

People in 2015

DSM aims to provide a healthy and safe working environment for its employees, and encourages its people to develop and build their careers by broadening their skills and knowledge. The company seeks to attract and retain people who can add value to the organization – original thinkers and doers who can stretch and move the company forward, in line with the organizational needs.

With 108 nationalities and more than 200 sites and offices in 48 countries, DSM's international profile allows it to bring its business closer to key markets and customers in order to achieve sustainable and focused business growth. Thus, it is important to create a shared culture that embraces differences. To this end, DSM seeks to stimulate inclusion, diversity and inspirational leadership through its human resources strategy. This is governed through a regional infrastructure with clear Managing Board-level accountability for performance.

This chapter outlines the general internal elements of DSM's approach to its own employees, which is embodied in the company's safety and health and human resources policies. DSM's approach to people affected by the operations in its value chain and civil society is reflected in the People+ program and the company's policies on human rights. The performance elements of this strategy are included in the 'Sustainability statements' on page 122. See also 'Stakeholder engagement' on page 24. A model of how DSM creates value for its stakeholders through the human and societal & relationship capitals is shown on page 22.

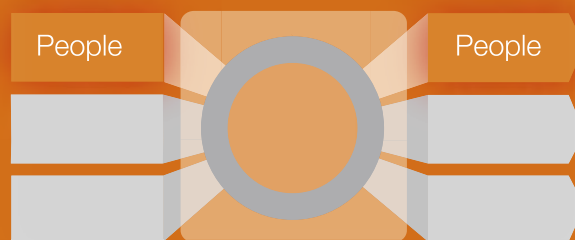
Safety and health

Occupational safety

DSM has been fatality-free for the last four years. Rigorous application of DSM's Life Saving Rules has been an important factor in this. Nevertheless, the incidents that did occur and the severity of their consequences remain a cause for concern for the company. It is DSM's ambition to have an injury and incident-free working environment. The company has set itself the target of reducing the Frequency Index of Recordable Injuries by 50% or more by the year 2020 compared to 2010. DSM aims for an index score that is less than or equal to 0.25 by 2020, compared to the 0.57 achieved in 2010.

Over the years, DSM has made steady progress in improving occupational safety. Whilst there had been a rise in 2014, the company was once again able to resume the downward trend in 2015. The Frequency Index of Recordable Injuries for 2015 was 0.41 (2014: 0.47).

How DSM creates value



f 28% / m 72%

Ratio female/male employees



69%



Employee Engagement favorable score (EEI)

72%

Inclusion index



29



Average training hours per employee annually



0.41



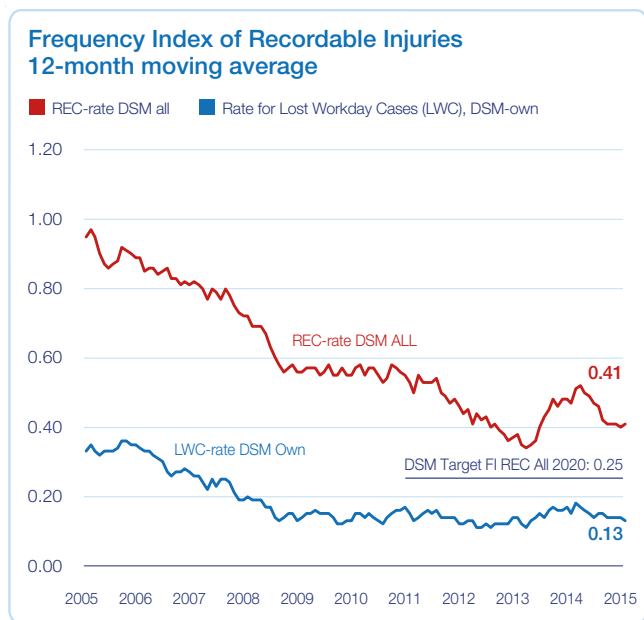
Frequency index of recordable injuries (per 100 DSM employees and contractors)

25 million

Beneficiaries DSM-WFP annually



The Frequency Index measures Lost Workday Cases, Restricted Workday Cases, Medical Treatment Cases and fatalities. For a full description of the Index see 'Explanation of some concepts and ratios' on page 209. The Frequency Index of Lost Workday Cases for DSM employees was 0.13 (2014: 0.15).



In 2015, DSM's change in portfolio again influenced its resulting Safety and Health performance. DSM Fibre Intermediates and DSM Composite Resins were (partially) divested and their contribution will be phased out from the safety and health statistics. Most recently acquired units showed significant improvement in their safety records and DSM is confident that they will achieve the high level of safety at those sites that have belonged to DSM for a longer time.

Recently acquired units accounted for 32% of the total of 109 recordable injuries in 2015 (2014: 40%). These units account for 18.5% of the workforce.

See also 'What Still Went Wrong in 2015' on page 116.

DSM Responsible Care Plan 2016 - 2020

In 2015, a new five-year plan was approved to guide DSM's Responsible Care® priorities and to define indicators and internal targets. With regards to safety (occupational safety and process safety), the overall ambition remained unchanged: DSM's ambition is to have an injury and incident-free workplace. The targets in support of this ambition also remain valid. These are: a Total Recordable Injury rate (TRI rate) of 0.25 by 2020 and a 75% reduction in the Process Safety Incident rate in 2020 compared to 2010 (2015: 0.41).

DSM's focus on preventing serious accidents and potential fatalities was strengthened with the introduction of the Life Saving Rules in 2011, which has resulted in a significant improvement in safety performance in recent years. This was

further sharpened with the introduction of the Serious Injury and Fatalities (SIF) concept in 2014, which was rolled out in 2015. This concept uses a decision tree approach to identify all incidents and near-misses with the potential for severe injury, so that improvement efforts can be concentrated on the prevention of such incidents.

After the successful introduction of the mandatory LOTOTO (Lock-out, Tag-out, Try-out) and 'Confined Space Entry' procedures in 2014, a new company-wide 'permit-to-work' standard was implemented in 2015, as a result of audits done by the DSM Corporate Operational Audit department. This new practice focuses on improving the existing work permit requirements within DSM by fostering better cooperation and communication between DSM and contractors in the execution of work. The 'permit-to-work' standard allows flexibility on details depending on the local situation.

Furthermore, DSM will prioritize improvements to its behavioral systems, supported by the Safety, Health and Environment (SHE) leadership team and SHE competence trainings.

With regards to occupational health, the new plan comprises objectives and targets in the areas of ensuring healthy working conditions (foundation) and driving healthy business (growth driver):

- In terms of healthy working conditions, actions have been defined to keep exposure to chemical, physical and biological factors below limit values, to ensure the availability and use of industrial hygiene competence, and to have an industrial hygiene control strategy in place on all sites. A key performance indicator measuring the quality and completeness of sites' Health Risk Assessments will be used to monitor progress.
- As regards driving healthy business, actions have been defined to deploy a vitality policy, to assess vitality and work performance, and to implement a mental resilience program. The key performance indicators used to measure progress will include the participation rate in the Vitality@DSM program as well as the Employee Engagement Index score.

Contractor safety

Contractors that work at DSM are about two times more likely to suffer a work-related accident than DSM employees. Almost half the fatalities that have occurred at DSM over the past 14 years have involved contractors. This can partly be explained by the fact that contractors sometimes carry out more hazardous activities.

For this reason, DSM pays special attention to contractor safety. The company strives for long-term partnerships with its contractors as it sees this as the foundation for good safety and health performance. Contractors must be well informed about the applicable rules and adequately trained, which is only

possible when contractors and DSM employees work closely together over a long period.

The number of contractor incidents remained at the level of the past few years. One highlight in 2015 was the building of a new vitamin B6 plant in Xinghuo (China), which was completed without any recordable contractor safety incidents.

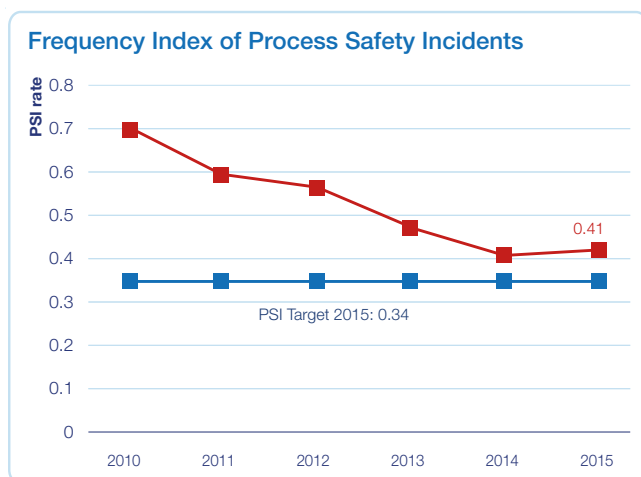
SHE integration of new sites

In 2015, DSM completed the acquisition of Aland, a producer of vitamin C located in Jingjiang (China). The SHE integration program started immediately after the acquisition and will continue in 2016. The other new sites acquired from 2012 have finalized or are in the finalization stage of the SHE integration process.

Process safety

Until now, DSM has followed the European Chemical Industry Council (CEFIC) guidance to define which incidents qualify as Process Safety Incidents (PSI). The total number of PSIs reported in 2015 was 109 (2014: 118).

Translated into a Frequency Index, PSIs totaled 0.41 in the year (2014: 0.40). The target is to reduce the index to 0.34 by 2015 and 0.17 by 2020. These targets represent improvements of 50% and 75% respectively compared to 2010, when the PSI Frequency Index was 0.68. Whilst performance up to 2015 has shown improvement, the targeted intermediate reduction of 50% by 2015 was not met. DSM will step-up its efforts in order to reach its 2020 goal of a 75% reduction.



DSM participated in efforts from the International Council of Chemical Associations (ICCA) to define a harmonized global standard for process safety performance reporting. A proposal defining a process safety event rate metric was approved by the ICCA Responsible Care Leadership Group and by the ICCA Board in 2015. Chemical Associations and companies will transition to the ICCA standard for performance data in the coming years. For DSM this will be implemented starting in 2016, thus replacing the current CEFIC guidance.

