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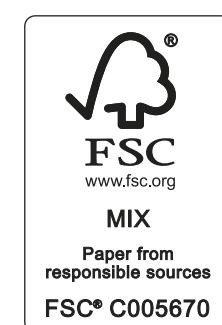
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# DSM China Integrated Annual Report 2015

# Driving Profitable Growth through science-based, sustainable solutions

Our purpose is to create brighter lives for people today and generations to come. We use our unique competences in health, nutrition and materials to create solutions that nourish, protect and improve performance.

DSM uses its Bright Science to create Brighter Living for people today and generations to come. Based on a deep understanding of key global trends that are driving societies, markets and customers, DSM creates solutions to some of the world's biggest challenges, thus adding to both its own and its customers' success.

DSM believes that its continued success will be driven by its ability to create shared value for all stakeholders, now and in the future. It creates sustainable shared value by innovating in ways that allow its customers to provide solutions to the challenges facing society, the environment and end-users. In this way, DSM's customers derive value from being able to offer end-users improved products and services; society and the planet derive value from the impact of more sustainable, longer-lasting, safer, healthier and more nutritious alternatives; and, as a result, DSM and its shareholders derive value from stronger growth and profitability. Finally, DSM's employees feel engaged and motivated both through the contribution they make to a better world and the success this creates for the company in which they work.



## DSM – Bright Science. Brighter Living.<sup>TM</sup>

Royal DSM is a global science-based company active in health, nutrition and materials. By connecting its unique competences in life sciences and materials sciences DSM is driving economic prosperity, environmental progress and social advances to create sustainable value for all stakeholders simultaneously. DSM delivers innovative solutions that nourish, protect and improve performance in global markets such as food and dietary supplements, personal care, feed, medical devices, automotive, paints, electrical and electronics, life protection, alternative energy and bio-based materials. DSM and its associated companies deliver annual net sales of about €10 billion with approximately 25,000 employees. The company is listed on Euronext Amsterdam. More information can be found at [www.dsm.com](http://www.dsm.com).

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## DSM at a glance

### Nutrition

The **Nutrition** cluster comprises DSM Nutritional Products and DSM Food Specialties. These businesses serve the global industries for animal feed, food and beverage, pharmaceutical, infant nutrition, dietary supplements and personal care.

**DSM Nutritional Products** is one of the world's leading producers of essential nutrients such as vitamins, carotenoids, nutritional lipids and other ingredients to the feed, food, pharmaceutical and personal care industries. Among its customers are the world's largest food and beverage companies. DSM is uniquely positioned thanks to the combination of its broad portfolio of active ingredients, maximum differentiation through formulation, local presence, a global premix network, and a strong focus on innovation. DSM Nutritional Products consists of the following business units:

Animal Nutrition & Health addresses the nutritional additives segment of the global feed ingredients market. DSM is active in vitamins, feed enzymes, carotenoids, minerals and eubiotics.

Human Nutrition & Health primarily addresses the nutritional ingredients markets, but is also active in coloration and preservation in the global food ingredients market.

Personal Care focuses on active and performance ingredients such as vitamins, UV-filters and bio-actives for the skin care, sun care and hair care market segments.

**DSM Food Specialties** is a leading global supplier of food enzymes, cultures, yeast extracts, savory flavors, hydrocolloids and other specialty ingredients for the food and beverage industries. DSM Food Specialties' advanced ingredients make a considerable contribution to the success of the world's favorite brands for the dairy, baking, beverages and savory segments.

### Performance Materials

The **Performance Materials** cluster consists of DSM Engineering Plastics, DSM Dyneema and DSM Resins & Functional Materials. These business groups are active in technologically sophisticated high-quality products and offer specialized value propositions. In future this cluster will be referred to as Materials.

**DSM Engineering Plastics** is a global player in developing, manufacturing and marketing specialty plastics used in components for the electrical and electronics, automotive, flexible food packaging and consumer goods industries.

**DSM Dyneema** is the inventor, manufacturer and marketer of Dyneema<sup>®</sup>, the world's strongest fiber<sup>TM</sup>. This product, based on ultra high molecular weight polyethylene, is produced by means of DSM's proprietary processes. The Dyneema<sup>®</sup> brand enjoys very high recognition in the value chains served.

**DSM Resins & Functional Materials** is a global player in developing, manufacturing and marketing high-quality resins solutions for paints, industrial coatings and fiber-optic coatings. Continuous innovation means that customers can meet regulatory needs and respond better to consumer demands for more sustainable materials.

### Innovation Center

**DSM Innovation Center** serves as an enabler and accelerator of innovation within DSM as well as providing support to the clusters. With its Emerging Business Areas, the Business Incubator and DSM Venturing & Licensing, the DSM Innovation Center has a general business development role, focusing on areas outside the current scope of the business groups.

**DSM's Emerging Business Areas** provide strong long-term growth platforms based on the company's core competences in life sciences and materials sciences. The company has three Emerging Business Areas:

**DSM Biomedical** supplies innovative biomedical materials that enable medical device manufacturers to make less-invasive devices. These can speed up recovery, shorten hospital stays and minimize reoperations, lowering health costs and helping people to lead longer, healthier and more active lives.

**DSM Bio-based Products & Services** is at the forefront of building a more sustainable, bio-based economy with solutions for clean fuel from agricultural residue and for renewable chemical building blocks such as bio-based succinic acid.

**DSM Advanced Surfaces** develops and provides solutions to increase the yield of solar materials – Same sun. More power<sup>TM</sup>.

### Partnerships

**DSM Sinochem Pharmaceuticals** (DSP), a 50-50 joint venture formed in 2011, is the global market leader in beta-lactam active pharmaceutical ingredients (APIs) such as semi-synthetic penicillins (SSPs) and semi-synthetic cephalosporins (SSCs), which represent the biggest class of APIs in anti-infectives. It is also a leader in other active ingredients such as nystatin and next generation statins.

**Patheon** (formerly reported as DPx Holdings) is a global leader in contract development and manufacturing services established in 2014 and 49%-owned by DSM, with customers across the pharmaceutical industry.

**ChemicalInvest** is a joint venture established in 2015 in which DSM has a 35% shareholding and comprises the former DSM Fibre Intermediates (caprolactam and acrylonitrile) and DSM Composite Resins businesses.

## Table of contents

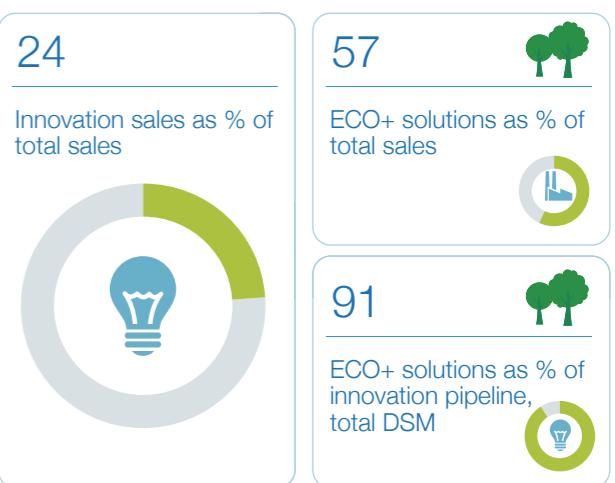
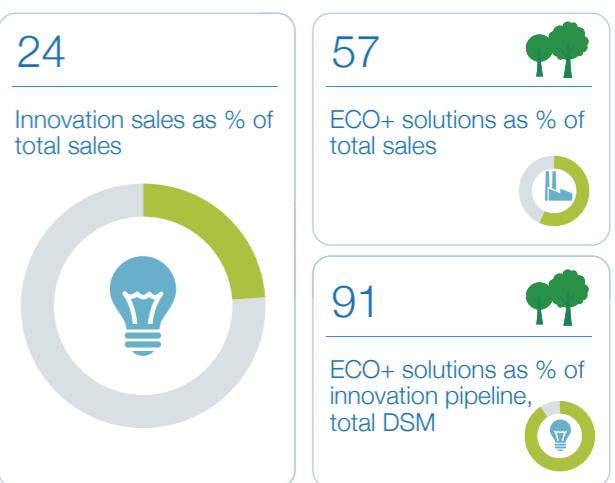
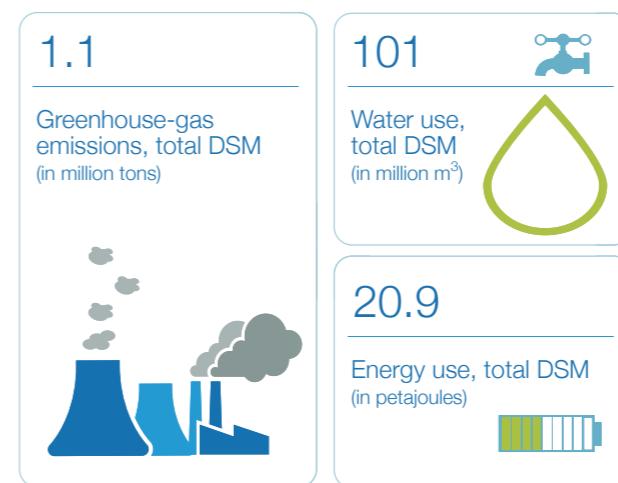
- 04 Key data
- 05 Letter from the CEO
- 09 Strategy 2018: Driving Profitable Growth
- 16 Letter from DSM China President
- 17 History - DSM grows with China
- 19 DSM in China overview
- 20 Innovation in China
- 22 Bright science into brighter living – Business cases
- 25 ONE DSM Culture Agenda China Award
- 28 Sustainability
- 30 Stakeholder engagement
- 37 Key data for DSM China 2015
- 38 People in 2015
- 48 Planet in 2015
- 51 Profit in 2015
- 52 External recognition in 2015
- 53 What still went wrong in China 2015
- 54 Explanations of some concepts and ratios

## Key data for DSM 2015

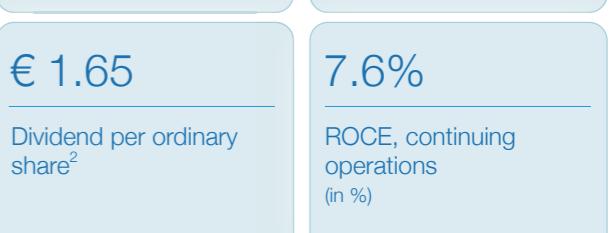
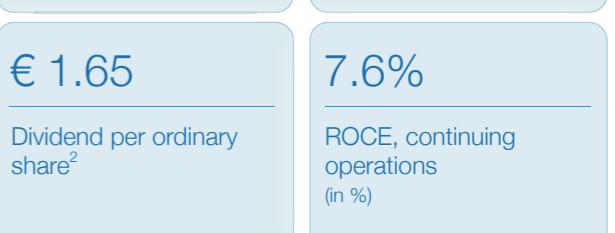
### People



### Planet



### Profit



<sup>1</sup> Before exceptional items

<sup>2</sup> Subject to approval by the Annual General Meeting of Shareholders

# Letter from the CEO

Dear reader,

Over recent years we saw a multi-speed global economy, with marked differences in tempo across developing and already developed regions and markets, accompanied by currency volatility. In 2015, this picture shifted slightly; whilst the US economy remained dynamic and some key European economies made some – long anticipated – progress, the pace of growth however slowed in a number of emerging economies. The sudden and unexpected strengthening of the Swiss franc at the beginning of 2015 impacted cost positions for products produced in Switzerland, whereas the weakening of the euro against the US dollar improved the Eurozone's competitive position. Several other currencies also made significant moves. Prices for oil and its derivatives remained under heavy pressure. The ongoing crisis in the Middle East led to heightened social and political tensions. This fractured and uncertain picture requires companies to be increasingly agile, with the capability to identify and act on relevant developments at an early stage.

Last year was the final year of the implementation of our strategy for the 2010-2015 period, DSM in motion: driving focused growth. By consistently focusing on our four growth drivers (High Growth Economies, Innovation, Sustainability and Acquisitions & Partnerships) we have transformed DSM into a more global, more innovative and more sustainable company with a streamlined, simplified and high-value portfolio of businesses. We have built a uniquely broad, customer-focused and global Nutrition business, upgraded our Performance Materials businesses, significantly increased the share of sustainable and innovative solutions as a proportion of our sales and established new growth platforms with our Emerging Business Areas.

With the long-term megatrends that drive our company's business – Global Shifts and Digitization, Climate and Energy, and Health and Wellness – continuing to increase in significance, DSM is uniquely positioned to create value through science-based sustainable solutions in health, nutrition and materials to help address the challenges our societies are facing.

During 2015, we took a further significant step in our strategic transformation to a more resilient and focused portfolio with the creation of the ChemicalInvest partnership with CVC Capital



Partners for the Polymer Intermediates and Composite Resins businesses in which DSM holds a 35% share. This follows on the divestment of the Base Chemicals businesses in 2010 and 2011 and the establishment of partnerships for the Pharma activities in 2011 and 2014. Together with the value-contributing acquisitions we have made to strengthen our businesses during the strategy period, we are confident that DSM's portfolio represents a good platform for profitable growth.

We are focused on translating the potential that has been created into improved financial performance. Much of our work in 2015 was on optimizing our operational performance and ensuring that in the coming strategic period we are in position to capture the full business benefits our strengthened portfolio offers. In August, we announced the adjustment of our organizational and operating model, with the aim of creating a more agile, focused and cost-efficient organization, with a stronger business and market focus and globally leveraged support functions. This included the introduction of an Executive Committee to strengthen our management structure and enable faster strategic alignment and operational execution in the day-to-day running of our company.

Creating a more agile, focused and cost-efficient organization is expected to result in structural savings of € 125-150 million compared to 2014, to be fully achieved by the end of 2017. These initiatives will result in a headcount reduction of 900-1,100 FTEs, of which approximately half in the Netherlands. Decisions affecting personnel are regrettable at all times and are only taken in the best



interests of the company as a whole. We strive to provide all those concerned with an appropriate level of support and assistance in finding a new position. Besides this DSM-wide adjustment, a specific program to improve operational performance in the Nutrition cluster has also been announced, focused on productivity, growth and working capital reduction, which target a further € 130-150 million in cost savings by 2018 and drive increasing growth in our Human Nutrition & Health business. Whilst the Performance Materials cluster is already benefiting from the results of a similar program carried out in recent years, we will continue to identify and act on opportunities to implement further improvements in this cluster in the coming period.

At our annual Capital Markets Day in November, we presented our company Strategy 2018: Driving Profitable Growth. With this new strategy we aim to capture the full potential of the portfolio we have created and translate this into improved financial results, focusing on organic sales growth, reducing costs and strict capital allocation.

The Nutrition and Performance Materials businesses offer great potential for growth through sustainable innovative solutions, benefiting from opportunities the global megatrends offer. They have clear business strategies in place to drive sales and out-grow their markets. We are executing cost-reduction and efficiency programs with targeted overall savings of € 250-300 million in EBITDA by the end of 2018 and we have adjusted our top structure, organizational model and way of working to support the achievement of our newly-set targets.

