

## Employment contracts

### Term of employment

The employment contracts of the members of the Managing Board appointed before 1 January 2005 have been entered into for an indefinite period of time. Newly appointed members of the Managing Board are also offered an employment contract for an indefinite period of time. The employment contract ends on the date of retirement or by notice of either party.

### Term of appointment

Members of the Managing Board appointed before 1 January 2005 are appointed for an indefinite period of time. New members of the Managing Board (appointed after 1 January 2005) will be appointed for a period of four years. Newly appointed members are subject to reappointment by the shareholders after a period of four years.

### Notice period

Termination of employment by a member of the Managing Board is subject to three months' notice. A notice period of six months will for legal reasons be applicable in the case of termination by the company.

### Severance arrangement

There are no specific contractual exit arrangements for the members of the Managing Board appointed before 1 January 2005. Should a situation arise in which a severance payment is appropriate for these Board members, the Remuneration Committee will recommend the terms and conditions. The Supervisory Board will decide upon this, taking into account usual practices for these types of situations, as well as applicable laws and corporate governance requirements.

The employment contracts of newly appointed members of the Managing Board (appointed after 1 January 2005) include an exit-arrangement provision which is in accordance with best-practice provision II.2.7 of the Dutch corporate governance code (that is, a sum equivalent to the fixed annual salary, or if this is manifestly unreasonable in the case of dismissal during the first term of office, two times the fixed annual salary).

## Remuneration policy for the Supervisory Board

The remuneration package of the Supervisory Board comprises an annual fixed fee and an annual committee-membership fee. The fixed fee for the Chairman of the Supervisory Board is € 50,000. The members of the Supervisory Board each receive a fixed fee of € 35,000. Committee membership is awarded € 5,000 per member and € 7,500 for the Chairman. Following the splitting-up of the

Nomination and Remuneration Committee into two separate committees in 2008, the membership and chairmanship fees for each of these committees were halved.

In accordance with good corporate governance, the remuneration of the Supervisory Board is not dependent on the results of the company. This implies that neither stock options nor shares are granted to Supervisory Board members by way of remuneration.

If any shareholdings in DSM are held by Supervisory Board members, they serve as a long-term investment in the company. At year-end 2008 the members of the Supervisory Board together held no shares in Royal DSM N.V.

DSM does not provide any loans to its Supervisory Board members.

## Remuneration in 2008 and changes expected in 2009

### Remuneration of Managing Board in 2008

The remuneration package for the Managing Board is subject to annual review. The market competitiveness of the remuneration package of the Managing Board for 2008 was reviewed, based on the labor-market peer group. The data reflect the July 2008 remuneration levels. All values are denominated in euros.

On-target bonus and stock-incentive grants are expressed as a percentage of base salary. The remuneration data of peer group companies are regressed to reflect the size and scope of DSM. Stock-incentive valuations are based on the Black-Scholes method.

Furthermore, data are presented as median actual levels.

### Benchmark against labor-market peer group 2008

#### Managing Board Chairman

	DSM (1 July 2008)	Peer-group median
Base salary	€ 766,000	€ 755,000
On-target bonus	60%	100%
Total cash on target	€ 1,225,600	€ 1,510,000
Annualized stock incentive value	38%	80%
Total direct compensation	€ 1,516,680	€ 2,114,000

#### Other Board members

	DSM (1 July 2008)	Peer-group median
Base salary	€ 509,000	€ 500,000
On-target bonus	60%	70%
Total cash on target	€ 814,400	€ 850,000
Annualized stock incentive value	46%	55%
Total direct compensation	€ 1,048,540	€ 1,125,000