SHE leadership development

DSM works to continuously improve leadership skills in SHE. In 2015, a new leadership program, Mindful Collaboration, was added to the SHE leadership training portfolio. The Mindful Collaboration training provides participants insights to improve progress towards common team and company goals. 'Mindful' stands for being constantly alert and aware, being vigilant towards everything related to SHE and quality, and always striving for operational excellence and continuous improvement. This ultimately leads to a safer and healthier workplace, better performance, more efficiency and less stress.

Employee health management

DSM recognizes that healthy working conditions make a significant contribution to employee health and well-being and also have a significant positive impact on employee engagement and productivity. Both employees and the company benefit from healthy working conditions in today's increasingly fast-paced, challenging and competitive world. DSM has implemented policies and initiatives to safeguard employee health by controlling workplace risks (prevention) and to promote and support employee health and well-being.

With a view to prevention, in 2015, DSM reviewed its health risk assessment practices. This included a focus on creating more transparency and consistency on the rating of workplace health risks and emphasis on the implementation of control measures around occupational hygiene. Dedicated regional health risk assessment training programs were also organized; these were aimed at ensuring adequate competence in industrial hygiene and ergonomics. Industrial hygiene was further specifically addressed in training programs for managers and engineers. Potential health-related consequences of social and demographic trends (e.g. an aging workforce) were specifically addressed in the health module of DSM's SHE leadership programs.

DSM aims to foster a true culture of health among its employees. Vitality@DSM is a global health management program that provides employees with insights into their own lifestyle profile and explains the consequences of unhealthy lifestyle habits. It also stimulates them to take responsibility for changing their habits. To maximize engagement, cultural and regional differences are taken into account.

Over the last eight years, more than 15,000 employees worldwide have participated in the Vitality@DSM program, in line with the target the company had set. Vitality@DSM is based on the HealthyRoads (designed to be used in alignment with the health care system in the US) and Vitality Checkpoint (rest of the world) health programs.

Participating Vitality@DSM employees receive a general health check-up and fill in a self-assessment questionnaire to evaluate their profile across the dimensions of Nutrition, Recovery, Exercise and Mental health. A personal risk score and action plan

is provided so that employees benefit from awareness of their own health-related risks. Results from the self-assessments employees have completed since the start of the program show that 54% have moderate to very high stress risk; 38% have moderate to very high risk of poor eating habits; 27% seldom or never exercise; and 27% are overweight or obese.

Knowing the health risks its employees face allows DSM to better support them with targeted health programs. For example, for the period 2013-2015, DSM has been able to lower the overall stress risk of participants in the US to below 30%, which is significantly lower than in other regions due to 92% of the participants having participated in stress coaching during this period.

In 2015, the Vitality@DSM tool was upgraded to enable improved tracking of changes over time for groups of participants. Because this improved functionality directly impacts the calculation of productivity gain, the 2015 data for the total rise in productivity cannot be directly compared with the data published by DSM in previous years. Recalculating the 2014 figure with the current method shows a productivity gain of approximately € 102,500. In 2015, this came to approximately € 172,500. This is based on self-reported changes in lifestyle health-risk factors (alcohol consumption, eating habits, lack of exercise, smoking, stress and obesity) for participating employees in Europe, North America and Asia.

Occupational health cases

A total of five occupational health cases were reported in 2015. DSM continued to increase employee awareness of occupational health issues and to further improve the reporting of all occupational health cases the company encounters (2014: 11).

New organizational and operating model

As described on page 21, in 2015, DSM began implementing adjustments to its organizational and operating model to support its growth ambitions and create a more agile, focused and cost-efficient organization, with a stronger business and market focus and globally leveraged support functions. By becoming more agile and focused, the company will be better able to respond to market dynamics, capture opportunities and deliver on its aspirations. Furthermore, the company is establishing a new way of working in support of its strategic targets, driving a change in mindset and culture aimed at establishing DSM as a results-driven, high-performance organization, both in terms of top-line and bottom-line growth and talent development.

Cross-company supporting functions in areas including HR, Indirect Sourcing, Communications, Finance, Legal and ICT are being optimized, thus freeing up capacity at DSM's business groups to focus on their primary functions: Innovation and R&D, Direct Sourcing, Manufacturing & Operations and Marketing & Sales.

Globally leveraging support functions is allowing DSM to capture scale-benefits and deliver high-quality professional support at lower costs, among others via further standardization of processes, delayering, and elimination of duplications, resulting in a more efficient pooling of resources with clearer accountability for performance. This is leading to a reduction in size of the support functions, also in view of the transfer into partnerships of the Pharma, Polymer Intermediates and Composite Resins businesses.

These initiatives will result in a reduction in headcount of 900-1,100 FTEs, of which approximately half in the Netherlands, with the remainder spread proportionally across the other countries where DSM operates, to be fully implemented by the end of 2017.

In implementing the adjustments, DSM is actively applying its 'work-to-work' philosophy by supporting redundant employees in finding new employment. This happens differently in each country, according to local legislation and proven practices. Examples are outplacement services by an external partner or active support through an internally managed mobility center. DSM provides employees with a fair severance compensation allowing them to bridge the period until their next employment. In this process, DSM honors the good relationship with employee representation bodies and actively seeks the endorsement of works councils in those countries where an FTE reduction applies.

DSM is implementing a culture and change program alongside the ONE DSM Culture Agenda to give managers and employees specific support in making the transition to the new operating model and new way of working. DSM recognizes that the period of reorganization that the company is undergoing puts employees under stress, which continues to be an area of attention.

ONE DSM Culture Agenda

The ONE DSM Culture Agenda was designed in 2012 in conjunction with DSM's Leadership Model and aims to support the company's strategic alignment with the needs of an ever-changing world by focusing on four themes: External Orientation; Accountability for Performance (and learning); Collaboration with Speed and Trust; and Inclusion & Diversity. This focus seeks to create a common language across the organization, and enhance ONE DSM. Through its implementation, DSM aims to become a high-performance organization.

Building on the progress made since its introduction, in 2015, the emphasis was on the need for line managers to visibly role model and champion behaviors in support of the four themes. This is particularly important with a view to DSM's new operating model. Successful implementation and adoption of these themes and behaviors will be instrumental to achieving the company's strategic goals.

ONE DSM Culture Agenda themes

External Orientation



DSM recognizes that in order to execute its growth strategy and adapt to changing customer and industry requirements, its employees must be aligned with the realities of a rapidly changing world. External Orientation also helps to broaden DSM's networks and engage with stakeholder groups.

Accountability for Performance (and learning)



DSM expects its employees to set themselves ambitious targets and to deliver on these. Accountability for Performance (and learning) is about people taking responsibility for their actions and for the performance of their teams. It also means recognizing and celebrating successes, while viewing problems and mistakes as individual and collective learning opportunities.

Collaboration with Speed and Trust



In an ever more connected world, collaboration has become an important competitive advantage. DSM encourages employees to actively (co-)create, and to share and build on the ideas, information, knowledge and expertise of their colleagues and the outside world.

Inclusion & Diversity



Fostering an inclusive culture that embraces differences is consistent with DSM's corporate values and helps it create the high-performance organization it requires as a truly global company.

DSM Employee Engagement Survey

An engaged workforce is critical for DSM to achieve its ambitions. The DSM Employee Engagement Survey, which the company has conducted since 2007, is an effective tool for understanding what employees need to feel engaged. The goal is to create a company in which employees feel proud to work, and where they feel they can excel. Its use is instrumental to becoming a high-performing company. Since 2015, DSM has moved this survey into a two-year cycle with a full survey in one year and a shorter pulse survey the next, in order to have more time to follow up on results and actions and achieve meaningful change. The next full survey will take place in 2016.

The Employee Engagement Pulse Survey 2015 was a short, focused survey that gave the company essential information about safety, engagement, inclusion and other key topics, such as 'Purpose and Inspiration in the Job' and 'Part of a Winning Team'. The data from the pulse survey are crucial to measuring progress on DSM's strategic priorities. In business units and teams, the results of the pulse survey can be used to check progress on Employee Engagement Survey action plans.

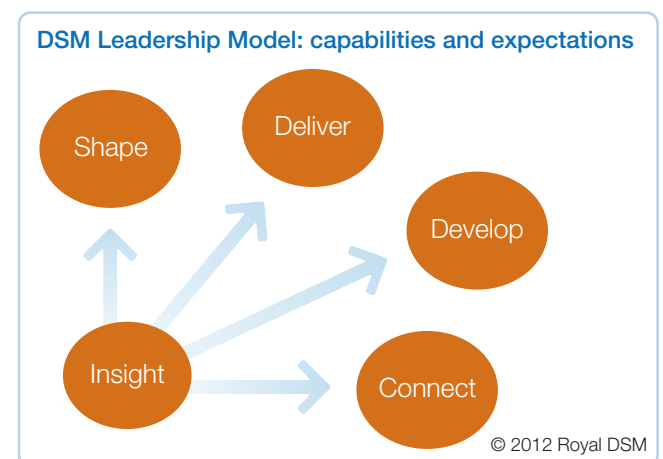
In 2015, a total of 14,452 employees, including 222 contractor employees, completed the questionnaire, which was distributed online and on paper in 21 languages to all DSM employees. This represents a very high response rate of 78%. The main element in the survey is the measurement of DSM's Employee Engagement Index, which is the percentage of employees scoring favorably on a combination of four attributes: commitment, pride, advocacy and satisfaction. The Employee Engagement Index measured in 2015 was 69% (2014: 70%). This is broadly in line with the overall global norm of 70%. For the highest-performing companies around the globe, the benchmark number is 81%. This is the league DSM aspires to be part of.

Talent management

DSM Leadership Model

DSM has clear ambitions for the future supported by its new organizational and operating model. To meet these future ambitions, the organization needs a strong ONE DSM Culture and excellent leaders to shape this culture, develop talents, and create an environment of collaboration and high performance. Talent management is consequently one of DSM's key focuses in support of its strategic targets for 2018.