We have elected to set financial targets for a shorter strategic period up to 2018, reflecting our discipline and focus. We target a high single-digit annual percentage increase in EBITDA and a high double-digit annual basis point increase in Return on Capital Employed (ROCE).

We have furthermore sharpened our sustainability approach and set more ambitious targets for our environmental performance. These include further improved greenhouse-gas efficiency (at least 45% improvement by 2025 versus 20% achieved so far), increased energy efficiency (over 10% improvement in the next 10 years) and a big step-up in the use of renewable electricity (50% by 2025), as well as continuing to drive the proportion of ECO+ and People+ solutions we provide to our customers. Moreover, we have key innovation projects in place to drive earnings growth beyond 2018.

We expect to extract significant value from the Pharma and Bulk Chemicals partnerships in the coming years, providing further financial headroom. We do not expect to engage in large

acquisitions in the near future as we continue to integrate recent acquisitions, which have made a strong contribution to earnings.

DSM achieved solid financial results in 2015, broadly in line with our expectations for the year. We delivered net sales of € 7.7 billion and an EBITDA (before exceptional items) of € 1,075 million. Whilst currency developments showed a mixed picture, they had an overall positive effect on our results. Organic sales growth for the year was 1%, with 3% growth in volumes and a 2% decline in price-mix as a result of lower raw material prices.

Our focus on emerging economies has taken the proportion of total sales generated in these countries to 44% at the end of 2015, up from 32% in 2010. The pace of growth slowed in a number of these economies in the year. The largest, the Chinese economy, continues to grow, if at lower absolute rates than in recent years. The fundamentals driving end-use markets relevant to DSM in China remain unchanged. In 2015, higher- margin innovation sales increased to 24% of total sales, fulfilling the strategic aspiration we set in 2010, when they made up 12% of sales. Innovation is also linked with our sustainability efforts. Our ECO+ solutions, which offer customers more value with less environmental impact than mainstream alternatives, now account for 57% of sales, ahead of the targets we set ourselves five years ago, when the proportion was 34%. We apply similar lifecycle assessments to the impact products have on peoples' lives with the People+ methodology we have developed, and use these insights in steering product innovation.

In Nutrition, we have built a unique, global and broad as well as customer-focused portfolio in nutritional ingredients and have increased our capability to offer full nutritional solutions, extending DSM's offering over the value chain. This resilience proved its worth for the cluster as headwinds that we had previously signaled indeed materialized in 2015, in particular price pressure in vitamin E, mainly in our animal nutrition business, and the unfavorable development of the Swiss franc, which considerably reduced the overall positive effect from the strengthening of the US dollar. Despite these headwinds, Animal Nutrition & Health had a very good year. Human Nutrition & Health, which continued to be confronted with ongoing weakness in the North American markets for dietary supplements and omega-3, did not perform as well as we would have liked. We have taken action to get back on the front foot and started to see the benefit of this in the second half of the year. In 2015, organic sales growth for the cluster was strong at 6% and the EBITDA margin was lower at 16.6%, mainly caused by the appreciation of the Swiss franc and lower vitamin E pricing. EBITDA for Nutrition amounted to € 822 million in 2015, down 3% on the previous year for the same reasons.



In Performance Materials, we pursue a differentiated approach to our businesses and their segments, and have created a high-quality portfolio with a higher growth and returns profile. We tailor the approach our businesses take depending on the dynamics and potential of the market and segment in question, focusing on maximized returns, growth or accelerated growth accordingly. During 2015, the cluster continued to upgrade its product portfolio towards innovative, more sustainable and higher-margin solutions. Whilst organic growth for the cluster was down as a consequence of lower input prices on steady volumes, there was a step-up in both EBITDA (at € 384 million a 19% increase) and in the EBITDA margin, which was 15.2%, above the targets we had set.

Our Emerging Business Areas are promising platforms for growth outside the current scope of the business groups. The largest, DSM Biomedical, continued its development over the year and made a positive contribution to our EBITDA. In DSM Bio-based Products & Services, the start-up process for the Project LIBERTY facility to produce advanced cellulosic ethanol from crop residues, which we officially opened in the US in 2014 together with our partner POET, is progressing, although there are still some hurdles to overcome. DSM Advanced Surfaces provides solutions to boost the power solar panels produce and continued to strengthen its position in this market. When taken together, they already make a positive contribution to EBITDA, reducing the overall costs of the DSM Innovation Center.

Although business conditions in Bulk Chemicals remained tough, steps have been taken to improve the competitiveness of the ChemicalInvest businesses together with CVC.

Following the creation of the Pharma partnerships and therewith the completion of DSM's Pharma strategy, Stefan Doboczky left the

company at the beginning of June. We would like to thank him for his contribution to DSM and wish him every success as CEO of Lenzing Group.

Safety and Health is of paramount importance to all of us at DSM and we have set ourselves the ambition of having an injury and incident-free working environment. While we made progress in improving occupational safety in 2015, with a reduction in the Frequency Index of Recordable Injuries from 0.47 in 2014 to 0.41 last year, more incidents still occur than we would like, regrettably. Our focus on safety is unwavering and we strive to bring this number down further.

Successfully assimilating a high-performance culture will be crucial to realizing the full potential of our new operating model and our portfolio and to achieving our targets. During the year, we continued to implement the ONE DSM Culture Agenda in conjunction with our Leadership Model. We look to achieve a representative balance in gender and also in nationality in DSM's leadership group, in line with the geographical distribution of our business. The number of women in executive positions showed a pleasing development, up three percentage points to 15% at the end of the year, with a significant increase in representation at all top levels across the organization. We did not make the same level of progress in increasing the proportion of non-European executives, however, and this has our attention. Overall, the company-wide Inclusion Index increased from 70% to 72% at the end of the year, reflecting our efforts in this regard.

We held an Employee Engagement Pulse Survey last year, which 78% of the employees completed. The overall Employee Engagement Index was 69% in 2015, down very slightly from 70% a year earlier. This is understandable given that the survey was held after the announcement of the organizational adjustments and before the presentation of our updated strategy. Our resolve to see this rating improve is undiminished.

It was a significant year for the worldwide societal and sustainability agenda. The UN General Assembly agreed upon 17 Global Goals to be achieved by 2030 (the so-called Sustainable Development Goals), including eradicating hunger and addressing climate change. Leaders from government, civil society and business also came together at the COP21 summit in Paris. Although there is still much to be gained, the agreements and measures to tackle climate change on a global level established there were unprecedented. The sense of urgency to develop and implement newer, more

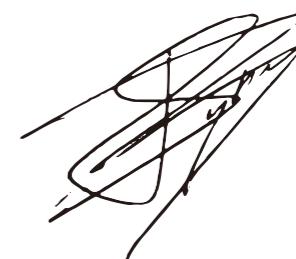
sustainable and impactful solutions at scale has never been more manifest. There is a crucial – and rewarding – contribution for businesses to make in helping to achieve this, which we at DSM champion.

In December, we signed an extension to our strategic partnership with the United Nations' World Food Programme (WFP) for another three years. It is a humbling and at the same time empowering feeling to realize that through this partnership, DSM now reaches over 25 million WFP beneficiaries annually with improved nutrition. DSM was also invited by the Government of Rwanda to participate in the Africa Improved Foods Ltd. joint venture to improve the nutritional status of the country's population and help address malnutrition.

We are pleased to report that we made further progress in our efforts to reduce the company's environmental footprint, among other things by improving our energy efficiency and greenhouse-gas efficiency by around 20%, as well as by reducing our absolute greenhouse-gas emissions (down by 75% versus 2008, with a big impact from the (partial) divestment of Polymer Intermediates). The new, sharpened targets we have set for the coming period will build on these achievements and continue to stretch the organization. We are proud to once again be named among the leaders in the Dow Jones Sustainability World Index. We also take pride in the external recognition, including awards, that our achievements in our integrated sustainability approach continue to receive. Our integrated reporting continues to develop; besides implementing G4, the fourth generation of sustainability reporting guidelines from the Global Reporting Initiative, this report also follows the <Integrated Reporting> framework of the International Integrated Reporting Council. We're main committed to aligning our strategy and operations with the principles of the United Nations Global Compact, as well as contributing to the realization of the Global Goals for Sustainable Development through our businesses and competences.

We have many reasons to be confident about our future at DSM thanks above all to the tremendous efforts of many people; our employees, customers, shareholders, and suppliers and other partners, as well as civil society and the communities we engage with. We extend our most sincere thanks and appreciation to all those who have contributed to DSM's success.

At the start of an exciting and inspiring new period for DSM, we can be very proud that together we have made DSM a global company with a portfolio of high-quality businesses, well-positioned for growth. We apply our sustainable innovation to continually develop and bring to market improved products and solutions in health, nutrition and materials. Our focus for the coming period is on improving financial returns while building for further growth in the future. Our ability to leverage unique opportunities in our businesses for the benefit of People, Planet and Profit enables us to deliver on our mission of creating brighter lives for people today and for generations to come.



Feike Sijbesma  
CEO/Chairman Managing Board Royal DSM



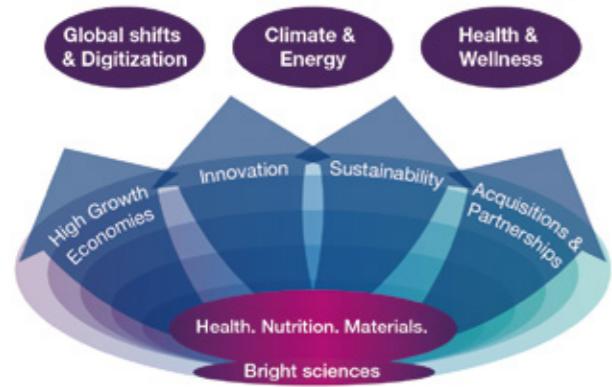
# Strategy 2018: Driving Profitable Growth

Today, DSM is a more global, innovative and sustainable company than at any time in its history, with a portfolio of businesses that are well positioned to fulfill their growth potential.

Over the next three years, DSM's Strategy 2018: Driving Profitable Growth will focus on capturing the full potential of its portfolio by

improving the company's financial results through organic sales growth, reducing costs, increasing productivity and strict allocation of capital. DSM aims to step-up its financial results at the same time as pursuing its ambitions in sustainability and its beneficial impact on people's lives, creating value in terms of People, Planet and Profit.

## Strategy 2018: Driving Profitable Growth through science-based, sustainable solutions



A number of fundamental global societal trends are affecting economies, people and markets across the world. The major driver behind these global trends is demographic change. The world population continues to grow towards an estimated nine billion in 2050. People are living longer and in the main becoming increasingly wealthy and urbanized. These trends will further increase the pressure on the planet's resources and on the food chain, while also stimulating new patterns of consumption and impacting the environment.

DSM addresses three key societal megatrends through its strategy and solutions, and therefore benefits from the increased attention they receive on a global scale. These are categorized as: Global Shifts and Digitization; Climate and Energy; and Health and Wellness (see next page). By focusing its unique capabilities in health, nutrition and materials on the opportunities the megatrends present, DSM is better able to support its customers in developing science-based, sustainable solutions that meet current and future needs and profitably grow its business.

DSM's Strategy 2018: Driving Profitable Growth builds on the achievements of the previous strategic period. It recognizes that, following a period of important portfolio transformation, the company will focus on ensuring that the potential of the current business portfolio translates into improved financial results. Consequently, DSM does not expect to engage in large acquisitions in the near future and this focus is reflected in a shorter, three-year, strategic period with two headline financial targets: high single-digit annual EBITDA growth and high double-digit basis point annual ROCE growth, while maintaining a long-term view on further business growth.

DSM is confident that it has the right business strategies in place to meet the needs of its customers and succeed in its markets, providing innovative and sustainable solutions that will help address the challenges – and opportunities – arising from the societal megatrends.

While the current significant macro-economic uncertainties are expected to persist for the foreseeable future, DSM has developed favorable product offerings for the segments it operates in and is well positioned to outpace market growth.

During the coming three years, DSM is executing cost reduction and efficiency improvement programs with targeted overall savings of € 250-300 million by 2018 (of which € 25 million was achieved in 2015) and aims to enhance its financial performance through

consistent improvements in capital efficiency. DSM furthermore aims to bring total working capital structurally below 20% of sales. Capital expenditure will primarily support growth areas, with approximately two-thirds being focused on the Nutrition cluster.

At the same time, DSM is stepping up its sustainability aspirations. Sustainability is a key driver for DSM's business in terms of commercial growth opportunities, and a focus area for reducing operating costs by decreasing the company's environmental footprint.

## Megatrends more relevant than ever



### Global Shifts and Digitization

Population growth and an accelerating shift of wealth, most notably in emerging economies, are creating a more urban, prosperous and connected world – as well as huge resource and cultural challenges. These changes are influencing global demand, the way people live and how they interact. Urbanization and prosperity are promoting dietary changes and increased spending on housing, transport, lifestyle and energy. New technology is impacting societies and their behavior, while 'big data' presents companies with new challenges as well as opportunities to optimize processes and to tailor solutions.



### Climate and Energy

Scientists agree that climate change is influenced by human activity. Coordinated international efforts are urgently needed to reduce fossil-fuel dependencies and bring down levels of greenhouse-gas emissions in support of the COP21 objectives. This is accelerating the adoption of renewable energy and the use of more sustainable chemicals and materials in the transition to the (bio-) renewable age and the low-carbon economy. This will also increase attention for the circular economy concept. Besides the focus on bio-based materials and re-use, efficiency remains important as customers look to create more sustainable value chains with lower energy use, less waste and pollution and through higher yields.



### Health and Wellness

A growing, aging and increasingly prosperous population seeks to improve its well-being and increase longevity. At the same time, people in the developing world, especially children below the age of three, continue to face a daily struggle for adequate nutrition. There is a growing need to address core health issues, whether through nutrition, medicines or lifestyle improvements, especially in emerging economies. In the West, healthcare costs are rising and access to quality nutrition is also growing in importance, with nutrition deficiencies on the rise. Demand is growing for safer and healthier solutions.

Safety remains of paramount importance and DSM aspires to further reduce injuries and incidents over time with the ultimate aim of providing an injury and incident-free workplace.

In support of its targets, DSM is adjusting its organizational and operating model and way of working, fostering a results-driven, high-performance culture. It has furthermore strengthened its top structure with the establishment of an Executive Committee, which enables more rapid strategic alignment and operational execution across the company.

