's stakeholders. The following elements are taken into consideration:

- The remuneration policy reflects a balance between the interests of DSM's main stakeholders as well as a balance between the company's short-term and long-term strategy. As a result, the structure of the remuneration package for the Managing Board is designed to balance short-term operational performance with the medium- and long-term objective of creating sustainable value within the company, while taking into account the interests of its stakeholders. DSM strives for a high performance in the field of sustainability and aims to maintain a good balance between economic gain, respect for people and concern for the environment in line with the DSM values and business principles as reflected in the DSM Code of Business Conduct.
- To ensure that highly skilled and qualified senior executives can be attracted, motivated and retained, DSM aims for a total remuneration level that is comparable to levels provided by other (Dutch and European) multinational companies that are similar to DSM in terms of size and complexity.
- The remuneration policies for the members of the Managing Board and for other Executive Committee members as well as other senior executives of DSM are aligned.
- In designing and setting the levels of remuneration for the Managing Board, the Supervisory Board also takes into account the relevant statutory provisions and provisions of the Dutch corporate governance code, societal and market trends and the interests of stakeholders.
- DSM's policy is to offer the Managing Board a total direct compensation approaching the median of the labor-market peer group.

No adjustments to the remuneration policy for the Managing Board in 2016

There were no adjustments to DSM's remuneration policy in 2016. The policy was last adjusted in 2013.

The approved adjustments at that time did not change the overall remuneration model for the Managing Board. This model is based on providing fair compensation approaching the median, and consists of a base salary and a well-balanced mix of Short-Term and Long-Term Incentives. Both the Short-Term Incentive (STI) and the Long-Term Incentive (LTI) consist of two equal parts, one of which is linked to financial targets and the other to sustainability and in addition – for STI only – individual targets.

Labor-market peer group

In order to be able to recruit the right caliber of people for the Managing Board and to secure long-term retention of the current Board members, DSM takes external reference data into account in determining adequate remuneration levels. For this purpose, a specific labor-market peer group has been defined which consists of a number of Dutch and European companies that are more or less comparable to DSM in terms of size, international scope and complexity in business portfolio. The Supervisory Board regularly reviews the peer group to ensure that its composition is still appropriate.

The labor-market peer group for 2016 consisted of the following 16 companies (eight of which are peers on the Amsterdam stock exchange, the other eight being European industry peers):

AkzoNobel	KPN
ASML	LANXESS
Clariant	Lonza
Covestro	Philips (Health Tech)
Evonik	Randstad
Givaudan	Relx (Reed Elsevier)
Heineken	Solvay
Johnson Matthey	Wolters Kluwer

As part of its remuneration policy DSM will benchmark its remuneration package against the packages offered by the labor-market peer group once every three years, potentially leading to adjustments. In addition, the company may apply a yearly increase to the base salary based on the 'general increase' (market movement) for DSM executives in the Netherlands.

The remuneration policy was benchmarked against the peer group in Q4 2016. DSM aims to offer the Managing Board members a total direct compensation approaching the median of the labor-market peer group. The Supervisory Board of DSM has determined that the remuneration level of the CEO during the past years was clearly lower than the median of the pre-determined peer group (lowest quartile). This is due to the conservative approach of the CEO regarding his own remuneration. The remuneration of the other members of the Managing Board is at median level. The DSM remuneration policy is to pay the Managing Board at a level approaching the median of the peer group. For the CEO this resulted in a