The DSM Leadership Model specifies the characteristics expected from leaders now and in the future in a simple, understandable and compelling way. It provides a common vision and language regarding the leadership that DSM requires to succeed. The model sets out the expectation for leaders to be role models and developers of a sustainable and successful organization for the future. It is the basis for DSM's processes to hire, grow and develop talent and build high-performing teams.



The further roll-out of the model to all employees in senior management roles commenced at the end of 2014 and continued throughout 2015. The goal is to train 50% of the target group by end of 2015 and to finalize the roll-out by mid-2016.

Improving nutrition for vulnerable communities

DSM employee Grace Kuo talks about her voluntary assignment with the World Food Programme.



“On my assignment, I was given the opportunity to help improve the nutrition of vulnerable communities. My task was to support the establishment of the Scaling Up Nutrition (SUN) Business Network in Zambia. In addition to setting up a multi-stakeholder event to kick-off the Network, I also helped to build up the local Network’s knowledge and market intelligence around food in the country.

As part of this, I conducted a worldwide review of food fortification practices and the lessons learned. This will be further used in advice and advocacy material to help the Zambian government design and implement policy. I also executed a market study of food consumption and purchasing behavior among the urban population in Zambia. Together with a small team, we visited 600 households and 50 small-scale retailers to better understand consumers in the Zambian food market, to provide better consumer understanding to producers about nutritious food products.

It has been very motivating to see how our work at DSM has an impact on improving nutrition and changing lives. I came to appreciate even more than before that what we do as an organization – and together in our partnership with the WFP – helps people to live brighter lives.”

DSM uses the Leadership Model behaviors in its recruitment processes while attracting new talents for the company. In performance management, the company assesses what and how employees perform in terms of the behaviors. Elements of the model are already integrated in the Performance Development Review (PDR) of executives; as of 2016 this will be rolled out further within DSM's management population. Individual development starts with awareness workshops and continues with 360 degree feedback. In addition, the Leadership Model intranet site has been renewed so that leaders can refresh their understanding of the model, watch inspiring leadership videos, learn from the most frequently asked questions and develop themselves and others by using an online toolkit. In team development, DSM uses the Leadership Model to review the strengths and weaknesses of its management teams as it looks to build high-performance teams.

Using the Leadership Model for career management helps to drive the organization forward and ensure that DSM finds and develops the right people for the organization. In September, DSM's top management was given an update on how DSM has been rolling out the model and how it is embedded in talent development processes. Their feedback is being used to improve the implementation of the Leadership Model going forward into 2016.

Talent attraction

DSM adopted a new recruitment model in 2015 to outsource the recruitment of all permanent hires below executive level across the globe. This process better serves DSM's businesses through increased professionalism in recruitment, reduced 'time to fill', better market information and delivery of the best talent. Improved assessment and selection is necessary to attract tomorrow's leaders. In addition to state-of-the-art recruitment tools and technology, an enhanced employer brand experience and improved transparency of the recruiting process, the new recruitment model is anticipated to deliver annual savings of € 6 million through improved processes and reduced headcount.

Inclusion & Diversity

In order to better reflect the company's global presence, DSM continues to engage in a targeted Inclusion & Diversity strategy. For Diversity, the immediate focus is to increase the number of women and under-represented nationalities in DSM's executive positions. The number of female executives has been increasing steadily, and reached 15% in 2015, up from 12% in 2014. The current composition of the Supervisory Board is well balanced and in line with Dutch legislation. More than one third of the members are women (of the seven members, three are female and four are male). The current composition of the Managing Board with one female and three male members comes very close to the aspired composition of the Managing Board in terms of gender balance. Furthermore, in the

Supervisory Board of DSM Nederland B.V., a subsidiary of Koninklijke DSM N.V., one of the three members is female.

Gender balance will continue to require attention going forward. DSM's CEO/Chairman of the Managing Board Feike Sijbesma has signed the CEO Statement of Support for the United Nations Women's Empowerment Principles, signaling the company's support for gender equality and the guidance provided by the principles. The company is taking concrete steps to realize these principles through its Inclusion & Diversity strategy. In addition to recruiting female executives from external talent pools, DSM also focuses on developing female executives from its internal pool of candidates, and engages in various activities that foster new ways of working and changes in mindsets.

The expansion of the executive population from emerging economies equally demands continued attention. There was a decline in the proportion of BRIC+ nationals (from 12% in 2014 to 10% in 2015) and North Americans (from 13% in 2014 to 10% in 2015) in executive positions as a percentage of the total number of executives. This development is being addressed. The number of 'other nationals' in the executive population increased to 29% in 2015, and the number of Dutch executives went from 50% to 51% of the executive population. See also 'Sustainability statements' on page 122.

DSM's inclusion efforts are reflected in an improving Inclusion Index, which has continued to increase year on year, reaching 72% in 2015 (2014: 70%). The consistent improvement of this index suggests that sustained progress is being made in creating and maintaining inclusive environments across the company. Going forward, DSM continues to address the geographical distribution of executives and other key functions, with a keen eye on gender and nationality balance, as these remain, at this stage, the key diversity aspects to foster.

At the end of 2014, new diversity targets were set for 2015 and 2016 to accelerate progress. DSM aspires to reach an incremental growth of 2% for both gender and under-represented nationalities for the executive population. The DSM Inclusion & Diversity Council, chaired as of 2015 by Managing Board member Stephan Tanda, plays a leading role in driving the achievement of the Inclusion & Diversity targets at DSM, and in supporting all DSM businesses in creating an inclusive environment in which diversity is embraced.

Mentoring

Mentoring forms an integral part of DSM's learning and development programs. In 2015 a number of successful mentoring programs continued to run in different regions, businesses and functions. All programs provide trainings for mentors and mentees, have a matching procedure and an evaluation that takes place at the end of the mentoring relationship. In 2015, 183 mentees and 159 mentors participated in various mentoring programs around the

globe. DSM is currently reviewing these mentoring programs to capture the best practices from each individual program to combine with external best practices in an open global mentoring platform. This online platform will allow all DSM employees to become either a mentor or mentee (or both) and will be launched in 2016.

Organizational learning

DSM fosters a culture of continuous learning, discovery and improvement. The organization strongly believes in the need to invest in the knowledge, skills and experience of its employees to ensure their long-term employability and to achieve its strategic objectives. It is vital for strengthening the talent pipeline and for developing inspiring and collaborative leaders.

At DSM learning goes far beyond the classroom. The most valuable lessons are often learned by employees on the job, from other co-workers or from mentors and coaches. Learning together allows DSM to create communities across the breadth of the organization, foster collaboration and promote an inclusive working environment.

The DSM learning architecture consists of four program clusters: executive programs, management programs, functional programs and e-learning programs. These are designed and delivered in close cooperation with leading international business schools and global training providers including the Wharton School of Business of the University of Pennsylvania (USA), Babson College (Massachusetts, USA) and Erasmus University (Netherlands), and are supported by a diverse internal faculty, primarily consisting of DSM's top management.

	Available in 2015	Available in 2014
Executive programs	8	11
Management programs	90	66
Functional programs	40	60
e-Learning programs	16	14
Total	154	151

In 2015, the company organized DSM Leadership Model workshops and rolled out the Bright Talent Program. In order to better serve regional learning and development needs, a Global Learning and Development Portal was launched in the year. DSM employees can now access all programs from a single point. The Global Learning and Development center of expertise provides consistent content for all the regions where DSM offers learning and development programs.

International Labour Standards

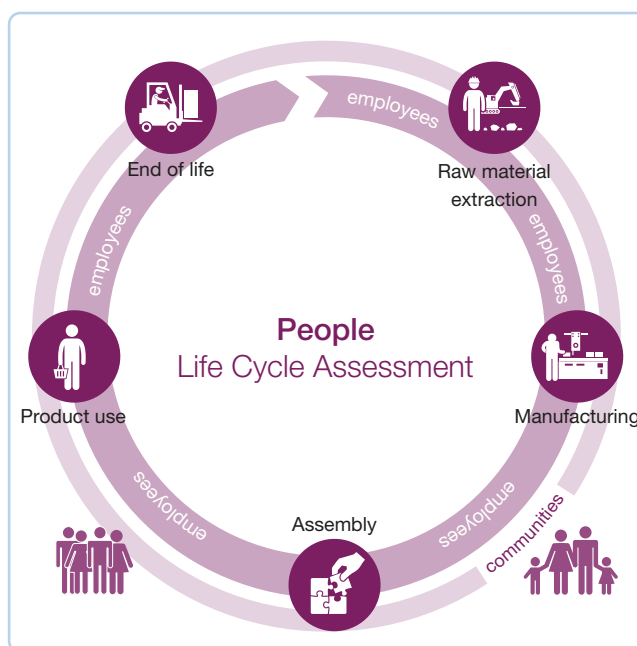
DSM supports the work-related rights defined by the International Labour Organization (ILO) and recognizes and applies the International Labour Standards. In countries or businesses where employees have third-party representation via a works council or collective bargaining, DSM respects these relationships and works constructively together with these third parties. In the event of an organizational restructuring that results in the loss of a significant number of jobs such as the adjustment to its organizational and operating model currently ongoing, DSM develops and implements either a social program (aimed at assisting employees to continue in employment, whether inside or outside the company) or a severance program. DSM promotes employee empowerment and human rights protection and therefore seeks dialogue with its employees and their representatives (works councils, labor unions).

People in DSM's value chain and civil society

People+

DSM is committed to improving peoples' lives and strives to have a positive social impact. The company measures its impact on the lives of consumers, employees and communities to develop solutions that have a better societal impact than competing alternatives in the market with its people LCA methodology. In 2014, DSM, together with a group of 12 European industry leaders, launched the 'Handbook for Product Social Impact Assessment'. The Handbook provides a clear framework through which companies can analyze life-cycle data and calculate the impact products have on the health and well-being of people across its value chains. In 2015, the company further harmonized with its industry peers through co-chairing the World Business Council for Sustainable Development's 'Reaching Full Potential' project to develop guidance on assessing social impacts of chemical projects in the value chain. This working group built on experiences from DSM's People+ program and the Roundtable for Product Social Metrics.