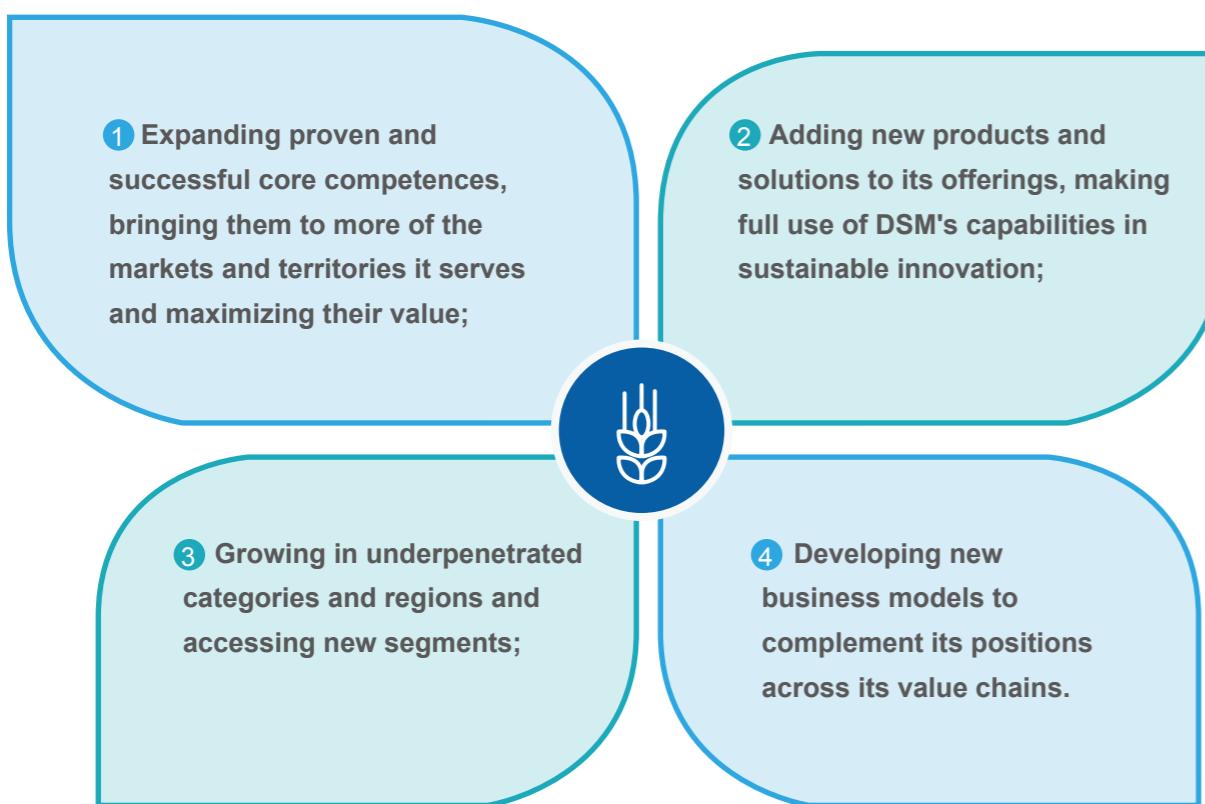
As part of its strategic transformation and its move away from more commoditized and cyclical areas, DSM has established partnerships for its Pharma activities (DSM Sinochem Pharmaceuticals (DSP) for Anti-Infectives in 2011 and Patheon for contract development and manufacturing services in 2014) and for the remaining Bulk Chemical businesses in Polymer Intermediates and Composite Resins (ChemicalInvest in 2015). These

partnerships have been created with a view to ultimately exiting these businesses and DSM expects to extract significant value from these partnerships in the coming years.

## Nutrition

DSM is one of the world's leading producers of specialty nutritional ingredients. DSM's Nutrition cluster has unrivaled capabilities, with a global presence and an unparalleled network for local solutions as well as a complete portfolio of nutritional ingredients for food and feed and an extended offering over the value chain. This ranges from the production of active ingredients through their incorporation into sophisticated forms and tailored premixes, as well as nutrition end-products such as its i-Health range of dietary supplements.

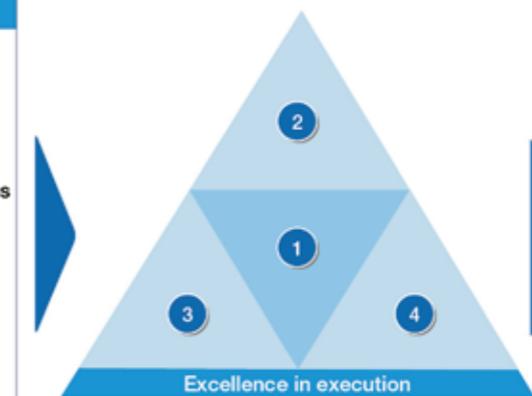
The Nutrition cluster has clear strategies in place to drive both top and bottom-line growth across its businesses. Taken together, they can be summarized as:



## Nutrition Strategy 2018: global products and local solutions

### Growth acceleration and sustainable innovations

- 1 Expand the core
  - 2 Add new products & solutions
  - 3 Expand in new segments/regions
  - 4 New business models
- Reducing costs and increasing productivity
  - Driving cash generation
  - Increasing capital efficiency



### Aspirations 2018 underpinning Group targets

- Above-market sales growth (at stable prices)
- High single-digit annual EBITDA growth
- EBITDA margins: 18-20% over the period
- Annual ROCE growth: high double-digit bps increase

The Animal Nutrition & Health business will further expand its unique global premix footprint. In addition, the business aims to grow through new solutions in feed enzymes and eubiotics that are tailored to meet the specific local needs of animal protein producers in the territories it serves. It will drive growth in underpenetrated species such as ruminants, aqua and pets as well as enter new customer segments with new channels.

After the recent slowdown in some of its end-markets, Human Nutrition & Health aspires to return to more vigorous growth through new initiatives focused on the expansion of its premix activities and new products and solutions, for example in dietary supplements. DSM is paying particular attention to its Human Nutrition & Health operations in North America, where, following a recent reshuffle, it is resolved to deliver growth with disciplined sales and marketing execution.

DSM Food Specialties aims to leverage its leading cultures and enzymes platform to drive further growth in attractive markets and segments, as well as through new products and

solutions. The business aims to further develop the positions it has built in savory ingredients.

These growth initiatives will be underpinned by reducing costs and increasing productivity across the cluster, driving cash generation and increasing capital efficiency. As part of the overall cost savings, a Nutrition-specific performance improvement program is being executed aimed at delivering cost savings of € 130-150 million by 2018. The program focuses on productivity, growth and working capital. Key contributions will come from purchasing savings, reduced manufacturing costs and boosting production efficiencies. The program also includes specific streams aimed at further stimulating sales by creating a more efficient and effective sales organization, especially in Human Nutrition & Health.

The Nutrition cluster aspires to a high single-digit EBITDA growth and high double-digit basis point growth in ROCE in line with the overall targets for DSM, while aiming to achieve sales growth above market average with EBITDA margins of 18-20% over the period.

## Materials

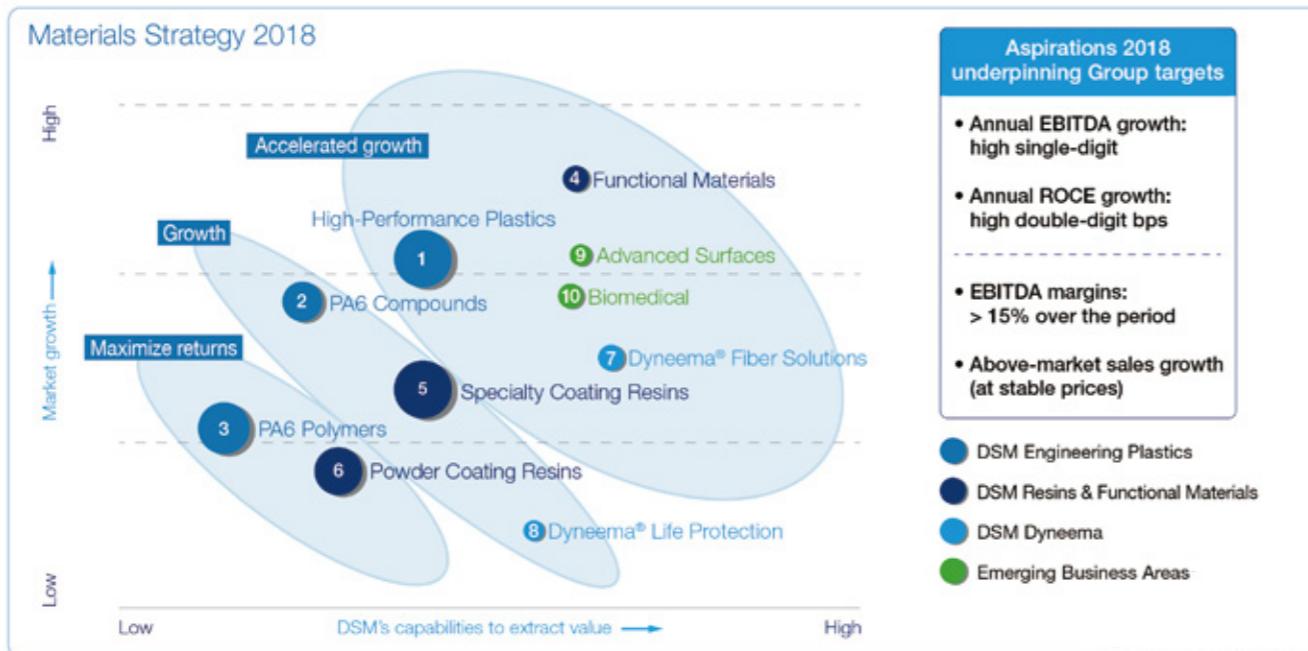
Over recent years, DSM has built an attractive portfolio with high-quality earnings within its Materials cluster. Its businesses are well positioned to capitalize on the dynamics within their respective end-use markets. DSM will continue its strategy of differentiation and tailored business approaches in the Materials cluster in the coming period. It will focus resources primarily on well-defined, higher-growth specialty segments, while leveraging existing assets to maximize returns in PA6 Polymers and Powder Coating Resins.

One of the key trends fuelling the cluster's above-market growth ambitions is substitution. Customers are increasingly looking to replace existing parts and materials with newer, more sustainable alternatives, for example replacing metals with lighter, high-performance plastics to reduce the weight of vehicles or replacing solvent-based paints with those made using waterborne resins. Moreover, legislative bodies around the world are setting increasingly strict standards. These include curbs on the use of hazardous materials and more rigorous norms for vehicle emissions. This sharpening is by no means confined to

the developed world; emerging economies are in some cases raising the bar faster than their western counterparts. The combination of market pull and legislative push will be a powerful driver for substitution. By continuing to focus on developing and delivering innovative and more sustainable solutions, DSM is well positioned to capture above-market growth in its Materials cluster.

Materials will complement its top-line growth with further cost and capital discipline to ensure that this is also translated into its bottom-line results. Besides its contribution to the DSM-wide savings program in support functions and services, the cluster will build upon the successful profit improvement programs it has carried out and look for further savings and optimizations.

In aspiring to a high single-digit EBITDA growth and high double-digit basis point growth in ROCE, the Materials cluster is in line with the new group targets, while aiming to achieve above-market average sales growth with EBITDA margins of >15% over the period.



## Innovation

Innovation is what turns DSM's 'Bright Science' into 'Brighter Living'. It is about discovering and integrating the best, the most sustainable and commercially viable solutions to meet market needs and to drive profitable growth. Continually providing innovative and improved products and solutions does not just drive top-line sales growth. Innovation sales have also contributed to DSM's EBITDA growth, providing higher margins than the average of its running business.

DSM has successfully increased the proportion of innovative products and services it provides to customers. Innovation sales, defined as products and applications that have been introduced over the last five years, accounted for 24% of total sales in 2015. DSM aspires to maintain a level of around 20% going forward. DSM considers this to be a healthy proportion with a view to the overall balance of its product portfolio and product life cycles. Since this is a rolling target, maintaining this level will by definition be stretching.

Besides supporting innovation in the company's core businesses, the DSM Innovation Center also aims to develop its Emerging Business Areas (EBAs) established over the last five years. These are new and promising growth platforms outside the scope of the company's business groups. They comprise DSM Biomedical, focused on innovative materials for medical devices; DSM Advanced Surfaces, which offers yield-boosting solutions for solar energy.

Taken together, these EBAs were already EBITDA positive in 2015 and DSM aspires to further grow the annual contribution they make to the company's profit to € 30-40 million by 2018. With the annual cost of innovation support running at around € 15-20 million, DSM's Innovation Center is expected to show EBITDA break-even in 2016.

## Stepping up sustainability aspirations

Sustainability has become a key differentiator and business driver in DSM's markets and helps guide the activities of the business groups as well as the company's operations, strategic actions and decisions. By continuously developing innovative science-based products and solutions that make a real contribution to a brighter future for people around the world, DSM is also creating a more sustainable and profitable future for itself.

DSM has successfully embedded sustainability into its business activities. ECO+ products now account for 57% of sales and 91% of the innovation pipeline. With People+, the company has established a similar methodology supported by Life Cycle Assessments to measure and quantifiably improve the social impact of its products.

### Stepping up sustainability aspirations

Sustainability aspirations	2020
Dow Jones Sustainability Index	Gold Class
Brighter Living Solutions ECO+/People+ (running business)	65%
GHG efficiency improvement	45% (by 2025)
Employee Engagement Survey	Towards 75%
Safety (Frequency Index Recordables)	0.25
Diversity Female executives Executives from under-represented nationalities	25% 60%

From 2016, DSM will collectively refer to its ECO+ and People+ products as Brighter Living Solutions.

For the coming period, DSM is stepping up its aspirations once again. DSM will increase the proportion of Brighter Living Solutions to 65% of sales by 2020 (2015: 60%). It will improve its greenhouse-gas efficiency – in other words, reduce its relative emissions – by 45% by 2025, compared to the reference year 2008 (2015: 20%). This will be supported by energy efficiency improvements of >1% per year and by sourcing at least 50% of its electricity from renewable sources by 2025. Increasing greenhouse-gas efficiency will also drive down costs. To support this targeted improvement and foster an appropriate sense of urgency to achieve these changes, DSM will apply an internal carbon price of € 50 per ton CO<sub>2</sub>-equivalent to large investment decisions. In addition, the company works with suppliers and customers to improve the overall footprint of the value chains in which it operates.

There is a strong link between DSM's competences and business plans with key items on the global sustainable development agenda, namely malnutrition, and climate change and energy. DSM is in a position to be able to make a contribution to addressing these topics through its businesses. By developing innovative business solutions and engaging its value chains, networks and partnerships, DSM is driving sustainable markets that can have a beneficial impact at scale for all participants. At the end of 2015, DSM reaffirmed its strategic partnership with the UN World Food Programme, which currently reaches more than 25 million beneficiaries per year with improved nutrition, extending the partnership to 2018.

## Organization and culture

DSM is adjusting its organizational and operating model to support the company's growth, creating a more agile, focused and cost-efficient organization, with a stronger business and market focus and globally leveraged support functions. The organizational adjustments DSM is implementing are intended to achieve far more than cost savings alone. DSM has strengthened its management structure by establishing an Executive Committee, which enables faster alignment and operational execution on finance, business, innovation, strategy and people.

