

**KONINKLIJKE DSM N.V.**  
**CHARTER AUDIT COMMITTEE**

**Adopted by the Supervisory Board on September 8, 2004**

## INTRODUCTION

- 0.1 This Charter has been drawn up by the Supervisory Board pursuant to clause 5 of the Regulations of the Supervisory Board.
- 0.2 The Audit Committee is a standing committee of the Supervisory Board.
- 0.3 Certain capitalised or uncapitalised terms used but not defined in this Charter have the meanings given to them in the Regulations of the Supervisory Board and the List of Definitions attached to these Regulations as Annex 1.

## 1. COMPOSITION

- 1.1 The Audit Committee shall consist of 3 members. All members of the Audit Committee must also be members of the Supervisory Board. All members of the Audit Committee shall be independent within the meaning of clause 1.4 of the Regulations of the Supervisory Board, with the exception of no more than one member.<sup>1</sup>
- 1.2 At least one member of the Audit Committee shall be a financial expert, in the sense that he has relevant knowledge and experience of financial administration and accounting for listed companies or other large legal entities.<sup>2</sup>
- 1.3 The members of the Audit Committee shall be appointed and may be replaced at any time by the Supervisory Board. The Supervisory Board shall appoint one of the members of the Audit Committee as Chairman of the Audit Committee. The Audit Committee shall not be chaired by the Chairman of the Supervisory Board or by a former member of the Managing Board of the Company.<sup>3</sup>
- 1.4 The term of office of a member of the Audit Committee will generally not be set beforehand. It will, inter alia, depend on the composition of the Supervisory Board as a whole and that of other committees from time to time.
- 1.5 The Company Secretary shall act as Secretary to the Audit Committee. The Company Secretary may delegate his duties, or parts thereof, under this Charter, to a deputy appointed by him in consultation with the Chairman of the Audit Committee.

## 2. DUTIES AND POWERS

- 2.1 Working within the Supervisory Board, the Audit Committee is charged in particular with:
  - (a) the supervision of the Managing Board with respect to:<sup>4</sup>
    - (i) the operation of the internal risk management and control systems, including supervision of the enforcement of the relevant legislation and regulations, and supervising the operation of codes of conduct;

<sup>1</sup> Dutch Corporate Governance Code, best practice provision III.5.1.

<sup>2</sup> Dutch Corporate Governance Code, best practice provision III.5.7.

<sup>3</sup> Dutch Corporate Governance Code, best practice provision III.5.6.

<sup>4</sup> Dutch Corporate Governance Code, best practice provision III.5.4.

- (ii) the provision of financial information by the Company (including but not limited to the choice of accounting policies, application and assessment of the effects of new rules, information about the treatment of estimated items in the Annual Accounts, forecasts, work of internal and external auditors, etc.);
  - (iii) compliance with recommendations and observations of internal and external auditors;
  - (iv) the role and functioning of the operational audit department;
  - (v) the policy of the Company on tax planning;
  - (vi) relations with the External Auditor, including, in particular, his independence, remuneration and any non-audit services carried out by him for the Company (see also clause 3 below);
  - (vii) the financing of the Company; and
  - (viii) the application of information and communication technology (ICT);
- (b) to give advice to the Supervisory Board on the nomination by the Supervisory Board to the General Meeting of Shareholders for the appointment of the External Auditor;<sup>5</sup>
  - (c) where necessary, to make proposals to the Supervisory Board on the policy applied in respect of the independence of the External Auditor and possible (potential) conflicts of interest between the External Auditor and the Company; and
  - (d) to prepare meetings of the Supervisory Board with the Managing Board where the annual report, the Annual Accounts, the half-yearly and the quarterly figures of the Company are discussed.
- 2.2 Each member of the Audit Committee has access to all relevant books, records and offices of the Company.
- 2.3 When one or more experts appointed by it at a price agreed upon with the Audit Committee, which will be paid by the Company.
- 2.4 While the Audit Committee has the responsibilities and powers set forth in this Charter, it is not the duty of the Audit Committee to plan or conduct audits or to determine that the Company's financial statements and disclosures are complete and accurate and are in accordance with generally accepted accounting principles and applicable rules and regulations.
- 2.5 The Audit Committee may only exercise such powers as are explicitly attributed or delegated to it by the Supervisory Board and may never exercise powers beyond those exercisable by the Supervisory Board as a whole.

<sup>5</sup> Dutch Corporate Governance Code, Principle V.2.