People+ enables DSM to identify new levers for innovation, to develop value propositions and engage with partners in the value chain. By concentrating on the impact that its products have on the lives of people involved in making and using the product, the People+ program is an incentive for innovation and R&D across the company. An example of a People+ product is Maxarome® from DSM Food Specialties. This natural yeast-based food ingredient enables food producers to reduce the salt used in foods whilst maintaining authentic taste. A study published in September showed that using this in soups and bouillon can have an impact on public health and healthcare costs. Reducing salt intake is proven to be a good way to reduce high blood pressure, and is also linked to lower risks of stroke, cardiovascular and kidney diseases.



Human rights

Respecting human rights is essential in all of DSM's activities. The company has a longstanding commitment to the UN Universal Declaration of Human Rights, is a signatory to the UN Global Compact and recognizes the OECD Guidelines for Multinational Enterprises. Furthermore, DSM supports the UN Framework and Guiding Principles on Business and Human Rights (the Ruggie Framework), and the ILO International Labour Standards.

Respecting human rights is already an integral part of the DSM Code of Business Conduct, Supplier Code of Conduct, and DSM's sourcing policy. In addition, DSM's risk assessment on human rights has shown that the category of human rights most relevant and applicable to DSM relate to employees' working conditions, such as the right to social security. These rights are addressed through the ongoing update of the company's HR policies and procedures. In addition, DSM addresses the universal right to food and freedom from hunger by taking a leading role in the private sector to tackle the problem of malnutrition and nutrition security in both the developed and the developing world through its cross-sector nutrition partnerships and solutions.

In 2015, to continue underlining the company's commitment to human rights, DSM published a human rights position paper and developed a Human Rights Policy for further implementation within the business groups and regions. The policy will form the basis to further embed the responsibility to respect human rights in all business functions. In 2016, DSM will use its Human Rights Risk Assessment to set priorities and start implementing the policy, with a focus on monitoring human rights within the company and its value chain. See DSM's position paper on human rights on the company's website.

Planet in 2015

DSM recognizes the environmental impact of its business operations and is committed to taking measures to protect the planet for future generations. Within the Planet dimension of its Triple P (People, Planet and Profit) approach, DSM delivers activities, solutions and innovations that improve the environmental footprint of its business and its value chains. This chapter describes the material environmental issues that have been identified through DSM's stakeholder consultation in the DSM materiality matrix: Climate change & renewable energy, Water security, Biodiversity, and Sustainable & circular value chains; as well as other topics DSM considers to be relevant and important to the company's operations. The topics Bio-based economy and Sustainable animal protein are described in 'Stakeholder engagement' on page 27. A model of how DSM creates value for its stakeholders through its natural capital is shown on page 22.

Targets 2010-2015

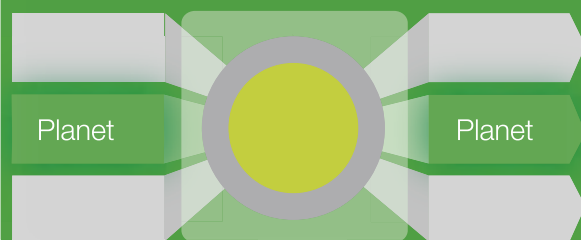
Within the framework of its corporate strategy, DSM defines long-term sustainability aspirations, which include targets to improve the eco-efficiency of its operations. These targets are translated into plans and activities within a corporate multi-year plan. The plan provides the necessary guidance to each of the business groups.

The eco-efficiency targets for the period 2010-2015 were based on the ambition that by the end of 2015, all DSM sites in the world should meet minimum standards applied within the EU or the US, via the use of Best Available Techniques. All new plants and major plant modifications must meet these requirements from the start.

All of DSM's 2010-2015 environmental targets, except for greenhouse-gas (GHG) emissions, were efficiency targets in which performance is related to production volumes. The target for GHG emissions was an absolute reduction of DSM's direct CO₂ and N₂O emissions and other gases, as well as of indirect CO₂ emissions. The base year for this target, and for the energy efficiency target, was 2008. The divested units DSM Agro, DSM Melamine, DSM Elastomers, Citrique Belge and DSM Special Products were excluded from this 2008 base year, but the impact of all other acquisitions and divestments is reflected in the total GHG emissions (scopes 1 and 2).

Energy and GHG have a target period of 2008-2020 and are on track to be met by 2020 or have already been met (the GHG absolute reduction target was achieved after the (partial) divestment of DSM Fibre Intermediates). The other six environmental indicators have a target period of 2010-2015 and, except for water and Chemical Oxygen Demand (COD), the targets for these other indicators (volatile organic compounds (VOC), SO₂, NO_x and waste) have been met.

How DSM creates value



19%

Energy efficiency improvement, total DSM



101

Water use, total DSM (in million m³)



1.1

Greenhouse-gas emissions, total DSM (in million tons)



12.9

Waste to landfill (in thousand tons)



57%

ECO+ solutions*



* As % of total sales

The COD target was not met mainly due to a planned improvement project at DSM Fibre Intermediates in North America having not been implemented. An explanation of why DSM did not reach its water targets as well as the associated learnings can be found in the section 'Water security' on page 52 and in 'What still went wrong in 2015' on page 116.

The table below shows the 2015 performance against the base year of the key environmental indicators and the corresponding

target. Both the performance and the target are expressed as percentage of efficiency improvement, except for GHG which is an absolute reduction. See also 'Sustainability statements' on page 123.

DSM publishes detailed information and supporting calculations on the environmental performance of all its production sites on the company's website.

Progress made in 2015 towards environmental reduction targets

		% Reduction realized compared to reference year	Targets	
			2015	2010-2015
Climate change	Energy efficiency	19%		20%
	Greenhouse gases	75% ¹		25%
Emissions to air	VOC	50%	40%	
	SO ₂	91%	70%	
	NO _x	31%	30%	
Discharges to water	COD	17%	20%	
Water availability and use	Total water consumption	0%	15%	
	Landfilling non-hazardous waste	67%	15%	

¹ The GHG efficiency, which accounts for changes in production volume, has improved by 20% in 2015 compared to 2008

DSM follows the GHG-protocol of the World Business Council for Sustainable Development (WBCSD) for reporting GHG emissions, except for the fact that emissions related to on-site generated electricity and steam that is sold on a very limited number of sites are excluded from the total GHG-emissions. The overall impact of this deviation in 2015 is in the order of 3% of DSM's total GHG-emissions. This relative impact is significantly larger than in previous years, due to the (partial) divestment of DSM Fibre Intermediates and DSM Composite Resins and the divestment of Synres in 2015. In order to ensure objective comparison with DSM performance in previous years, the 2011 International Energy Agency conversion factors have been used as in previous years.

DSM Responsible Care Plan 2016-2020

DSM has developed a new Responsible Care Plan for the period 2016-2020. This plan comprises ambitions, targets and actions in the field of safety and health, resource efficiency (environment), sustainable value chains (Product Stewardship and sustainable products) and security.

The development of the new plan started in 2014 and continued into 2015. Many people, with different backgrounds and responsibilities, were involved in the development of the plan,

which was approved by DSM's Managing Board and is considered an integral part of the company's Strategy 2018: *Driving Profitable Growth*.

In the field of resource efficiency, the main corporate target is a further reduction of the GHG emissions per unit of product: GHG efficiency improvement of 45% by 2025 compared with 2008. This target is an update of the previous GHG reduction target, which ran until 2020 and was an absolute reduction target. Updating the target was necessary, as the (partial) divestment of DSM Fibre Intermediates meant the company immediately achieved its absolute reduction target. DSM believes that true climate commitment should not be dependent on divestments or partnering and has thus set a new, equally ambitious, GHG efficiency improvement target for 2025.

In addition, DSM has defined a renewable energy strategy for its operations and set a target to source 50% of its electricity needs from renewable sources by 2025, with the aim of becoming 100% renewable thereafter.

New targets have also been defined on several other supportive indicators. The table on the next page gives an overview of the targets on all environmental indicators.

Indicators	New targets
GHG efficiency improvement	45% by 2025 (reference 2008)
Energy efficiency improvement	>1% annually (>10% from 2015-2025)
Renewable electricity	50% by 2025
Reduction of emissions to air per unit of product (VOC, NO _x , SO ₂)	40% in 2020 (reference 2015)
Waste	80-90% recycled by 2020
Water	Water risk assessments completed on 90% of selected sites by 2020

The target for the reduction of emissions to air will focus on a limited number of sites which make the largest contribution to DSM's total emissions to air, or on those sites which are yet to apply Best Available Techniques (and thus have relatively high emissions to air).

The target for waste aims to reduce the amount of waste that is landfilled or incinerated without heat recovery, either through the reduction of the generation of waste or through a shift to an outlet with higher added value, such as recycling or recovery.

The target for water acknowledges that water issues (scarcity, pollution) are usually local or regional. Going forward, DSM will focus on sites in scarcity regions and sites that have a relatively high groundwater consumption or waste water discharge. Appropriate measures will be taken at site level in order to mitigate any risks identified in water risk assessments. DSM is convinced that this local approach fits better with the specific characteristics of water security than a company-wide, global target on reduction of water consumption or discharge to water.

DSM completed the acquisition of vitamin C-producer Aland in 2015. As a result, the facility at Jiangjing (China) will also be incorporated in DSM's environmental performance as of 2016 and it is expected that this will significantly impact some of the absolute numbers of the environmental indicators.

Climate change & renewable energy

It is now widely accepted that human activity is responsible for global warming, resulting in climate change. Without an urgent change in mindset and behavior to break with fossil-fuel dependencies, the planet is set to exceed the so-called '1.5 to 2 degree ceiling': the global average increase in temperature defined by the UN as the upper threshold to avoid a potentially devastating impact on people.