Furthermore, the company is establishing a new way of working, 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.



The members of the Executive Committee are the Managing Board members Feike Sijbesma (CEO/Chairman), Geraldine Matchett (CFO), Stephan Tanda (Nutrition) and Dimitri de Vreeze (Materials), as well as Chris Gopelsroeder (Nutritional Products), Philip Eykerman (Strategy and M&A), Peter Vrijzen (People & Organization) and Rob van Leen (R&D and Innovation)

DSM began adjusting its organizational and operating model in 2015 and is optimizing cross-company supporting functions in areas including HR, Indirect Sourcing, Communications, Finance, Legal and ICT, thus freeing up capacity at its business groups to focus on their primary functions: Innovation and R&D, Direct Sourcing, Manufacturing & Operations and Marketing & Sales. By globally leveraging its support functions and shared services organization as well as improving the ability of functional excellence departments to support the business groups, DSM aims to achieve structural cost savings of € 125-150 million versus 2014. These savings are targeted to be achieved by the end of 2017.

## Building for earnings growth beyond 2018

DSM has set itself strategic targets for the period to 2018. This shorter three-year period is intended to channel the organization's focus and forcefully drive achievement of the step-up in financial performance at which the company aims. At the same time, DSM is also preparing for longer-term growth; its business cycles are typically longer than the three-year period to 2018. The company has a range of key business and innovation projects across the clusters that will drive earnings growth beyond 2018 and will continue to develop more initiatives in light of market dynamics.

## Letter from DSM China President

### Dear reader,

2015 has been a challenging year for businesses worldwide. The global economic outlook remains uncertain, while China's economic growth is also moderating. At the same time, China is moving towards a more sustainable growth model, as it readjusts from an export-driven to a consumption-driven economy. DSM is very well positioned in the year to adapt to these changes and maintain growth in China.

In 2015, DSM continued to achieve good sales in China across our Business Groups/Units. Traditional business and newly developed business will greatly contribute to DSM's long-term success and commitment in China, under our Strategy 2018 to Drive Profitable Growth.

Our Human Nutrition and Health (HNH) business achieved sustainable growth in 2015. This was further strengthened through the successful acquisition of Jiangshan Pharmaceutical, a China-based global producer of vitamin C, which helps us to further expand our global footprint in vitamins. With the launch of a new Feed Additive mixing line in Xinghuo site and our new Bazhou R&D center, we also expanded our Animal Nutrition and Health (ANH) business presence in China. Moreover, the DSM Hydrocolloids Business Unit (DHC) began the expansion of its gellan gum site in Tongxiang, which will transform the site into a world-class development center for hydrocolloids including gellan gum.

DSM's Materials business also grew steadily despite the challenging business environment of 2015. DSM and NHU formed a joint venture to add Polyphenylene Sulfide (PPS) compounds to DSM's global portfolio of high performance engineering plastics. Together with our Chinese partners we provide complete solutions to key markets such as automotive, electrical and electronics. 2015 was also a challenging, but rewarding year for DSM Resins & Functional Materials (DRF) China. Powder, Can & Coil (PCC) business still gained significant growth in APAC despite the sluggish real estate market in China. Thanks to the hard work of Specialty Resin team, we achieved another record-breaking year in 2015. DSM ICD Fibre-based Functional Materials (ICD) also achieved remarkable business growth in 2015. We embrace innovation with partners and already gain milestones in projects like Optical Cable, Composite, and CoolLite™ fabrics.

We have taken major steps in developing our Emerging Business Areas (EBAs) in China. DSM Advanced Surfaces (DAS) China has achieved another record year with gratifying results and we are strengthening internal and open innovations to accelerate DSM solar pipeline in local market.

Safety is always our top priority. In China, the Frequency Index of Total Recordable Injuries reached 0.18 at the end of 2015. DSM China thus once again took a leading role among DSM global regions.

One of our main assets in China is our employees. In 2015, one of the most popular employee activities was the "go-to-site" Culture Roadshow. It has developed further into a high performance organization in Taiwan, Xinghuo, Kunshan and Jiangshan site. Moreover, this year the ONE DSM Culture Agenda China Award was presented for the second time, in order to recognize outstanding individuals or teams who acted as role-models for their colleagues and made special contributions to enhancing the culture and values at DSM China.

China is one of the most important markets for DSM. We constantly focus on delivering innovative products and services in the areas of food, feed, nutrition, new materials and new energy. At the same time we continuously strive to optimize our operations, with strong focus on environmental responsibility.

The foundation for our long-term success in China is the trust and support from both our employees and all our external stakeholders. One of the keys to gaining this trust is transparency. With our yearly report, the ninth of its kind in China, we therefore report on a regular basis about our performance and progress across the dimensions of People, Planet and Profit to our stakeholders. On behalf of the DSM China Leadership Team, I'd like to extend our sincere gratitude to all of our partners, customers and stakeholders. We are looking forward to working with you even closer in the future to create value together and to contribute to a more sustainable world.

Dr. Jiang Weiming  
DSM China President



## History - DSM grows with China

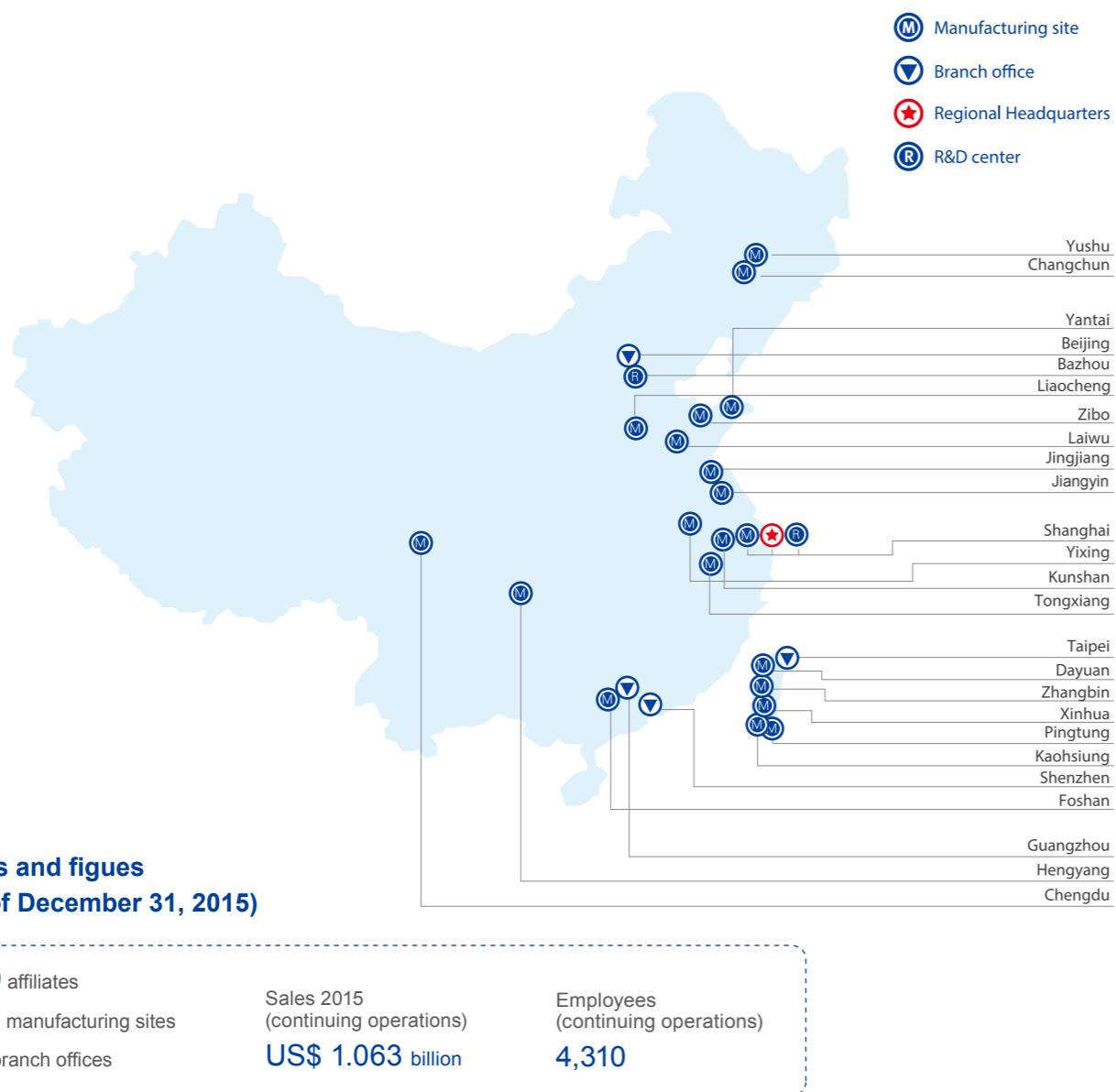


## DSM in China overview

### DSM activities in China

DSM is active in China across almost its entire portfolio of Life Sciences and Materials Sciences, serving end markets such as food and dietary supplements, personal care, feed, medical devices, automotive, paints, electrical and electronics, life protection, alternative energy and bio-based materials.

DSM began trading with China in 1963 and established its first China sales office and first manufacturing facility in the early 1990s. The company currently has 39 affiliates in China, including 21 manufacturing sites, and employs about 4,310 people there. The DSM China regional headquarters and the China Science and Technology Center are located in Shanghai. DSM's China business is growing healthily and steadily, with a sales revenue for its continuing operations exceeding USD 1 billion in 2015.

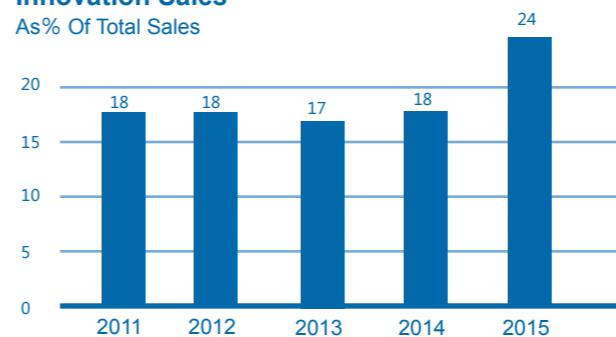


## Innovation in China

DSM in motion: driving focused growth targeted an increase in the proportion of sales coming from innovative products and solutions from 16% in 2010 to 20% by 2015. Innovation sales are defined as sales of products and applications that have been introduced over the last five years. At the end of 2015, these products accounted for 24% of total sales. This was up from 18% in 2014, with the increase driven by both higher sales as well as by the deconsolidation of DSM Fibre Intermediates and DSM Composite Resins and their inherently more traditional portfolio in the year. In Nutrition the share of innovation sales was 21% and in Performance Materials 29%.

### Innovation Sales

As % Of Total Sales



DSM works hard to foster and sustain its innovative practices on an ongoing basis. It does this throughout its established businesses in Nutrition and Performance Materials. At the same time, the Innovation Center, with its Emerging Business Areas (EBAs), is focusing on developing new growth platforms outside the current scope of the company's business groups.

### Local for local solutions

Scientists from DSM's Performance Materials Research Center (PMRC) are highly involved in connecting internal materials know-how to the new applications created by customers. For example, in 2015, PMRC researchers completed a project that developed a plastic metallization process on Arnite® PET for 4G telecom parts used by telecoms equipment maker Huawei. Core to this project was to optimize existing molding and plating technologies. Working together with another customer, smartphone maker Xiaomi, PMRC researchers provided valuable advice for modifications needed in the antenna design for the new generation of the company's smartphone. Parameters like the antenna pattern and antenna length were suggested using our self-developed

numeric model which is based on the relevant electromagnetic properties of various DSM engineering plastics materials.

Another site enabling development of local solutions is DSM's China Animal Nutrition Center whose innovations serve the Chinese animal feed industry. In 2015, the center held several scientific seminars with up to 200 participants such as the second Eubiotic Swine Focus Group Meeting in May with key international customers and consultants. Other events were the new product launch meeting of the feed enzyme – You Neng in July and the DSM Pig Tour Asia in October, which gathered nearly 200 experts from academics, research institutions and feed companies to discuss the nutrition needs of pigs in different feeding stages.

### Collaboration

DSM China is also active in public-private partnerships that increase its scientific scope. New technologies are developed in increasingly high speed, replacing existing practices rapidly. This demands ever faster learning inside DSM and ever closer collaboration with our external partners and customers. In 2015, PMRC worked together with several partners to develop new DSM engineering plastics materials for several entirely new and growing application areas, such as 3D printing, smartphone shells and high-end sports shoes. For example, during the development of DSM engineering plastics materials for a new 3D printing technology called selective laser sintering (SLS), our material experts selected three grades of thermoplastic materials from the huge DSM portfolio according to external input given by SLS manufacturing partners. Since SLS requires micro-size powders rather than the millimeter-size granules we are producing for other processing now, this know-how input from our partners greatly accelerated the internal development of a new product cycle.

Another example is nano-molding technology (NMT) which is part of an innovative approach to bond hybrid materials of microscopic sizes, which has attracted the interest of smartphone makers. However, the technology presents a number of challenges such as the harsh chemical treatments needed during the process. Therefore, the knowledge DSM gained through collaboration with partners who conduct NMT processes was crucial to improve our material and to meet the final requirements from smartphone makers.

Furthermore, PMRC initiated a joint research in 2015 with a well-known Chinese university professor on foaming material. The project aim is to accelerate the evaluation of materials and the



## Winner Team: ANH Team

DSM Collaboration with One of the Largest Chinese Dairy Providers to Create Triple Win Outcome

The DSM animal nutrition team was recognized for their strategic cooperation with one of the largest Chinese dairy providers. The cooperation agreement helps the customer to enhance quality and safety of raw milk by a great extent. For contracted farms, high quality premix also help reduce disease and improve milk production and profit. This innovative cooperation not only boosts the fast development of DSM premix in ruminant nutrition, but also bring profit and reward to leading dairy company.