DSM aims to be a front-runner in climate action. Next to reducing its own carbon footprint, the company enables a low-carbon, bio-renewable economy through its innovative solutions and advocates climate action.

At COP21 in Paris, national governments adopted an unprecedented global agreement on climate change prevention

and adaptation. In the run-up to COP21, DSM initiated and joined several initiatives to reassure governments that key global business leaders would be highly supportive of a strong agreement:

- DSM's CEO/Chairman of the Managing Board Feike Sijbesma led the development of an open letter to the world's governments facilitated by the World Economic Forum, which was signed by 78 CEOs from around the world (representing USD 2.1 trillion in revenue) stressing that business was ready to partner on climate action.
- Mr. Sijbesma supported the World Bank as 'private sector ambassador' of the Carbon Pricing Panel, which includes heads of Government of, amongst others, Germany, France, Ethiopia and Mexico. This group, convened by the heads of the International Monetary Fund, World Bank Group and OECD, urges countries and companies to put a price on carbon.
- DSM North America was invited by President Barack Obama to join 80 companies (with a combined market capitalization of over USD 5 trillion) in the American Business Act on Climate Change, to demonstrate business support for climate action.

The outcome of COP21 was a legal agreement signed by nearly 200 countries, which set ambitious goals to limit average global temperature rises to well below 2 degrees and reach net zero emissions in the second half of the century. Governments agreed to periodically review and improve national climate action plans.

DSM acknowledges that the world must urgently shift its energy mix from fossil-based fuels towards renewable energy, while continuing to secure its energy supply. DSM has undertaken an advocacy role to cooperate with energy suppliers, co-leaders in industry and regulatory bodies to enable the necessary shift towards more renewable energy. In 2015, DSM became a signatory to the Climate Group's Renewable Energy 100 (RE100), an initiative that brings together leading companies worldwide that commit to powering 100% of their electricity needs from renewable sources. DSM has set a target of sourcing 50% of its electricity needs from renewable sources by 2025. In addition to defining its own renewable electricity use, DSM provides solutions for the renewable energy industry, such as technologies to produce cellulosic bio-ethanol from agricultural residual developed together with POET, and anti-reflective coatings for solar panels.

Energy-efficient chillers

Energy conservation has become a key business focus for many companies across the globe including DSM. Reducing energy usage not only helps the environment but helps the bottom line as well.

The DSM Nutritional Products facility at Belvidere (New Jersey, USA) produces, among other things, arachidonic acid, natural beta-carotene and trienol for customers in North America and other markets. The fermentation processes involved in production require a continuous supply of chilled water in order to maintain them at design temperatures.

One of the projects at the site to reduce energy consumption and associated costs analyzed the chiller systems used in this process. The evaluation showed that considerable gains could be made by switching to new higher-efficiency units.

In an initial deployment in 2015, one new chiller unit was installed, which assumed part of the loads of four existing units. The new chiller provides a 25% reduction in energy consumption as compared to the existing units. The resulting energy cost savings allow for pay-back in roughly four years and will reduce CO₂ emissions by over 850 tons per year as well as provide a more reliable operation.

A second new unit is being installed to complete the upgrade and will bring similar benefits, thereby doubling the CO₂ reduction, improving reliability and further reducing operating costs.



DSM's approach to addressing climate change involves quantifying and tracking GHG emissions, as well as monitoring its energy consumption. Where feasible, projects are initiated that benefit both the environment and financial performance.

In 2015, DSM joined the UN 'Caring for Climate' initiative and became a so-called Carbon Pricing Champion. To identify the risks and opportunities emerging from increased carbon pricing in many countries, DSM has set an internal carbon price of €50 per ton CO₂ for reviewing large investment decisions. Last year, DSM was amongst the highest scoring companies in the Carbon Disclosure Project Leadership Index, which demonstrates the company's leading approach with respect to climate change disclosure practices.

Energy

In determining energy efficiency, DSM measures its energy consumption in relation to the production volume of each production site. In 2015, DSM's energy efficiency performance improvement reached 19%, which was 2% above the 2014 level, and well on track to meet the 20% target in 2020. The main energy efficiency improvements were realized at the DSM Nutritional Products sites in Belvidere (New Jersey, USA) and in Sisseln (Switzerland). In Belvidere the installation of a new chiller (see description on the left) and the full utilization of a combined heat and power unit (cogen) were the main contributors for the efficiency improvements. In Sisseln the change in product mix towards less energy-intensive products, as well as several technical improvements in the infrastructure, contributed to the energy efficiency improvements.

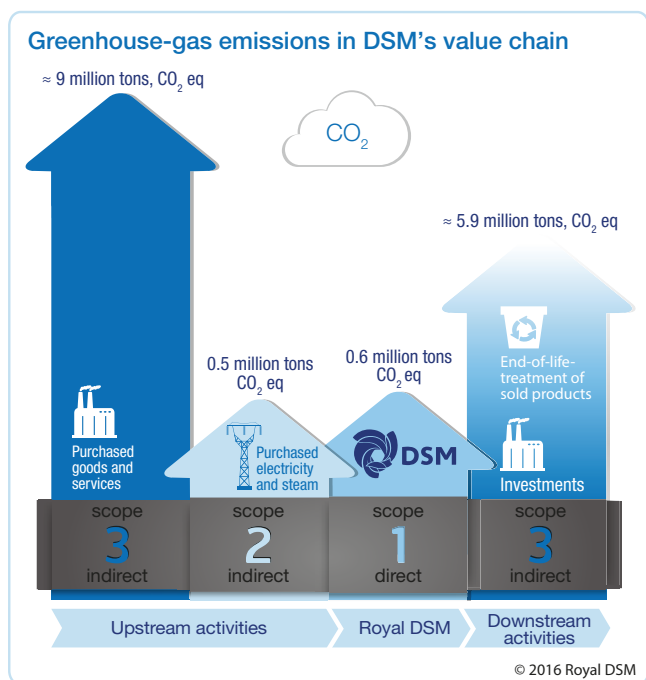
In 2015, DSM executed a variety of investment projects with the aim of increasing energy efficiency in its own operations. These projects included the replacement of an air compressor at DSM Resins & Functional Materials in Parets (Spain), improved heat recovery and several other measures at DSM Nutritional Products in Dalry (UK), the new chiller in Belvidere and lighting replacement on several sites. These projects with 2015 investments totaling €2.4 million will not just improve the company's energy efficiency but also lead to annual cost savings of approximately €1.7 million.

DSM's total annual energy consumption decreased from 39.1 to 20.9 petajoules. The main reason for the sharp decrease is the (partial) divestment of DSM Fibre Intermediates and, to a lesser extent, of DSM Composite Resins and the divestment of Synres.

Greenhouse-gas (GHG) emissions

There is scientific consensus that certain gases (e.g. carbon dioxide, methane, nitrous oxide) have contributed significantly to human-induced climate change. These gases, which are emitted during the course of a wide range of human activities, magnify the planet's natural greenhouse effect and cause the atmosphere to retain more heat than it otherwise would. This in turn results in a series of wide-ranging and inter-linked changes

to the earth's climate, with negative consequences for human health and well-being.



Since 2008, DSM has applied the Greenhouse Gas Protocol's standards for reporting GHG emissions (scopes 1, 2 and 3). DSM does not yet follow the latest (2015) GHG Protocol scope 2 guidance, an amendment to the GHG Protocol's corporate standard. DSM's target was to achieve a 25% reduction in scope 1 and 2 GHG emissions by 2020, compared to its 2008 emission levels.

GHG emissions scope 1 & 2

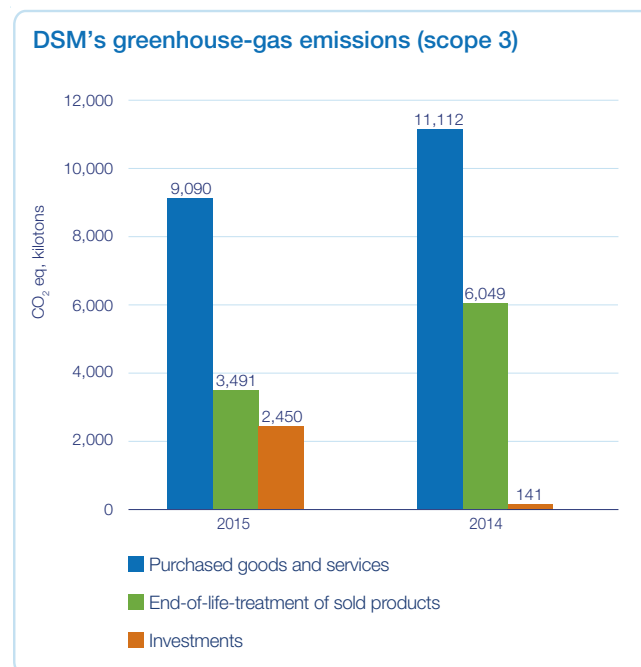
In 2015, DSM emitted a total of 1.1 million tons of CO₂-equivalents, which is a reduction of 75% compared to its emissions in 2008 (the total reduction target was 25% in 2020), which is almost fully attributable to the (partial) divestment of DSM Fibre Intermediates.

GHG emissions scope 3

The Greenhouse Gas Protocol Corporate Value Chain Standard defines scope 3 emissions as 'all other indirect emissions that occur in a company's value chain'. DSM has reported on its scope 3 emissions since 2012. Scope 3 reporting can be considered as complementary to reporting on scope 1 and 2 emissions. Taken together, they reflect all the GHG emissions associated with DSM's business activities. Inevitably, the calculation of scope 3 emissions is largely based on estimates, extrapolations and assumptions. In 2015, in keeping with the WBCSD 'Guidance for Accounting & Reporting Corporate GHG emissions in the Chemical Sector Value Chain', DSM prioritized reporting on three scope 3 categories that are most relevant and applicable to DSM's business, and for which data are available. In 2016, DSM will focus on designing a relevant and useful scope 3 reporting process for DSM going

forward, which will focus on the material areas where the biggest improvements are possible.