## 2015 ONE DSM Culture Agenda China Award



### 2015 ONE DSM CULTURE AGENDA China Award China President Award



## Sustainability

Sustainability aspirations 2011-2015	
<b>Realization 2015</b>	
Dow Jones Sustainability Index	
Top ranking (RobecoSAM Gold Class)	Silver Class <sup>1</sup>
ECO+ (innovation)	
At least 80% of pipeline is ECO+	91%
ECO+ (running business)	
From approximately 34% towards 50%	57%
Energy efficiency	
20% improvement in 2020, compared to 2008	19%
Greenhouse-gas emissions	
25% reduction (absolute) by 2020, compared to 2008	75% reduction <sup>2</sup>
Employee Engagement Survey	
Towards High Performance Norm <sup>3</sup>	69% favorable
Diversity	
Women in executive positions	15%
Under-represented nationalities in executive positions	49%
People+	
DSM People LCA	Achieved

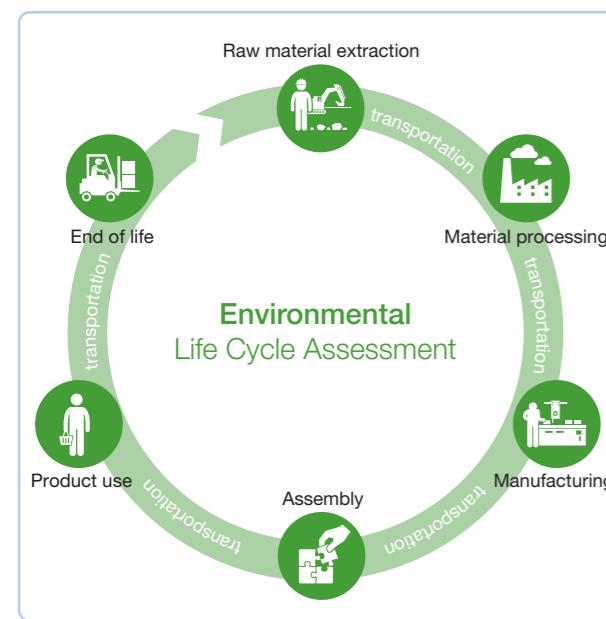
<sup>1</sup> DSM has returned to Gold Class for 2016

<sup>2</sup> Reduction of total emissions (absolute) of 75% was mainly attributable to the deconsolidation of DSM Fibre Intermediates; the GHG efficiency, which accounts for changes in production volume, has improved by 20% in 2015 compared to 2008

<sup>3</sup> The High Performance Norm (over 80% favorable) is the composite of the top 25% employee responses of the selected external benchmark organizations



**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 environmental benefits can be created at any stage of the product

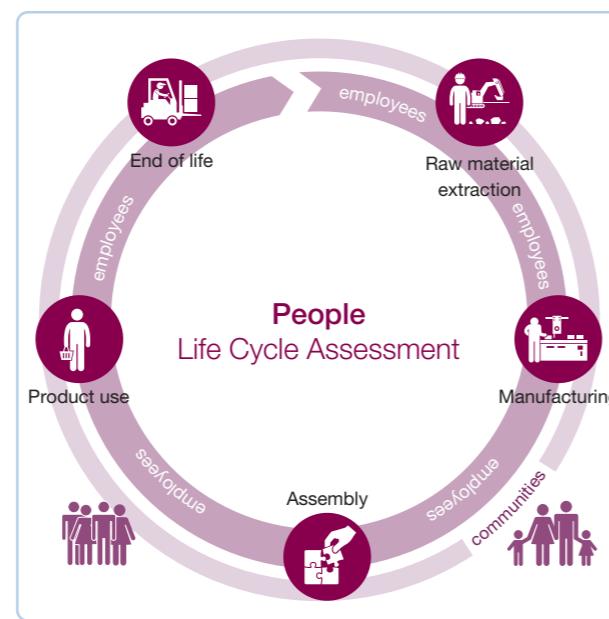


life cycle, from the raw materials through to manufacturing and potential re-use and end-of-life disposal. DSM uses comparative Life Cycle Assessments (LCAs) and/or expert opinions to determine whether a solution should be considered ECO+.

An 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.



**People+** is DSM's program to develop solutions that measurably improve the lives of consumers, employees and communities across the value chains, better than competing alternatives in the market. People+, together with ECO+, makes DSM's 'Bright Science, Brighter Living™', mission more tangible. Applying and road-testing harmonized joint standards for product social metrics across all DSM business groups and regions has laid the foundations for DSM to also set targets for People+ products within its Brighter Living Solutions for the coming period.



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.

## Sustainability in China

DSM has dedicated departments for Corporate Sustainability and Corporate Operations & Responsible Care. In China, the Operations & Responsible Care department is responsible for all corporate safety, health and environmental (SHE) related issues in daily operations and continuous improvement. Moreover, line management is supported by sustainability and SHE managers at the site level. The DSM SHE platform, composed of all sites' SHE managers, plays an important role in developing practices and communications regarding SHE issues. The China Operations & Responsible Care department also leads the China Manufacturing Committee. The Committee, composed of all site managers, is responsible for jointly driving and improving sustainability performance in DSM's manufacturing processes. The regional sustainability committee under DSM China Leadership Team was composed of all business directors and functional leaders across China jointly take the responsibility of increasing awareness of sustainability as a business growth driver.

## Stakeholder engagement

Taking part in strategic and proactive dialogue with key stakeholders helps DSM deepen its insights into the drivers of its business and the needs of society across the world, and thus be ahead of competition in adjusting to changing demands.

In 2015, DSM reached out to its stakeholders – suppliers, customers, investors, employees, companies, governments, academia and civil society – to further align its strategy with their views. The company's stakeholder groups have been identified based on the influence they have on the company's operations, as well as whether they are significantly affected by them. The outcomes from the various stakeholder dialogues inform many aspects of DSM's strategy such as risk management, business opportunities, and strategic objectives and ambitions.

The continuous dialogue DSM has with its stakeholders takes place through a variety of channels. DSM values engaging with its relevant stakeholders and maintains open discussions on topics relevant to its business activities and its role in society.



## Partners in the value chain



### Customers

DSM embraces customer centricity in its focus on excellence in marketing and sales. The company is committed to becoming a part of the top quartile of customer-centric companies and has developed a roadmap to continuously improve its marketing and sales capabilities. This roadmap includes how DSM engages with its customers, taking into consideration digitization and new ways of connecting; measuring and tracking performance in customer loyalty and complaints; as well as business development projects with new and existing customers.

## Customer loyalty

To measure its performance with customers, DSM uses the Net Promoter Score® (NPS), a tool to monitor the customer interaction cycle which has become the lead performance indicator for loyalty and advocacy tracking. DSM is a frontrunner in using the NPS methodology in its sector. The system equips the company with the processes to drive customer centricity across the business. The essence of the NPS methodology is to create a closed loop to continuously improve the customer experience. DSM has developed a tailored NPS program that is used by all its business groups. In 2015, DSM finalized the implementation of NPS as the lead performance indicator of customer centricity in the organization, and maintained a high overall score for DSM, remaining amongst the leading companies in its sector.

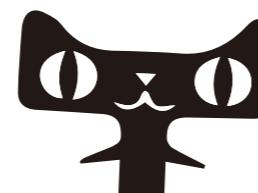
## Business development projects

DSM's business development approach is to work with partners within and across its value chains to focus on solutions that address societal challenges collectively. This leads to shared value creation for all parties involved. Such collaboration is an effective way to drive DSM's sustainability agenda and to come up with innovative solutions that benefit business and society.

In 2015, DSM further developed its approach with existing customers through its customer executive sponsorship program, launched in 2014. This program, which links senior executives to key DSM accounts, invites customers to have open discussions with DSM's top management in order to maintain strong relationships and enable the fulfilment of both companies' business and social responsibility visions. One example is a strategic cooperation agreement that DSM animal nutritional and health department signed with Inner Mongolia Muquan Yuanxing Feed Co., Ltd., whose predecessor is a subsidiary of Yili Group, one of China's largest dairy companies. The two parties will co-promote the brand 'RUBEIYOU' that was created by the two parties together. This cooperation between DSM and Yuanxing will not only boost the fast development of DSM premix for ruminants but will also bring reasonable profit and reward for Yuanxing. Most critically, it can help Yili enhance the quality and safety of raw milk to a great extent. At the same time, for Yuanxing's contracted farms, high quality premix can also help reduce disease and improve milk production and profit.

DSM also engages with customers and organizations across multiple sectors to combat malnutrition and to find solutions to treat diseases. As a strategic partner with the UN World Food Programme in the development of nutritious foods, DSM not only distributes these products through its partnerships, but also through other social and commercial channels. Since 2001, DSM in China has contributed to a nutrition project, benefitting tens of millions Chinese children suffering from malnutrition. The project aims to supply these children, among others, with Docosahexaenoic Acid (DHA), which is an omega-3 fatty acid, an essential fatty acid as brain food. For this project, DSM has created an innovative tablet product to administer DHA replacing the traditional sachet form. The new tablets not only contain DHA but also multi-vitamins & minerals.

DSM is also actively exploring digitalization and new ways of connecting to consumers. For example, DSM China opened a new DSM Global Flagship Store on Tmall Global of Alibaba Group, China's largest e-commerce provider. Tmall Global is the country's leading online platform for quality, brand-name goods imported from overseas. It is a local initiative experimenting with a new B2C e-commerce business model to reach the end users. In the initial phase of the DSM Flagship Store, life'sDHA products from HNH are available to both DSM employees and consumers.



DSM Global Flagship Store on Tmall Global

## Employees

DSM's employees work in diverse areas of health, nutrition and materials, creating value for customers by helping them provide solutions to some of the world's greatest challenges.

In October, DSM employees answered the Employee Engagement Pulse Survey with a response rate of 78% and an engagement score of 69%. Local management teams will work with employees to improve on focus areas, such as valuing employees' diverse perspectives more strongly.

DSM's young professionals network, DSM NEXT, is committed to share knowledge and gain insight into DSM's businesses through many activities. In 2015, these included site visits, workshops, and webinars.

DSM also organizes regular events to promote sustainability and awareness among employees for the world's challenges such as environmental pollution or climate change, as well as for social issues.

## Earth Day events

On 22 April 2015, DSM held Earth Day events for the second time to encourage employee awareness and action related to sustainability topics. The 2015 Earth Day theme was Recycle and Reuse. At 23 DSM sites in China, 44 commitment trees were installed to collect commitments pledged by employees. DSM's employees attached approximately 2400 commitments to these trees. A coloring contest for the commitment trees engaged employees' children during the event. Moreover, DSM China organized a countrywide used clothes drive. Over three tons of



DSM Earth Day Campaign in offices and sites

## DSM 'Rainbow' Volunteer Team

In 2015, DSM China established a DSM Volunteers Team to create an opportunity for employees to contribute time, energy and love for children attending our DSM Hope Schools who need extra help. The activity is conducted under the umbrella name of Rainbow.

Just before Children's Day in 2015, DSM's ten Rainbow Volunteers visited the two DSM Hope Primary Schools in Sichuan and Gansu Provinces. During these visits, DSM donated a number of books, desks and chairs to the schools and opened DSM Rainbow Home reading rooms there. On June 1, Children's Day, the team organized a series of fun activities for the children.



DSM Rainbow Volunteer Campaign

## Suppliers

### Supplier Sustainability Program

DSM needs to be smart in how it engages with its 40,000 suppliers. DSM does this through a Supplier Sustainability Program (SSP), which is implemented through annual Supplier Sustainability Plans and Sustainability Roadmaps. Progress towards targets is shared on a monthly basis within Sourcing and on a quarterly basis with the Managing Board.

### Compliance

DSM uses its Supplier Code of Conduct (SCoC) and carries out assessments and audits to check suppliers' compliance with the norms and values for doing business with DSM. In cases where risks or breaches are identified, DSM engages with the supplier to set up and execute an improvement plan. Should the breach or non-conformity persist, DSM will take measures to mitigate the risks or ultimately terminate the relationship with the supplier in question. The proportion of DSM's spend covered by its SCoC remained at a high level of 95% in 2015.

DSM focuses on approximately 1,000 critical suppliers. Critical suppliers include those that are providing critical components, are located in potentially high-risk countries, supply a high volume of products or services, are non-substitutable, or have the potential to create shared value in areas of innovation and sustainability.

In 2015, DSM began actively collaborating with TfS. The purpose of this initiative is to develop and implement a global assessment and audit program to screen and improve sustainability practices within chemical industry supply chains. DSM benefits from access to the higher standard and the larger number of assessments and audits which are executed by other TfS members and shared on the TfS platform. Since the start of the initiative, the collective (potential) supply base of the TfS members has been rated by 4,600 EcoVadis assessments and 446 TfS audits. In 2015, a total of 2,580 sustainability assessments were shared among TfS members and 179 new TfS audit reports were received by the initiative.

Using this collaborative approach in 2015, DSM was able to screen more than 3,300 suppliers from its total base in 2015, of which 2% were identified as 'risk suppliers' with regard to environment, impact on society, human rights and labor conditions. In line with internal follow-up guidelines, investigations were initiated with these suppliers. In one case this resulted in an audit in 2015. The assessments that were performed by other TfS members will be followed up in due course. DSM was able to screen 6% of new

suppliers with regard to their environmental performance, impact on society, human rights and labor practices. In 2015, sustainability compliance was also integrated into the standard supply risk management approach and the new supplier onboarding process. While compliance remains the cornerstone for DSM to achieve a sustainable supply base, procurement activities will increasingly focus on so-called 'better business'.

### Better Business

As part of its drive to foster better business through its supplier solution projects, Sourcing engages in proactive dialogue with suppliers in order to drive the business agenda on topics such as climate change, food & nutrition security, health and the circular economy. In this context, Sourcing pursues initiatives to create joint value, awareness and engagement in areas related to ECO+ and People+. For example, in People+ area, DSM actively engages with its suppliers to build their capabilities, enhance working conditions and make safety improvements, an example will be China Triple P project mentioned separately below.

Also in China, DSM and catering service supplier Sodexo worked together on several programs to improve the provision of healthy meals and waste management, which were welcomed by DSM employees.

### China Triple P project

DSM has run the 'China Triple P Supplier Engagement and Capability Building' project since 2013. The project, which aims to engage suppliers to jointly create a more sustainable supply chain in China, is run in partnership with Solidaridad, a global non-governmental organization specialized in sustainability audits. Participating Chinese suppliers are provided with the knowledge, experience and tools to set up their own supplier sustainability programs.

Phase 2 of the project was successfully executed from July 2014 to August 2015. Sustainability, productivity and human rights experts organized workshops and offered in-house technical support to factories interested in making genuine improvements. The project supported DSM's suppliers with their own SHE programs, energy efficiency improvements and footprint reductions, as well as communications between employees and management. In this phase, approximately each € 1,000 invested by DSM triggered initiatives that resulted in an estimated € 60,000 in efficiency

improvements at the participating suppliers. The five participating suppliers completed 38 improvement projects.

'We are very honored to be part of the China Triple P Project. With the help of DSM, we have improved a lot in safety, environment, and health. We will keep up the good work and continue to work with DSM on sustainability.' –Song Xiang Zhe, General Manager Hebei Chengxin Co., Ltd.

## Governments

DSM believes that dialogue between business and government authorities is a constructive part of the legislative decision making process. An important goal of that dialogue is to create a reliable regulatory framework and favorable conditions for business activities, and thus promoting business success. DSM engages with governments individually, as part of a coalition or through its memberships in relevant trade associations.

For example, in June 2015, DSM CEO Feike Sijbesma joined the third summit of the Global CEO Council in Beijing and had discussions with Prime Minister Li Keqiang, among thirteen other CEOs from leading multinational companies. The CEO Council meeting held the discussion how China's economy will continue to grow, and how the West of China can be developed further. As was discussed, China's further urbanization will also lead to higher pressure on food security and more energy needs. It was concluded that in order to guarantee long-term success, China needs to further develop its innovation power.



DSM CEO Feike Sijbesma joined the third summit of the Global CEO Council in Beijing

In October 2015 King Willem-Alexander and Queen Máxima of the Netherlands paid a state visit to China at the invitation of President Xi Jinping. DSM China executives participated in a CEO round table meeting and cultural events in Beijing and Shanghai. The King also visited the Loess Plateau in Shanxi province where he enjoyed watching the local waist drum dance performed by the AnSai children waist drum dance team sponsored by DSM.



King Willem-Alexander of the Netherlands visited the Loess Plateau in Shanxi province with AnSai children waist drum dance team sponsored by DSM

## Collaborative platforms and networks

DSM collaborates with like-minded peers from other sectors to create social and environmental measurement and performance standards. Together with cross-sector companies and business organizations, DSM has been an advocate on urgent themes like climate change, nutrition and the pricing of externalities.

### World Economic Forum (WEF)

DSM is a strategic partner of the WEF and is involved in initiatives including the New Vision on Agriculture platform and the Global Agenda Council on Food & Nutrition Security. At the Annual Meeting of the WEF in Davos (Switzerland) in 2015, DSM sponsored the UN World Food Programme (WFP) tent as in previous years, and organized events and discussions on hunger, malnutrition and climate change.

In China DSM is also represented at the WEF's regional meetings, like the Annual Meeting of the New Champions in Dalian that convenes the next generation of fast-growing enterprises and is one of the highest-profile global gatherings on science, technology and innovation. The theme for the 2015 Dalian meeting was 'Charting a New Course for Growth'. DSM CEO Feike Sijbesma, members of managing board Dimitri de Vreeze, Geraldine Matchett, and China president Weiming Jiang attended different sessions to contribute their opinions on China's development under the conditions of the 'New Normal', China's next innovation wave and how to navigate the next technological revolution.



DSM CEO Feike Sijbesma at WEF Annual Meeting of the New Champions in Dalian

## World Business Council for Sustainable Development (WBCSD)

DSM is a member of the WBCSD, a business platform aiming to develop solutions that contribute to environmental and social challenges. DSM takes a leading role in various projects. The company co-chairs the 'Reaching Full Potential' project to develop guidance on assessing the social impact of chemical projects in the value chain. This working group builds on experiences from DSM's People+ program and the Roundtable for Product Social Metrics. It is also active in the chemical sector working groups on the Low Carbon Technology Partnerships Initiative Framework and Low Carbon Transport Fuels. In November 2015, DSM announced, alongside AkzoNobel, Evonik, Solvay, and Mitsubishi Chemicals, a commitment to reduce emissions within the chemical industry by an additional 1.4 gigatons of CO<sub>2</sub>-equivalents by 2030 through advanced innovation and faster deployment of solutions at scale. DSM is closely involved in setting new standards for valuation methodologies in the multi-industry working groups 'Natural Capital' and 'Social Capital', bringing in its experiences with ECO+, People+ and internal valuation pilots.

DSM is also a Board Member of China Business Council for Sustainable Development (CBCSD) and joined various initiatives

throughout the year, such as a carbon emissions trade training, and a local Low Carbon Technology Partnership conference.



## Public-Private Partnerships

### DSM annual charity event – Bright experience

DSM China once again joined hands with the United Nations World Food Programme (WFP) to host a charity event in twelve cities across China as part of the Bright Experience World Tour. The event aims to raise awareness on and funds for the issue of child hunger and malnutrition. DSM has been part of this event for nine consecutive years.

As a global partner of the WFP, DSM in China has been taking part in the charity event every year since 2007. With a theme of 'Hunger is Solvable: Bright Experience', the event in September 2015 attracted 2000 DSM employees and their families, as well as partners from 13 sites in 12 cities including Shanghai, Shanghai Xinghuo, Beijing, Guangzhou, Shunde, Chengdu, Jiangyin, Jinjiang, Yixing, Kunshan, Tongxiang, Changchun and Hengyang. 2015 was the first time for employees from Changchun (Jilin Province), Hengyang (Hunan Province), Yixing and Jinjiang (both Jiangsu Province) to join this event.

DSM employees and its partners joined hands with WFP and the China Foundation for Poverty Alleviation (CFPA) to show their solidarity in the fight against hunger and malnutrition. The money collected at the event in China will be donated to the WFP's School Feeding Programmes worldwide and the CFPA. The latter will use the money for the school meal programme it conducts in poor areas of China. Through this project, DSM has provided more than 50,000 nutritious meals with milk and eggs to the children in poor areas of Yunnan and Sichuan provinces.

### DSM's continuing partnership with China Nutrition Society

Since 2011, DSM has been partnering with the China Nutrition Society (CNS) in running the DSM-CNS Nutrition Research Foundation that provides incentives and financial support for nutrition researchers to support them in exploring advanced nutrition solutions.



DSM annual charity event - Bright experience

During the past five years, the DSM-CNS Nutrition Research Foundation has funded 52 projects in the segments of infant nutrition, elderly nutrition, nutrition intervention for people adversely affected by high levels of fine particles (PM2.5) in the air, and dysphagia nutrition. Some of the research results are integrated into new DSM product solutions. In addition, good connections are built with leading local nutrition academics, while many local nutrition talents are developed.

In 2016, prompted by trends such as China's decision to change its one-child policy to a two-children policy or the increasing risks of high metabolic syndrome in middle-aged adults, the DSM-CNS Nutrition Research Foundation is soliciting nutrition solution proposals from experts, in respect to ingredients such as vitamins, carotenoids, omega-3 polyunsaturated fatty acids and dietary fiber.

### Sustainable Leadership Talk in Tsinghua University

In April 2015, DSM CEO Feike Sijbesma gave a speech at Tsinghua university which focused on the 'Sustainable leadership context of globalization'. He talked about global development trends, global population shifts, industry leadership and corporate social responsibility. During the meeting, he also answered questions from students about entrepreneurship, innovation and sustainable development.



DSM CEO Feike Sijbesma gave a speech at Tsinghua university

### DSM Scholarship at Sichuan Agriculture University

Since 2011, DSM has been sponsoring a five-year scholarship program at the Animal Nutrition Institute of Sichuan Agriculture University. This DSM scholarship aims to provide financial support to good students in unfavorable financial situations and honors students for outstanding academic achievement. As of late 2015, DSM has provided a total of RMB 250,000, and 90 students have received financial support.

## Key data for DSM China 2015

	2015	2014
<b>People</b>		
Workforce by Dec. 31	4310	3489
Female / Male ratio	30/70	30/70
Frequency Index of recordable injuries (per 100 employees; DSM and contractors)	0.18	0.17
<b>Planet</b>		
Energy use (in PetaJoules)	1.39	8.52
Water use (in million m <sup>3</sup> )	0.76	5.85
Greenhouse-gas emissions in CO <sub>2</sub> equivalents (x million tons)	0.10	0.92
Emission of volatile organic compounds (tons)	1383	1753
COD (Chemical Oxygen Demand) discharges (tons)	22	46
NO <sub>x</sub> (tons)	61	136
SO <sub>2</sub> (tons)	12	9.4
Landfilling non-hazardous waste(tons)	103	59.6
Environmental incidents (cases)	0	1
<b>Profit (in Euro million)</b>		
Net sales 2015 China, continuing operations	937	833

\* The data exclude all DSM Sinochem Pharmaceuticals (DSP) sites since 2014. DSP, a joint venture with Sinochem, was deconsolidated following new accounting rules for joint ventures. The data excludes also all DFI and DCR sites in China since 2015, due to the divestment of these two business groups.

## 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.

### Safety and health

#### Occupational Safety

It is DSM's ambition to have an injury and incident free working environment for its employees as well as its business partners at all times when they are working with DSM. Rigorous application of DSM's Life Saving Rules has been an important factor for achieving this goal. Nevertheless, the incidents that did occur and the severity of their consequences remain a cause for concern for the company.

DSM aims for a Frequency Index of Recordable Injuries (per 100 DSM employees and contractor employees) that is less than or equal to 0.25 by 2020, a 50% reduction compared to the 0.57 achieved in 2010. This target is also valid for DSM China. Over the years, DSM China has made steady progress in improving occupational safety. The Frequency Index of Recordable Injuries for 2015 was 0.18 (2014: 0.17).

No fatalities occurred in 2015, which means that DSM China has been free of fatalities for fourteen years in a row. DSM's focus on preventing serious accidents and potential fatalities had been strengthened with the introduction of the company's internal Life Saving Rules in 2011, which has resulted in a significant improvement of our safety performance in recent years. Moreover, DSM China rolled out the company's new Serious Injury and Fatalities (SIF) concept 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.

Safety Performance (2015)	DSM China	DSM Global	Target (2010-2020)	Realization of DSM China (2010-2015)
TRI-all (Total Recordable Injury)	0.18	0.41	-TRIall < 0.25 -50% reduction	-TRIall achieved - 39% reduction

## 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: 0.18).

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

## SHE integration of new sites

In 2015, DSM completed the acquisition of Jiangshan Pharmaceutical, a producer of vitamin C located in Jingjiang, Jiangsu Province. The SHE integration program started immediately after the acquisition and will be continued in 2016. The other new sites acquired from 2012 have finalized or are in the finalization stage of the SHE integration process.

## Process safety

In 2015, DSM China managed to reduce the occurrence of Process Safety Incidents (PSI) to 6, from 11 in 2014. The company continued to focus its efforts in the field of process safety on helping production sites to build up their own competence, with the support from internal and external experts. Moreover, in 2015 DSM China defined some specific regional process safety KPI for monitoring the process safety performance in China. 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 the ICCA Board in 2015. Chemical Associations and companies will transition to the ICCA standard for performance data in the coming years. DSM is implementing it beginning in 2016, thereby replacing the current guidance of the European Chemical Industry Council (CEFIC).

## SHE Competence development

DSM has developed a multi-year China Regional SHE competence plan in 2013 that it is still implementing. The plan aims at developing a qualified SHE expertise adhering to existing SHE roles for selected employees, but in a more structured way. Roles like incident investigation and health risk assessment were identified, and detailed criteria for qualification were set accordingly. Then, candidates were enrolled in the program, a competence development plan was set up and monitored on a regular base. In 2015, 63 roles were defined and candidates selected accordingly. After receiving their certificates, they took over the respective roles at their sites.

## SHE leadership development

DSM continuously focuses on the development of SHE leadership skills. To this end, the company runs a specific training program that is continuously updated. In 2015, a new leadership program, Mindful Collaboration, was added to this SHE leadership training portfolio. The Mindful Collaboration training teaches participants how 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.

## Milestones on the path towards an injury-free workplace

Recordable Injury Free Days	Site
2000	ANH Premix (Changchun) Site DEP Jiangyin site
1000	ANH Premix (Sichuan) Site

## DSM Global SHE Recognition Award

The new Vitamin B6 plant at DSM's Shanghai Xinghuo site has received the 2015 DSM global SHE Recognition Award. This project is one of the largest capital investment projects DSM has executed in the past 10 years. The construction project was realized without any recordable incident in a very challenging environment: Over 5,000 workers and contractors had to be trained and supervised. Despite this large number, the project was completed in more than three million working hours without any recordable injury.

## SHE Culture promotion activity at DRF Kunshan site

DSM regularly organizes activities and events across its sites to promote awareness and a strong SHE culture. For example, in 2015, the Kunshan site held an activity on systematic safety culture development called 'SHE Culture Journey' involving many staff. The activity was divided into two parts. One was held on-site and included a demonstration of SHE Culture and a survey among staff on safety culture maturity. The other part was held off-site, where the employees conducted specially designed outdoor safety games that prompted them to really think about the deeper meaning of 'SHE', to imagine an ideal vision of an 'incident free' environment, and to find strategies how to pursue that ideal. As a follow-up to this activity, the site management developed a roadmap for the 'SHE Culture Journey' and some connected programs.



DSM Kunshan site held 'SHE Culture Journey'

## Behavior Based Safety (BBS) Program at DCL Shanghai Campus

To promote safety culture, as well as to control and correct unsafe behaviors, the DSM China headquarter launched the first phase of a Behavior Based Safety (BBS) program covering 30% of its

employees on the Shanghai campus. The core of this program comprises behavioral observation and feedback. Some 80 internal observers contributed about 500 observation cards with 400 unsafe behavior examples they came across since the start of the program. The observers also communicated with the respective observees about the potential hazards of unsafe behavior. At the end, some 400 risky behavior patterns were replaced by safe behaviors. This project has thus dramatically reduced the potential incident rate. Due to the success of Phase I, the BBS program is currently extended to the whole DSM China headquarter area including branch offices.



DSM promoted BBS program at Shanghai campus

## Full-time Fire Brigade at DNP Xinghuo site (B6)

With a new Vitamin B6 plant preparing for commissioning, DSM's Xinghuo site in Shanghai is facing a high risk in process safety. As DSM's emergency response policies require, the site has established a full-time fire brigade comprising two firefighting trucks. The team is made up of 20 professional firefighters, including one captain, one deputy captain, three drivers and other team members, as well as emergency equipment and facilities. The team conducts physical training and firefighting skill training every day.



DSM Xinghuo site Firefight team

## 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 good 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.

check-up and fill in a self-assessment questionnaire to evaluate their profile across the dimensions of Nutrition, Recovery, Exercise and Mental health. This way, they learn about their current state of health and how they may improve it.



## Antimony trioxide eliminated at DEP Jiangyin site

In 2015, DEP Jiangyin site successfully finished a project to eliminate the use of antimony trioxide powder on the shop floor to improve working conditions. Antimony trioxide is defined as a highly toxic substance in China and as a suspected carcinogen by the International Agency for the Research on Cancer (IARC). The program thus aimed to eliminate antimony trioxide powder exposure to shop floor operators. To achieve this, DEP Jiangyin worked together with raw material suppliers and introduces advanced technology to them to improve the process.

## Vitality@DSM

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. DSM China has set up a special Vitality award in order to further promote the program.

Till the end of 2015, more than 1400 DSM employees in China have participated in activities of the Vitality@DSM program. Participating Vitality@DSM employees receive a general health

## Vitality promotion at ANH China

To improve health awareness at ANH, the ANH China Management Team provided every site employee with a wristband so they can track their amount of daily movement and monitor their sleep. The ANH SHE Department also shares health promotion tips via an internal WeChat platform.



## Health Week at DRF Kunshan site

The DRF Kunshan site organized a Health Week program to promote employees' vitality awareness. The five-day event included information sessions on food and nutrition, sleep and health, as well as sports and exercise. All site employees were involved in this

health week program, which was also used to advance along the site Vitality roadmap. For example, during the health week, some future activities to enhance physical fitness and reduce stress were planned, such as a plank contest, stair climbing, strolls after lunch, and stress management training.