The main difference between the scope 3 emissions of DSM in 2014 and 2015 is the effect of the (partial) divestment of DSM Fibre Intermediates and DSM Composite Resins. As other changes are assumed to be relatively minor and within the limits of scope 3 reporting accuracy, the scope 3 emissions for 2015 have been derived from the 2014 Report, correcting for the deconsolidation of these two businesses. The purchased goods and services category accounted for DSM's highest scope 3 emissions in 2015, but declined by approximately 18% compared to 2014 due to the (partial) divestment. On the other hand, scope 3 emissions in the investments category were more than 16 times higher due to DSM's 35% shareholding in Chemicalinvest, which now comprises these businesses.



DSM strives to achieve a sustained reduction of its carbon footprint across the value chain, for example through the DSM Supplier Sustainability Program. See also 'Stakeholder engagement – Suppliers' on page 32.

Avoided emissions

With a strong contribution from DSM, in 2013 the WBCSD and International Council of Chemical Associations (ICCA) published guidelines on reporting of avoided emissions for companies in the chemicals sector. According to these guidelines, avoided emissions are defined as the difference between the life cycle GHG emissions from the solution of the reporting company, and the comparable solution (i.e. a conventional product or market average).

DSM supports the guidelines and is starting to apply them through its ECO+ program in order to credibly capture the effects

of its products in the value chain. Applicable DSM products and solutions for which avoided GHG emissions may be evaluated include advanced surfaces for solar panels, cellulosic bio-ethanol and enzymes. An example where DSM helps its customers avoid emissions are in jeans blended with Dyneema®, which can result in 50% added strength and a 30% lifetime decrease in carbon (and ecological) footprint.

Water security

Water and waste water

DSM had previously set a company-wide target to reduce its water usage by 15% between 2010 and 2015. DSM has come to the conclusion that it would be more effective to concentrate its improvement efforts on businesses that operate in regions where water is scarce.

DSM implemented a number of water-saving projects during the period. These had relatively little effect on the overall water-efficiency performance, as the improvements were largely realized at sites that contribute very little to the total water consumption. That notwithstanding, a small improvement was achieved in 2015. The main contribution came from the DSM Nutritional Products site in Sisseln where, besides operational improvements, a collaboration with two external partners on acidic waste water treatment resulted in a reduction in water consumption of about 300,000 m³ per year and a net saving of € 90,000. At the DSM Nutritional Products site in Lalden (Switzerland), water consumption went up due to increased once-through cooling; this did however contribute to a reduction in energy consumption.

DSM supports UN CEO Water Mandate

"Water availability is a worldwide concern. Many areas in the world are increasingly facing water scarcity, water pollution and water damages by natural disasters. A more sustainable management of water is therefore a must in our society. Individual and collective actions are necessary to mitigate adverse effects on water quality and availability in the regions and businesses where we operate. DSM truly values initiatives like the United Nations Global Compact CEO Water Mandate and its principles. The topic of water and sustainable water management has our continued full attention."

Feike Sijbesma, CEO/Chairman Managing Board

DSM's water pollution reduction programs aim to reduce total water pollution, mainly through reductions in COD. Performance on this measure decreased during 2015, mainly as a result of product mix changes and extremely high summer temperatures at the DSM Nutritional Products site in Sisseln. In addition, a planned improvement project at the DSM Fibre Intermediates site in Augusta (Georgia, USA) was not implemented.

Consequently, DSM did not meet its targeted 20% improvement in COD discharge by 2015, ending the year on a 17% overall improvement.

Waste

DSM had set itself a target of 15% efficiency improvement in terms of waste to landfill. In 2014, it had already made a relative improvement of 54%; in 2015, this was further increased to 67%. The main improvements came from the DSM Nutritional Products sites at Dalry, where two main waste streams were recycled for use in land restoration and agriculture, and at Kingstree (South Carolina, USA), where the shift to alternative waste outlets was completed. DSM has set a new target for waste and aims to recycle 80-90% by 2020, which reflects the ambitions in the field of the circular economy. The aim is to reduce the amount of waste that is landfilled or incinerated without heat recovery, either by reducing the amount of waste generated or through a shift to an outlet with a higher added value, such as recycling or recovery.

Other emissions to air

DSM was again able to improve its efficiency in terms of VOC in 2015. The company had achieved an improvement of 50% versus 2008 by year-end, up from 35% in 2014 and clearly ahead of its 40% target. The further improvement in 2015 was largely due to the fact that an abatement system to reduce the emissions of dichloromethane (DCM) at the Laiwu (China) site became operational.

For NO_x, the efficiency improvement at year-end 2015 was 31%, meaning that the target of 30% was achieved. This figure did however come down during the year (2014: 42%), mainly as a consequence of a change in the law in Germany, which affected the way in which emissions from on-site energy generation are accounted for. This was relevant to the DSM Nutritional Products site in Grenzach (Germany) as there is a power station on its property, which is operated on behalf of a consortium with other partners. At the Dalry site, an increase in the amount of electricity produced on site using gas led to a reduction in NO_x efficiency. The 70% target for SO₂ reduction had already been realized in 2012 and since then, the performance improvement was at or above 90%, without significant changes at the DSM sites.

Biodiversity

In its bid to protect biodiversity – the variety of life on earth – DSM identifies and monitors protected areas in the vicinity of its sites and the impact that it has on them. Some 58% of sites have been identified as being located in or adjacent to high biodiversity value areas. In all cases, production sites are operating within applicable limits, as defined by local authorities. DSM's Biodiversity position paper can be found on the company's website.

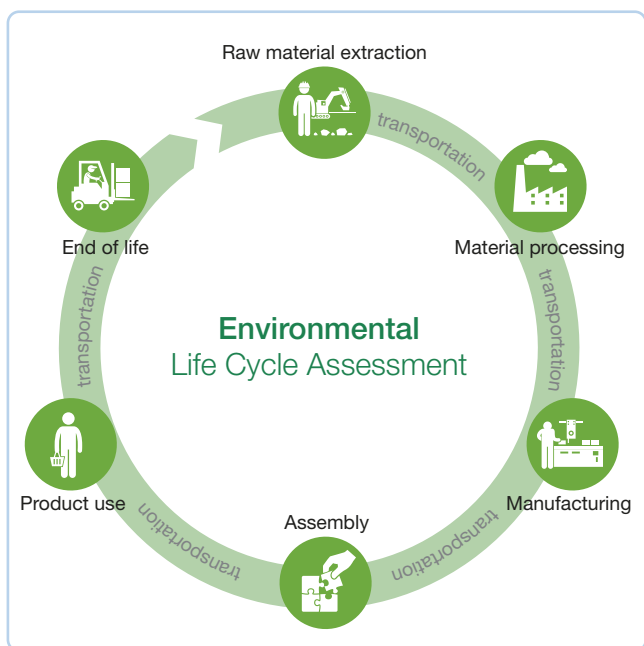
Sustainable & circular value chains

True sustainability can only occur when all parts of the value chain work together towards the same goals. To this end, DSM

seeks to develop and promote products and solutions that help reduce GHG emissions and energy usage across its value chains through its ECO+ program. DSM requires its suppliers to meet its sustainability standards and minimize their own environmental footprints so that all downstream players, from customers to end-users, can improve their environmental footprints as well. See also 'Stakeholder engagement – Suppliers' on page 32.

ECO+

ECO+ is DSM's program for the development of sustainable, innovative products and solutions with environmental benefits. Products qualify as ECO+ when their environmental impact is lower than competing mainstream products that fulfill the same function. When considered over their entire life cycle, ECO+ solutions offer superior performance with a lower eco-footprint. The ecological benefits can be created at any stage of the product life cycle, from the raw materials through to manufacturing and potential re-use and end-of-life disposal. DSM uses comparative Life Cycle Assessments (LCAs) and/or expert opinions to determine whether a solution should be considered ECO+.



To this end, the company is chairing the work of the WBCSD Chemical Sector working group. In 2015, DSM and a number of other players in the chemical sector began consistently applying the harmonized LCA methodology set out in the guidance 'Life Cycle Metrics for Chemical Products', which DSM published together with nine industry peers in 2014. This is setting a new standard and creating additional transparency to the benefit of the chemical sector, its business partners and consumers.

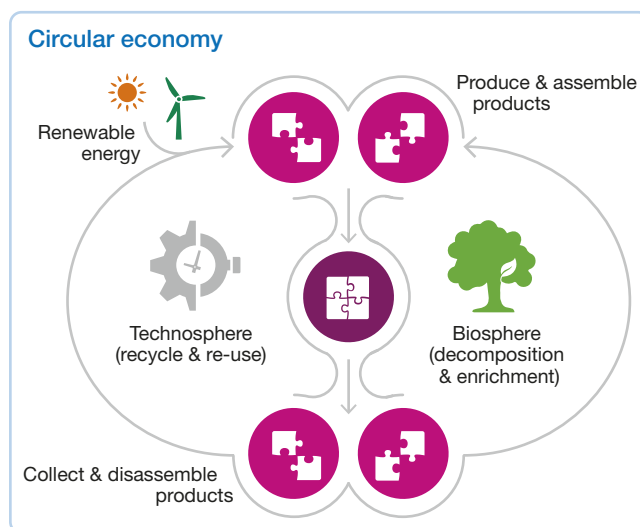
ECO+ solutions can be found across all of DSM's business groups with many more under development. They now account for 57% of total sales, exceeding the company's ECO+ sales target of towards 50% of the running business by 2015. In 2015,

52% of ECO+ innovation launches were supported by comparative LCAs as was 30% of the ECO+ running business.

An example of an ECO+ solution is Maxiren®, an enzyme-based coagulant ingredient for cheese making. By using this product, less of this type of ingredient is needed, and the cheese has a longer textural shelf life. Another ECO+ example is DSM's anti-reflective coating for solar panels. Whenever glass meets air, a portion of light hitting the glass is reflected; wasted sunlight means wasted energy. The innovative coating applied on solar panels minimizes reflection and enables a power gain of up to 4% over uncoated modules. Its smooth closed structure and surface enable solar panels to withstand most extreme weather conditions, contributing to longer durability.