## New organizational and operating model

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.

## 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.



### 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.



### 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.



### 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.

## One DSM Culture Agenda-China Award

In 2014, DSM China launched the One DSM Culture Agenda – China Award, to better 'Do, Act, and Own' the One DSM Culture Agenda, motivate people to take initiatives, and recognize and reward role models. After two successful years, DSM is continuing this event and welcomes more applications and best practice sharing.

In 2015, more than 35 applications were received from different business groups and units, various sites and function teams. The winners for a series of awards were chosen by the Culture Award committee comprising employees, members of the management team and DSM China's operation board. They were announced during the Annual dinner: one president award, four culture awards and two culture ambassador awards.

**One DSM Culture Agenda - China Award**

You or your team create great value for DSM by practicing ONE DSM CULTURE. If yes, do not hesitate to apply.

2015 "ONE DSM CULTURE AGENDA" China Award is now calling for application!

**How To Apply:**

- For the President Award, submit application material to a local leader.
- Collaboration with Speed and Trust: Company application and nomination.
- Employee nomination: Please nominate a colleague and send the nomination letter to [china\\_hr@dsmcn.com](mailto:china_hr@dsmcn.com).
- Employee nomination date: 15 June 2015.
- Employee nomination deadline: 30 June 2015.
- President Award and Culture Ambassador Award: Submit application material to [china\\_hr@dsmcn.com](mailto:china_hr@dsmcn.com).
- Deadline: 30 June 2015.

**DSM** DSM CHINA

### Culture Ambassador Award:



Amanda Zhang and Xie, Chuan-hai received One DSM Culture Agenda - China Culture Ambassador Award

#### Amanda Zhang:

"DSM has been active in mergers and acquisitions during the past two decades. The One DSM Culture Agenda is a great tool to help the newcomers as well as the original members to concentrate diversified strength with an aligned focus. And to shape the corporate culture, we need to believe in it and represent it in our daily behavior. Every single employee can and shall be a culture ambassador to live up to One DSM Culture Agenda. It's challenging, yet surely achievable."

#### Xie Chuan-hai:

"Culture is the spiritual strength of a company, and also the source of employee engagement. As the Culture Ambassadors, our mission is to make the ONE DSM Culture to take root in the company, so that everyone in the company can engage and

practice it to contribute on the company's further development. In 2015, we organized many different events to communicate and promote the One DSM Culture Agenda, which helped us to make significant progress in the results of DSM's Employee Engagement Survey. We look forward, through the power of the One DSM Culture Agenda, to further accelerating the business development of DSM as a whole."

## 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 1,863 employees in China, including contractor employees, completed the questionnaire. This represents a very high response rate of 97%. 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 76% (2014: 63%). This is higher than 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 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.

## Young Talent Program

Since 2013, DSM China runs its 'Young Talent Program' (YTP) to strengthen the company's future talent pipeline. This program aims to hire the best graduates in China and provide them with an exciting career journey at DSM, with development tools and a personalized learning & development program.



2015 Young Talent Program

To find and recruit suitable candidates, the China Talent Acquisition Team held events at eight top Universities in China where they showcased DSM and its business, core values and people to the students in order to present itself as an attractive employer. Twenty talents were hired for the YTP Class of 2014, while fourteen talents were hired for the YTP Class of 2015. A further ten hires will be onboard in the middle of 2016.

## Talent management

### Leadership Model

DSM has clear ambitions for the future supported by its new organizational and operating model. To meet these 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. By end of 2015 a major percentage of people managers in China was trained and the goal is to finalize the roll-out by mid-2016.

DSM uses the Leadership Model behaviors in its recruitment processes while attracting new talents for the company. In performance management, the company assesses not only what employees achieve, but also 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 has started with awareness workshops and continues with 360 degree feedback. In addition, the Leadership Model intranet site has been renewed to a People Manager site 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.

## Asia Connect Program - Mentoring

The Asia Connect Program was initiated in December 2012, sponsored by DSM executive management. This mentoring program aims at multiplying talents through four main objectives: accelerating development of talents, upgrading leaders' skills in developing others, as well as attracting & retaining talents by providing a custom-made development platform. The program also strives to multiply growth through realizing DSM's geographic ambitions, creating succession, taking bold business decisions and being 'fit for the future'.

Employees are connected to mentors based on their preference, a process that is supported through match making by the Asia Connect project team. Its effectiveness is monitored during the six months of the program and evaluated by surveys. The program also provides training for both mentors and mentees.

In 2014, three pilot sessions were conducted with more than 140 talents from across Asia and a total of 44 executives and selected leaders acting as mentors. Based on its success, the program conducted the fourth Wave in April. In early 2015, the survey from multiple mentees and 15 mentors revealed that the satisfaction rate for the mentor/mentee match was 97%. All mentees felt that their mentors provided personalized development guidance, while all mentors expressed interest to continue acting as a mentor. Based on these findings, the company decided in early 2016 to prepare for embedding the mentoring program globally, and to open it to all employees.

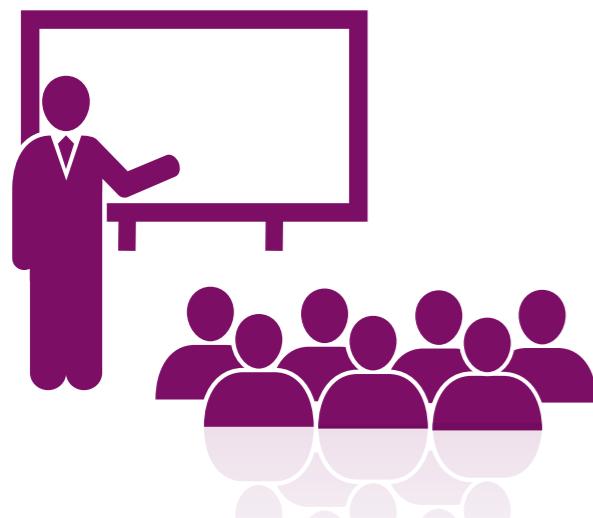
## The Talent Summit 2015

In May 2015, DSM China held a Talent Summit in Shanghai to gather around 50 talents from various business units / corporate functions and Human Resources. The Summit established a common understanding on DSM China 2020 strategy and all the talents made action commitment to collaborate with faster speed to deliver the 2020 vision. All participants also took the opportunity to build up the connection across different businesses and functions.



**The Talent  
Summit  
2015**

## 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 five program clusters: executive programs, management programs, professional programs, functional programs and e-learning programs. These are designed and delivered in close cooperation with global and local vendors and are supported by a diverse internal faculty, primarily consisting of top management and functional experts of DSM China.

In 2015, DSM Leadership Model workshops rolled out the third Bright Talent Program in Asia covering 24 high potential talents from Asia. In order to build up an even stronger innovation capabilities in China, a new China Innovation Curriculum was launched in partnership with DSM global innovation center, an external consulting company and a top business school. 27

participants were recruited from marketing and sales, and R&D functions. 3 Modules of different coaching and action learning projects were covered over the course of six months. At the end of the program, one winning project team was granted a RMB100,000 President Award, as well as six outstanding innovators.

In 2015, an E-learning platform was rolled out together with the China Europe International Business School (CEIBS) in Shanghai for over 100 participants. This program includes 100 e-learning modules ranging from self-development to leadership development and functional development. On top of these, about 100 training sessions were offered for over 2000 participants in 2015, covering professional, functional and management programs.

## 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, more than one third of the members are women (of the seven members, three are female and four are male).

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.

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%). In China, the inclusion index from Employee Engagement Survey reached to 80% in 2015 (2014: 73%). 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.

## 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.

## Environmental impact of DSM's operations

### Targets & achievements in China

Within the framework of its corporate strategy, DSM has defined Safety, Health and Environment (SHE) targets for the period of 2010-2015 which include eco-efficiency targets. A Corporate Multi-year Plan Responsible Care (CMP) contains the measures and activities through which these objectives are to be achieved. Responsible Care is the chemical industry's global initiative to drive continuous improvement and achieve excellence in environmental, health, safety and security performance. DSM's CMP also provides guidance on how to roll out three-year plans for each business group.

All environmental targets (except the target for greenhouse-gas emissions) are relative targets. This means that increases or

decreases result from calculations that take changes in production volumes into account.

The table below shows the 2015 performance of DSM China and of DSM Global on the key environmental indicators and the corresponding target realization by DSM China against the base year. On DSM Global level, most of the environmental indicators which had their target at the end of 2015 were realized; only the targets for Water and Chemical Oxygen Demand (COD) were not realized. Energy and GHG have a target period of 2008-2020 and are on track to be met by 2020 or have already been met. For DSM China, the targets on all environmental indicators were realized in 2015, except for Landfilling Non-hazardous Waste.

Key Environment Indicators	China <sup>1</sup> 2015	DSM Global <sup>1</sup> 2015	CMP Target (2010-2015)	Realization of DSM China (2008/2010-2015) <sup>2</sup>
Energy use in TeraJoules (TJ)	1,386	20,873	20% (2008-2020)	33%
SO <sub>2</sub> (tons)	12	41	70%	99.9%
VOC (tons)	1,383	3,097	40%	56%
NO <sub>x</sub> (tons)	61	435	30%	93%
GHG(2008-2020) (tons)	104,974	1,075,255	25% (2008-2020)	87%
COD (tons)	22	2,105	20%	34%
Water Intake ( $\times 1000 \text{ m}^3$ )	765	101,334	15%	49%
Landfilling Non-hazardous Waste (t)	103	12,901	15%	-211% <sup>3</sup>

<sup>1</sup> The data exclude the figures of the sites from DSP, DFI and Composite Resin.

<sup>2</sup> Corrected for changes in production volumes (except for GHG which is absolute value) and product portfolio relative to the reference year.

<sup>3</sup> Affected by the change of calculation method.

## 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 (DFI) 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.

DSM completed the acquisition of vitamin C-producer Aland in 2015. As a result, the facility at Jingjiang (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.

## Energy Consumption

In determining energy efficiency, DSM China measures its energy consumption in relation to the production volume of each production site. DSM China's energy consumption decreased from 8522 TJ in 2014 to 1371 TJ due to the divestment of DFI. At the same time, energy efficiency improved by 33% comparing to the baseline year 2008.

The improvement is due to the application of the best available techniques, awareness and initiatives at all our China sites.

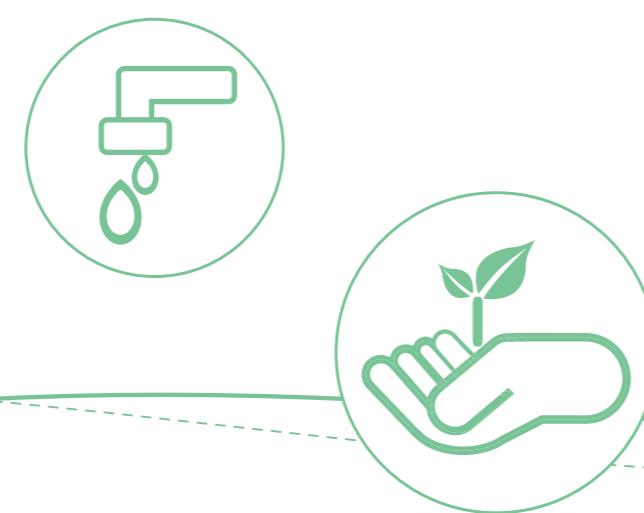
- For example, the Laiwu site replaced its electrical heating system by natural gas heating, which has remarkably improved efficiency. In addition, the site applied a higher efficiency screw heating system to its production lines.
- The Jiangyin site started to replace normal lights with LED bulbs and upgraded its main motors. The resulting yearly savings are 65,000 kWh.
- The Shunde site added a Variable Speed Drive to its chiller, which saves energy and improves operability.
- Additional projects brought forward by the Yixing and Tongxiang sites have been approved and will further improve energy efficiency of the sites when being implemented in the coming years.

## Emissions to air

Emissions of Volatile Organic Compounds (VOCs) decreased from 1,750 tons in 2014 to 1,383 tons in 2015. VOC efficiency improved by 35% in China compared to 2014 which means the relevant target was achieved. The major contribution came from abatement campaigns at the Laiwu site.

Emissions of nitrogen oxide ( $\text{NO}_x$ ) decreased from 136 tons in 2014 to 60 tons in 2015, mainly due to the divestment of DFI and the Composite Resins sites.

Emissions of sulfur dioxide ( $\text{SO}_2$ ) increased from 9 tons in 2014 to 12 tons in 2015, mainly due to increase of production volume in 2015 comparing to 2014. The  $\text{SO}_2$  emission efficiency achieved the CMP target during the target period.



## VOC reduction at DSM ICD site

To reduce the emissions of Dichloromethane (DCM), the Laiwu site initiated a project in 2014 to reduce DCM consumption by reducing fugitive emissions and recycling DCM from off-gas from the production process. The project was commissioned in May 2015. After continuous operation of five months, the recovery rate of DCM from off-gas was proven to be consistently above 96%. DCM exposure level was reduced from 1500ppm to 50ppm, fully in compliance with China exposure limit. DCM consumption per ton product was reduced from 2.5 mT/T to 0.5 mT/T. Expected DCM emission reduction will be 80% for 2016. The Laiwu site itself improved by 44.44% in 2015 in terms of VOC emission efficiency comparing to 2014. This improvement also leads to cost savings of 300,000 RMB per year.



DSM Laiwu site DCM facility

## Discharge to water and landfill

The discharge of Chemical Oxygen Demand (COD), which is an indicator of wastewater pollution by organic substances, was reduced from 46 tons in 2014 to 22 tons in 2015. This was mainly due to the divestment of DFI and the Composite Resins sites.

DSM's water pollution reduction programs aim to reduce total water pollution, mainly through reductions in Chemical Oxygen Demand (COD). DSM has been seeing steady growth in China with new business and capacity expansion projects. Recognizing

the potential impact of its new projects to the local environment DSM is committed to take actions to control the impact. The waste water plant improvement projects of Zhongken site and Yixing site approved and started in 2015 were such examples.

The waste landfill efficiency did not meet the CMP target. Non-hazardous waste landfill increased from 60 tons in 2014 to 103 tons in 2015. This was mainly caused by change in handling method of non-hazardous waste contractor of one of DSM sites. The waste handling contractors employed landfill instead of incineration as non-hazardous waste treatment method in 2015. However, the site has obtained confirmation from the contractor that they will revert back to incineration in 2016.

DSM has set a new target for waste and aims to recycle 80-90% of it by 2020. 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.

## Water use

DSM continuously strives to minimize the adverse effect its operations may have on the quality and quantity of water available in the regions where it operates.

Total water use by DSM China decreased from 5.8 million  $\text{m}^3$  in 2014 to 0.75 million  $\text{m}^3$  in 2015, mainly due to the divestment of DFI and the Composite Resins sites.