Circular economy

A circular economy is a system in which resources in the value cycle can be used and re-used again and again. This requires a different way of thinking compared to linear value chains. For example, resource use, production and end-of-life waste management would all be taken into account in the ingredient and material design stage. DSM is strategically positioned and committed to increase durability of products, and to enable the recovery of valuable materials after use. By using safer and bio-based ingredients in the design phase, DSM can positively influence the circular economy of its customers and consumers.



In addition, DSM is a member of the Ellen MacArthur Foundation CE100, a group of companies working together to create solutions for the circular economy. DSM's CEO/Chairman of the Managing Board Feike Sijbesma is a member of the steering committee of Project Mainstream, an initiative of the Ellen MacArthur Foundation and the World Economic Forum (WEF) aimed at accelerating cross-sector engagement for a circular economy.

The company adopts a multi-faceted approach to sustainable and circular value chains. In 2015, DSM developed a circular economy roadmap, detailing the role of all business groups and

identifying relevant key products that can facilitate DSM's customers in pursuing their ambitions as regards the circular economy. DSM's major complementary initiatives, in addition to the ECO+ program and its contribution to the bio-based economy through its activities in its Emerging Business Area DSM Bio-based Products & Services, are discussed below.

Renewable raw materials

To maintain continuity of DSM's operations, company-wide aspirations are in place to secure future availability of resources. This not only reduces DSM's exposure to supply chain risks, it also contributes to the preservation of biodiversity on the planet. Securing future availability of resources can partly be achieved by relying on renewable energy rather than fossil fuels. DSM is exploring ways to gain access to renewable raw materials with a lower carbon footprint than the fossil equivalents they replace. Membership of the Ellen MacArthur Foundation CE100 provides DSM with valuable insights into ways to incorporate renewable raw material usage in the company's operations.

DSM is also carefully selecting renewable raw materials suppliers as a technology provider to support the establishment of new value chains based on biomass feedstocks. These include waste coming from operations in the agricultural industry, and are key ingredients for fuels such as bio-ethanol. Bio-based fuels emit significantly less carbon dioxide, supporting DSM's efforts in reducing climate change. In 2015, approximately 16% of DSM's total spend on raw materials related to renewable raw materials. This represents an increase compared to 2014 (11%), which is mainly due to the deconsolidation of DSM Fibre Intermediates and DSM Composite Resins. See also DSM's position paper on sustainable biomass on the company's website.

Product Stewardship

DSM recognizes both the impact and the benefit of a Product Stewardship strategy as part of its own responsibility in the full value chain, in line with the principles of Responsible Care®. This strategy is embedded in the company's Safety, Health and Environment (SHE) requirements, sustainability programs (ECO+ and People+), and is closely linked to LCA activities to evaluate toxicological profiles throughout the value chain. This strategy provides for the longer-term management of risks and opportunities in the area of chemicals management.

In 2015, DSM sharpened its own ambitions in Product Stewardship to address societal requirements and expectations. The overall ambition for the period 2016-2020 is detailed in a five-year plan which defines DSM's vision and major objectives, drawing together existing programs and initiatives:

- implementing a continuous improvement program to control Substances of Very High Concern (SVHC) in DSM products and the supply chain;
- promoting active connections between Product Stewardship and Direct Sourcing, Innovation and Marketing & Sales in the business groups; and

- anticipating upcoming regulation and societal needs.

The progress of the multi-year plan is monitored by DSM's 'Product Safety Network', which is being transformed into a 'Product Stewardship Network' by expanding its scope and members to properly drive Product Stewardship competence.

In the control of SVHCs, DSM has started to assess, before the end of 2020, all substances of which more than 1 ton per year is used in its processes to identify and monitor long-term human and environmental hazards. Identified SVHCs need to be reported in a DSM Priority Substance List and their use challenged by an internal justification process by a multidisciplinary team. The final goal is the phase-out of toxic substances, not only from DSM's own portfolio but from the full life cycle of its products, in line with the company's commitment to bringing more sustainable alternatives to the market. Where substitution is not currently possible, a risk assessment is performed following industry standard procedures. If safe use cannot be shown, the SVHC is prohibited from further use or production within DSM.

DSM is committed to delivering high-quality products to the market while complying with global and local product safety regulations (e.g. ARECS, K-REACH and Turkey REACH), in line with the Responsible Care® principles. DSM supports the UN initiative to implement a Globally Harmonized System of classification and labeling of chemicals (GHS), for which an internal e-learning has been developed. DSM closely follows developments on health exposure scenarios for mixtures that need to be implemented in the industry's product safety systems.

In 2015, regulatory changes meant that DSM had to adjust its automated systems to ensure that all products are accompanied by mandatory information in the form of compliant Safety Data Sheets and Labels. These were successfully implemented. The most significant changes related to the implementation of GHS in Brazil and in the US and the implementation of the new European directive on the Classification, Labeling and Packaging (CLP) for mixtures.

DSM is working to meet the 2018 deadline of the EU regulation on the Registration, Evaluation, Authorization and Restriction of Chemical substances (REACH), by registering all substances of which between 1 and 100 metric tons per year is produced. At the same time, DSM continuously updates existing dossiers and supports authorities in EU member states in evaluating an increasing number of substances. DSM is in continuous dialogue with its raw materials suppliers to guarantee sustainable business through REACH compliance along the value chain.

Profit in 2015

Financial results

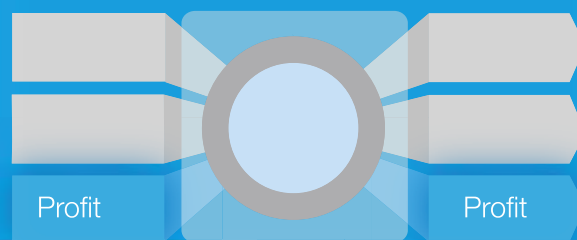
Within the Profit dimension of DSM's Triple P approach, DSM delivers a sustainable financial return. This ensures business continuity and allows the company to grow, while at the same time providing a good financial return to its shareholders. This chapter reports DSM's financial performance and provides an overview of the key financial metrics of the company. A model of how DSM creates value for its stakeholders through the financial, intellectual and manufactured capitals is shown on page 22.

Income statement		
x € million	2015	2014 ¹
Net sales, continuing operations	7,722	7,051
Operating profit before depreciation and amortization (EBITDA)²	1,075	1,038
Operating profit before exceptional items²	573	587
Net finance costs	(149)	(102)
Income tax expense	(97)	(84)
Share of the profit of associates	54	8
Profit attributable to non-controlling interests	2	5
Net profit continuing operations before exceptional items	383	414
Net profit from discontinued operations before exceptional items	33	12
Net result from exceptional items, continuing operations	(199)	(122)
Net result from exceptional items, discontinued operations	(129)	(159)
Total net profit attributable to equity holders of Koninklijke DSM N.V.	88	145
ROCE, continuing operations (in %)	7.6	8.2
EBITDA / net sales, continuing operations (in %)	13.9	14.7

¹ Restated due to the disposal of the caprolactam, acrylonitrile and composite resins business

² From continuing operations

How DSM creates value



1%

Organic sales growth



24%

Higher-margin innovation sales*



€ 468

Capital expenditure (cash based), continuing operations (x million)



€ 696

Cash from operating activities (x million)



4%

EBITDA growth



7.6%

ROCE, continuing operations



€ 1.65

Dividend per ordinary share

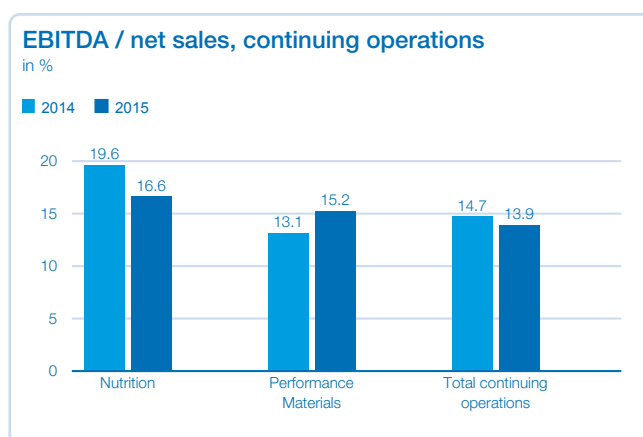
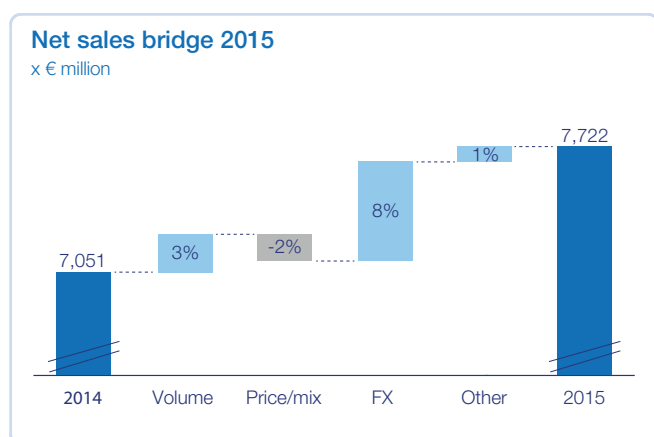