## Water saving promotion at the Kunshan site

Through optimized cooling water and boiler water control and due to an improved fire-fighting & city-water piping system, the Kunshan site achieved a water consumption efficiency of 1.2 ton/ton of finished products by the end of 2015, which is a 15% reduction compared to 2014.



## Profit in 2015



DSM ZHONGKEN West Lake Soar Project Ground Breaking Ceremony

In China, domestic consumption is playing an increasingly important role in the country's efforts to rebalance the economy away from an investment- and manufacturing-driven economic model. In 2015, China's economic growth moderated to a lower rate at 6.9 percent, what it has named the 'New Normal'. Overcapacity in several industrial sectors, low global commodity prices and weak demand for some materials and products have impacted industrial production. Some of the end-user segments that DSM serves will continue to be affected by these trends such as the automotive and construction-related industries. Meanwhile, the service sector and the food industry developed well and will continue to grow strongly.

DSM's sales in China for its continuing operations reached € 937 million in 2015, up 12% from € 833 million in 2014.

DSM in 2015 finalized the acquisition of vitamin C producer, Jiangshan Pharmaceutical in Jiangsu Province. DSM also began the expansion of a site in Tongxiang city of Zhejiang Province with the aim of establishing a world-class development center for hydrocolloids and a large scale of gellan gum production.

### New acquisitions and partnerships in China in 2015

DSM and NHU announced the formation of a new joint venture company for the market development and manufacturing of high

performance plastics compounds based on polyphenylene sulphide (PPS). NHU is a Chinese public company, specializing in the production of food additives, feed additives, polymers & materials, and flavors & aromas. The joint venture, DSM NHU Engineering Plastics (Zhejiang) Co., Ltd, will further enhance DSM's offering in the high performance engineering plastics segment. DSM will hold a 60% share in the venture, while NHU 40%. The new joint venture will produce a range of high performance engineering plastic compounds based on PPS polymer produced by NHU.

## External recognitions in 2015

Various DSM sites across China are being recognized for their exemplary work in sustainability, for example in the field of Safety, Health and the Environment. Local DSM units are being recognized by their host governments as models for safety, innovation or environmental protection. Listed below are the awards received by DSM in China.

### Product / Innovation Award

- DSM Uralac® Superdurable Resin received 'The Supreme Award of Star product from China Construction Metal Structure Association.'
- DSM NeoRez® R-2180 coating resin received Ringier Technology Innovation Award in the Coatings Industry.
- DSM Stanyl® Diablo HDT2700 received Ringier Plastics Innovation Award.
- DSM Maxilact® LGi received the 2015 Ringier Technology Innovation Awards in the food and beverage industry.
- DSM is awarded most Innovative Enterprise in Engineering Plastics Industry from China Plastics Processing Industry Association.
- Zhejiang DSM Zhongken Biotechnology Co., Ltd. was honored as 'Technology Innovation Award' by Municipal government.
- Zhejiang DSM Zhongken Biotechnology Co., Ltd. was recognized as 'High-tech Enterprises' by Science and Technology Agency of Zhejiang province.
- Shandong ICD High Performance Fibres Co., Ltd was honored as 'Industrial Enterprises Contribution Award' in the Laiwu Hi-tech Development Zone.

### Sustainability and Corporate Social Responsibility Award

- DSM was honored with 2015 'Chairman Award in Responsible Care' by the Association of International Chemical Manufacturers.

- DSM China was awarded for continually issuing CSR report by Shanghai Municipal Commission of Commerce and Shanghai Association of Foreign Investment.
- DSM ICD's deep-sea aqua farm solution was recognized as best Corporate Social Responsibility practice of foreign investment enterprises in China by China Association of Enterprises with Foreign Investment.
- DSM Eternal Resins (Kunshan) Co., Ltd. was recognized as 'Kunshan Circular Economy Model Enterprise' by the Kunshan municipal government.
- Shandong ICD High Performance Fibres Co., Ltd was recognized as 'Social Responsibility Award of Chinese foreign-invested enterprises' by the Laiwu municipal government.

### Safety, Health and Environment Awards

- DSM Vitamins (Shanghai) Co., Ltd. was rewarded as 'FengXian District 2015 Safety Advanced Company Award' with honor by the Fengxian municipal government.
- DSM Engineering Plastics (Jiangsu) Co., Ltd. was awarded as 'Best Performance Recognition on Safety, Health and Environment' by the Jiangyin municipal government.
- DSM Eternal Resins (Kunshan) Co., Ltd. was awarded as 'Top 10 Work Safety Enterprises' and 'Top 10 Advanced Environment Protection Enterprises' by the Kunshan municipal government.
- DSM Sinochem Pharmaceuticals (Zibo) Co., Ltd was awarded as 'the Good model of the Environment Protection 2015' by the Zibo Hi-tech Industrial Development Zone Government.
- DSM Syntech Synthetic Resins (Foshan) Co., Ltd. was recognized as 'Safety standardization level two certification' by Production Safety Association of Guangdong province.

# What still went wrong in China 2015

Although DSM strives to improve its performance in all areas of its operations, sometimes things can still go wrong.

This chapter summarizes the most important incidents in 2015, across the three dimensions of People, Planet and Profit. DSM endeavors to remedy the outcome of incidents and prevent these from recurring, as well as to identify and learn from business developments that have not progressed as planned. To this end, DSM investigates the root cause of any serious occurrence and takes steps to close the loop to eliminate the cause and start the improvement cycle. DSM subsequently communicates measures as appropriate, including applying stricter requirements or operating procedures if called for.

An example relates to hand injuries. Hand injuries are among the most common industrial injuries. Regrettably there were three such incidents involving DSM employees during the year (details below). The company took specific action to raise awareness about the importance of hand protection in the workplace and the importance of applying the company's Life Saving Rules in this respect.



Where necessary, DSM applies consequence management to individual employees based on its Code of Business Conduct. DSM does not disclose any personal details in cases involving individuals.

In line with its reporting policy on Safety, Health and Environment and security, DSM includes some serious near misses within this overview. These are incidents that did not result in injury, illness or damage, but had the potential to do so, and are therefore used as a learning opportunity. DSM furthermore recognizes that the period of reorganization that the company is undergoing puts people under stress; this is an area of attention.

## People

- At DSM Zhongken Biotechnology Co., Ltd., one employee's feet was hurt by water 90 degrees hot when he was trying to preheating the filtration frame. This led to shallow second degree burns.
- At DSM Eternal Resins (Kunshan) Co., Ltd., one contractor injured two of his fingers through slipping a bearing pedestal when assembling agitator bearing fittings.
- At DSM Engineering Plastics (Jiangsu) Co., Ltd., one contractor worker's middle finger was squeezed in between the edge of the wheel cover and the tire in the rear of a forklift when replacing the tire. He suffered a bone fracture.
- At Shandong ICD High Performance Fibres Co., Ltd., one operator's middle finger was entangled in the yarn which caused an injury that required skin surgery.
- At DSM Composite Resins (Shanghai) Ltd., one operator slipped on a slope near the Dangerous Goods Warehouse's door when cleaning the ground, which resulted in a femoral neck fracture of the left leg.
- At DSM Nanjing Chemical Corporation, two contractor workers fell off vertical stairs when falsely alarmed by water spilling from a vent above. They tried to leave the working platform in a hurry and both suffered bone fractures on the leg and back, respectively.

# Explanation of some concepts and ratios

## PEOPLE

### FI

Frequency Index: a way to measure for safety performance. The number of accidents of a particular category per 100 employees per year.

### LWC-rate DSM own

The LWC-rate DSM own is the number of lost workday cases per 100 DSM employees in the past 12 months:  $LWC\text{-rate} = 100 * (\text{number of LWCs (past 12 months)} / \text{average effective manpower (past 12 months)})$ .

### People+

DSM's People+ strategy will deliver measurably better solutions to improve the lives of people. The company has defined a new People+ framework based on broad stakeholder analyses. The dimensions of health, comfort and well-being, working conditions and community development have been identified as distinct and instrumental categories to measure People+ impact at product level. Based upon the stakeholder input DSM has designed a measurement tool, which will be further developed in collaboration with The Sustainability Consortium, customers and other stakeholders.

### REC-rate DSM all

The REC-rate DSM all is the number of recordable injuries per 100 DSM employees and contractor employees in the past 12 months:  $REC\text{-rate} = 100 * (\text{number of RECs (past 12 months)} / \text{average effective manpower including contractor employees (past 12 months)})$ .

### SHE

Safety, Health and Environment.

### United Nations Global Compact

A strategic policy initiative for businesses that are committed to aligning their operations and strategies with ten universally accepted principles in the areas of human rights, labor, environment and anti-corruption.

## Zero SHE assessment

A zero SHE assessment is a step in the integration process of newly acquired units or new joint ventures. A team led by a corporate SHE manager visits the unit and identifies and assesses the main SHE risks and compliance gaps with the DSM corporate requirements, standards and practices. The team provides recommendations to minimize and control these risks and also identifies good practices that can be of use in other DSM units. During the zero SHE assessment the team elucidates the DSM SHE requirements and supports the unit in formulating and prioritizing the actions in the SHE integration and compliance plan.

## PLANET

### Biofuel

A fuel which is derived from renewable organic resources, as distinct from one which is derived from non-renewable resources such as oil and natural gas.

### Carbon footprint

The impact of a certain activity in terms of the emission of nonrenewable CO<sub>2</sub> to the atmosphere.

### Circular economy

Circular economy refers to an economy that is restorative and in which materials flows are of two types, biological nutrients, designed to reenter the biosphere safely, and technical nutrients, which are designed to circulate at high quality without entering the biosphere throughout their entire lifecycle.

### CO<sub>2</sub>

Carbon dioxide, a gas that naturally occurs in the atmosphere. It is part of the natural carbon cycle through photosynthesis and respiration. It is also generated as a by-product of combustion. Carbon dioxide is a greenhouse gas.

## Cradle to Cradle®

A holistic economic, industrial and social framework that seeks to create solutions that are not only eco-efficient but also essentially waste free throughout their lifecycle.

## Chemical Oxygen Demand (COD)

COD is an indicator of the degree of pollution of wastewater by organic substances.

## ECO+

ECO+ solutions are products and services that, when considered over their whole life cycle, offer clear ecological benefits (in other words, a clearly lower eco-footprint) compared to the mainstream solutions they compete with. These ecological benefits can be created at any stage of the product life cycle – from raw material through manufacturing and use to potential reuse and end-of-life disposal. ECO+ solutions, in short, create more value with less environmental impact. The qualification ECO+ is based upon internal expert opinions where various impact categories are evaluated. For a growing number of products these expert opinions are supported by Life Cycle Assessments.

## Eco-efficiency

Eco-efficiency is a concept (created in 1992 by WBCSD) that refers to the creation of more goods and services while using less resources and creating less waste and pollution throughout their entire life cycle. DSM applies the concept to its ECO+ program. In the context of DSM's SHE targets, eco-efficiency relates specifically to the reduction of emissions and energy and water consumption, relative to the production volumes of DSM's plants.

## Greenhouse-gas emissions (GHGE) reduction over volume related revenue (VRR)

The GHGE definition is according to the Kyoto Protocol and includes carbon dioxide ( $\text{CO}_2$ ), methane, nitrous oxide ( $\text{N}_2\text{O}$ ), sulfur hexafluoride, hydrofluoro carbons and perfluoro carbons. VRR is net sales adjusted for changes in selling prices, exchange rates and the impact of acquisitions and divestments. GHGE/VRR is one of the ratios in the Long-Term Incentive part of the Managing Board remuneration and relates to a three-year period.

## LCA

Life Cycle Assessment (LCA) identifies the material, energy and waste flows associated with a product or process over its entire life cycle to determine environmental impacts and potential

improvements; this full life cycle approach is also referred to as 'Cradle to Grave'. It is also possible to assess a partial life cycle of a product or process with the most common type being 'Cradle to Gate' which assesses the environmental impacts of a manufacturing process without accounting for use phase or end of life impacts. There are many different environmental impact categories that can be assessed using LCA; at DSM the standard approach is to evaluate the carbon footprint and eco-footprint.

## GRI

The Global Reporting Initiative (GRI) has developed Sustainability Reporting Guidelines that strive to increase the transparency and accountability of economic, environmental, and social performance. The GRI was established in 1997 in partnership with the United Nations' Environment Programme. It is an international, multi-stakeholder and independent institution whose mission is to develop and disseminate globally applicable Sustainability Reporting Guidelines. These Guidelines are for voluntary use by organizations for reporting on the economic, environmental, and social dimensions of their activities, products, and services.

## N

Nitrogen. A mostly inert gas constituting 78% of the earth's atmosphere, nitrogen is present in all living organisms.

## $\text{N}_2\text{O}$

Nitrous oxide. A gas that is formed during combustion. When emitted to the environment, it contributes to global warming.

## $\text{NO}_x$

Nitrogen oxides. These gases are released mainly during combustion and cause acidification.

## Renewable resources

A natural resource which is replenished by natural processes at a rate comparable to, or faster than, its rate of consumption by humans or other users. The term covers perpetual resources such as solar radiation, tides, winds and hydroelectricity as well as fuels derived from organic matter (bio-based fuels).

## $\text{SO}_2$

Sulfur dioxide. This gas is formed during the combustion of fossil fuels and cause acidification.

## VOC

Volatile organic compounds. The term covers a wide range of chemical compounds, such as organic solvents, some of which can be harmful.

## PROFIT

### General

In calculating financial profitability ratios, use is made of the average of the opening and closing values of balance sheet items in the year under review. The financial indicators per ordinary share are calculated on the basis of the average number of ordinary shares outstanding (average daily number). In calculating Shareholders' equity per ordinary share, however, the number of shares outstanding at year-end is used. In calculating the figures per ordinary share and the 'net profit as a percentage of average Shareholders' equity available to holders of ordinary shares', the amounts available to the holders of cumulative preference shares are deducted from the profits and from Shareholders' equity.

### Capital employed

The total of the carrying amount of intangible assets and property, plant and equipment, inventories, trade receivables and other receivables, less trade payables and other current liabilities.

### Capital expenditure

This includes all investments in intangible assets and property, plant and equipment as well as the acquisition of subsidiaries and associates and related cash flows.

### Cash flow

Cash flow is net profit plus depreciation, amortization and impairments.

### Core earnings

Core earnings represent profit or loss from continuing operations excluding exceptional items and excluding amortization of intangible assets recognized from the application of purchase accounting for business combinations.

## Disposals

This includes the disposal of intangible assets and property, plant and equipment as well as the disposal of participating interests and other securities.

## Earnings before interest, tax, depreciation and amortization (EBITDA)

EBITDA is the sum total of operating profit plus depreciation and amortization.

## Earnings per ordinary share

Net profit attributable to equity holders of Koninklijke DSM N.V. minus dividend on cumulative preference shares, divided by the average number of ordinary shares outstanding.

## Operating working capital

The total of inventories and trade receivables, less trade payables.

## Return on capital employed (ROCE)

Operating profit as a percentage of weighted average capital employed.