* As % of total sales

Net sales and EBITDA

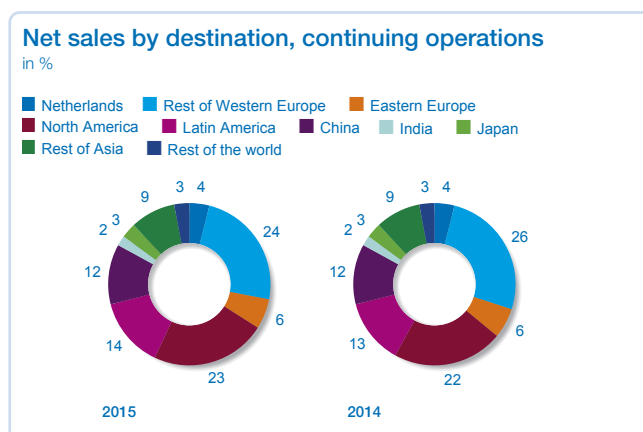
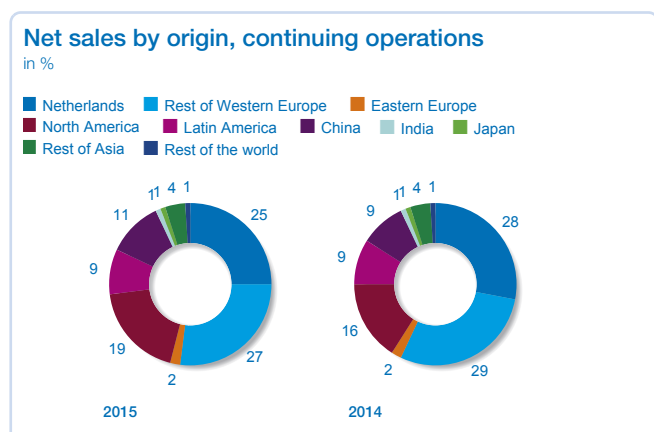
At € 7,722 million, net sales from continuing operations in 2015 were 10% higher than in 2014 (€ 7,051 million). Volume development accounted for a 3% improvement, with strong growth in Nutrition, while price/mix was on average 2% down on 2014, due to lower input prices being partially passed on down the value chain in Performance Materials. Exchange rate fluctuations had a positive impact of 8%, while other effects such as acquisitions contributed 1%.

x € million	Net sales			EBITDA		
	2015	2014	% change	2015	2014	% change
DSM, continuing operations	7,722	7,051	10%	1,075	1,038	4%
Nutrition	4,963	4,335	14%	822	850	(3%)
Performance Materials	2,528	2,460	3%	384	323	19%
Innovation Center	155	154	1%	(9)	(18)	
Corporate Activities	76	102		(122)	(117)	



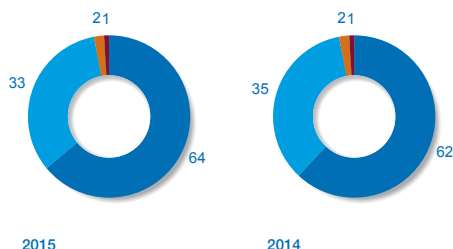
EBITDA, operating profit from continuing operations before depreciation and amortization (before exceptional items), grew by 4% or €37 million, from €1,038 million in 2014 to €1,075 million in 2015. Nutrition EBITDA declined by 3% as good organic growth and the positive impact of the strengthened US dollar were more than offset by the negative impact of significantly lower vitamin E prices, the appreciation of the Swiss franc and the weakening of the Brazilian real. Cost savings and good margin management as well as support from lower input prices and currency effects led to a strong increase in EBITDA for Performance Materials of 19%. DSM's overall EBITDA margin (operating profit before depreciation and amortization as a percentage of net sales) was 13.9% (2014: 14.7%).

Operating profit from continuing operations before exceptional items went from €587 million in 2014 to €573 million in 2015, down 2%.



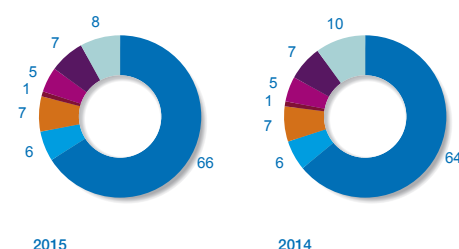
Net sales by business segment, continuing operations in %

■ Nutrition ■ Performance Materials ■ Innovation Center ■ Corporate Activities



Net sales by end-use market, continuing operations in %

■ Health and nutrition ■ Metal/building and construction
■ Automotive/transport ■ Textiles ■ Electrical & electronics
■ Packaging ■ Other



Net profit

Net profit from continuing operations attributable to shareholders DSM (before exceptional items) decreased by €31 million to €383 million. Expressed per ordinary share, net earnings from continuing operations before exceptional items amounted to €2.14 in 2015 (2014: €2.34).

Net finance costs rose by €47 million compared to the previous year to €149 million. This was mainly the consequence of unfavorable hedge results and higher interest expenses.

The effective tax rate (before exceptional items) for 2015 was 23% (2014: 17%), with a limited cash outflow impact. The increase was due amongst others to a one-time tax settlement related to the internal transfer of a business and a somewhat less favorable geographical mix.

Total net profit for the full year came to €88 million compared to €145 million in 2014. This decrease was mainly caused by €47 million higher net finance costs and €47 million higher exceptional items, partly offset by a €46 million higher share of the profit of associates.

Exceptional items

Total exceptional items from consolidated companies for the full year amounted to a loss of €361 million (€304 million after tax) consisting of a €130 million book result on the deconsolidation of the caprolactam, acrylonitrile and composite resins business, €102 million restructuring costs related to the cost-reduction programs announced in the year, €92 million impairments and €37 million acquisition-related and other costs.

Cash flow statement

x €million	2015	2014
Cash and cash equivalents at 1 January	669	770
Cash flow provided by operating activities	696	808
<i>of which provided by continuing operations</i>	800	660
Cash from / used in investing activities	(275)	(515)
Cash used in financing activities	(440)	(419)
Effect of exchange differences	15	25
Cash and cash equivalents at 31 December	665	669

Cash flow provided by operating activities is driven by the EBITDA over the year (€ 1,170 million) and offset by various cash-out items including the settlement of derivatives of -€ 218 million. The focus on cash flow and total working capital resulted in a strong full-year operating cash flow from continuing operations of approximately € 800 million.

The cash used in investing activities includes capital expenditures (-€ 543 million) and the settlement of the net investment hedge (-€ 136 million), partly offset by the proceeds from disposals (€ 297 million) and the dividend received from associated companies (€ 144 million).

The cash used in financing activities consists mainly of dividend paid (-€ 174 million), interest paid (-€ 303 million) and repayment of commercial paper (-€ 250 million), partly offset by the increase in loans (€ 351 million). For the full cash flow statement, see 'Consolidated financial statements' on page 135.

Balance sheet

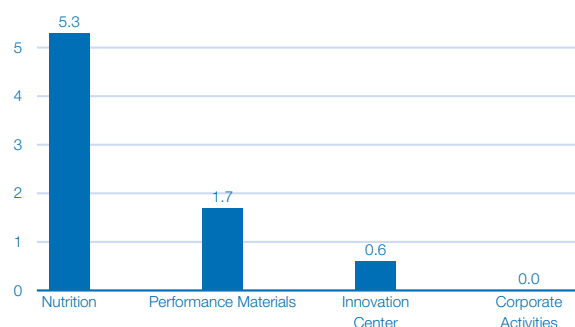
The balance sheet total (total assets) reached € 11.7 billion at year-end (2014: € 12.1 billion). Equity decreased by € 305 million compared to the position at the end of 2014. This decrease was due to the fact that the net profit for the year and the proceeds from reissued shares were more than offset by the dividend, the repurchase of shares, the impact from deconsolidation and the net actuarial losses on defined benefit obligations. Equity as a percentage of total assets went from 49% at the end of 2014 to 48% at the end of 2015.

Compared to year-end 2014, net debt went down by € 99 million to € 2,321 million. The gearing was 29% at year-end, the same as in the prior year.

Capital expenditure on intangible assets and property, plant and equipment amounted to € 570 million in 2015 and was above the level of amortization and depreciation.

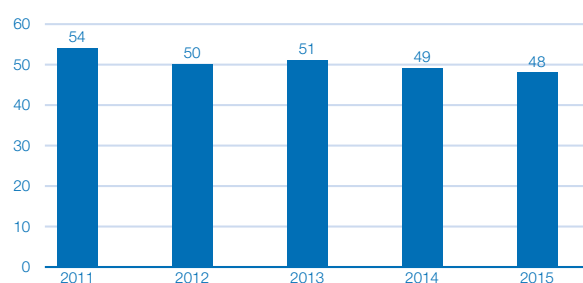
Total working capital amounted to € 1,343 million compared to € 1,587 million at year-end 2014, which represents 17.4% as a percentage of annualized sales 2015. Total working capital at year-end 2015 included cash-related liabilities of joint ventures and associates of € 137 million. Excluding these liabilities, total working capital as a percentage of annualized sales amounted to 19.2%. The operating working capital (continuing operations before reclassification to 'held for sale') was € 91 million lower than in the previous year and came to 24% of annualized net sales (2014: 26%). Cash and cash equivalents came to € 665 million at the end of the year; including current investments this came to € 674 million (2014: € 675 million).

Capital employed per business segment at 31 December 2015, continuing operations x € billion



Equity at 31 December

as a % of balance sheet total



Balance sheet profile

	2015		2014	
	x €million	in %	x €million	in %
Intangible assets	3,228	27	2,867	24
Property, plant and equipment	3,171	27	3,673	30
Other non-current assets	1,429	12	1,319	11
Cash and cash equivalents	665	6	669	6
Other current assets	3,250	28	3,598	29
Total assets	11,743	100	12,126	100
Equity	5,631	48	5,936	49
Provisions	139	1	147	1
Other non-current liabilities	3,600	31	2,562	21
Other current liabilities	2,373	20	3,481	29
Total liabilities	11,743	100	12,126	100

Outlook

DSM expects to make further progress with its growth initiatives in 2016 both in Nutrition and Materials, although the macro-economic context remains challenging. These will be underpinned by the group-wide cost and productivity improvement programs as well as the company's disciplined focus on capital allocation and working capital.

DSM aims to deliver increased full-year EBITDA and ROCE in line with the targets set out in its Strategy 2018: *Driving Profitable Growth*.