### 3. DUTIES REGARDING THE EXTERNAL AUDITOR

- 3.1 The Audit Committee shall act as the principal contact for the External Auditor if he discovers irregularities in the content of the financial reports.<sup>6</sup>
- 3.2 The remuneration of the External Auditor and instructions to the External Auditor to provide non-audit services shall be approved by the Supervisory Board on the recommendation of the Audit Committee and after consultation with the Managing Board.<sup>7</sup> The approval for the performance of non-audit work is given with due observance of the policy of the Supervisory Board regarding the independence of the External Auditor as laid down in Annex 6 to the Regulations of the Supervisory Board.
- 3.3 The Audit Committee, after consultation of the Managing Board, shall determine how the External Auditor should be involved in the content and publication of financial reports of the Company other than the Annual Accounts.<sup>8</sup>
- 3.4 The Audit Committee shall request that the External Auditor include in his report the matters which the External Auditor wishes to bring to the attention of the Managing Board and the Supervisory Board in relation to his audit of the Annual Accounts and the related audits.
- 3.5 Supplementary to the Managing Board's assessment thereof, once every four years the Audit Committee shall conduct a thorough assessment of the functioning of the External Auditor in the different capacities in which he acts. The main conclusions of this assessment shall be communicated to the General Meeting of Shareholders.<sup>9</sup>
- 3.6 The Audit Committee and the External Auditor shall be involved in drawing up the work schedule of the operational audit department. They shall also take cognisance of the findings of the operational audit department.<sup>10</sup>

### 4. MEETINGS

- 4.1 The Audit Committee shall meet as often as required for a proper functioning of the Audit Committee. The Audit Committee shall meet at least four times a year. The Audit Committee can meet with the External Auditor without the Managing Board being present.<sup>11</sup> The meetings are as much as possible scheduled annually in advance and are held as far as possible shortly before the meetings of the Supervisory Board. The Audit Committee shall meet earlier if this is deemed necessary by the Chairman of the Audit Committee or by two other members of the Audit Committee.
- 4.2 Meetings of the Audit Committee are in principle called by the Secretary of the Audit Committee in consultation with the Chairman of the Audit Committee. Save in urgent cases, to be determined by the Chairman of the Audit Committee, the agenda for the meeting shall be sent at least five working days before the meeting to all members of the Audit Committee. To the extent possible, written explanations and/or other related documents will be enclosed for each item on the agenda. If the members of the Audit Committee agree meetings can also

<sup>6</sup> Dutch Corporate Governance Code, best practice provision III.5.5.

<sup>7</sup> Dutch Corporate Governance Code, Principle V.2.

<sup>8</sup> Dutch Corporate Governance Code, best practice provision V.1.2.

<sup>9</sup> Dutch Corporate Governance Code, best practice provision V.2.3.

<sup>10</sup> Dutch Corporate Governance Code, best practice provision V.3.1.

<sup>11</sup> Dutch Corporate Governance Code, best practice provision III.5.9.

be held via conference call. Members may mandate other members to represent them in meetings.

- 4.3 The Audit Committee shall decide if and when the Chairman of the Managing Board, the member of the Managing Board for the financial function, the External Auditor and/or the head of the Operational Audit Department should attend its meetings.<sup>12</sup> In addition, independent experts may be invited to attend meetings of the Audit Committee. Each member of the Supervisory Board may attend meetings of the Audit Committee.
- 4.4 The Audit Committee, after consultation of the Managing Board, may require any officer or employee of the Company, its external legal advisers or the External Auditor to attend a meeting of the Audit Committee or to consult with members or advisers of the Audit Committee.
- 4.5 When the need arises, the External Auditor may request the Chairman of the Audit Committee to allow him to attend a meeting of the Audit Committee.<sup>13</sup>
- 4.6 The Secretary of the Audit Committee or any other person designated for such purpose by the chairman of the meeting shall draw up minutes of the meeting of the Audit Committee.

## 5. REPORTING TO THE SUPERVISORY BOARD

- 5.1 The Audit Committee must inform the Supervisory Board in a clear and timely manner about the way it has used delegated powers and of major developments in the area of its responsibilities.
- 5.2 The Audit Committee shall report annually, and earlier if required, to the Supervisory Board on its dealings with the External Auditor, in particular on the Audit Committee's views of the External Auditor's independence (including the desirability of rotation of the responsible partners of the External Auditor and of whether the External Auditor who is charged with the audit should also carry out non-audit work for the Company).<sup>14</sup>
- 5.3 The Audit Committee shall provide the Supervisory Board with a report of its deliberations, findings and recommendations.<sup>15</sup> The reports of meetings of the Audit Committee are distributed among all members of the Supervisory Board as soon as possible after the meeting concerned.
- 5.4 If requested, the Chairman of the Audit Committee shall at meetings of the Supervisory Board provide the Supervisory Board with further information on the outcome of the discussions of the Audit Committee.
- 5.5 Every Supervisory Board member has unrestricted access to all records of the Audit Committee. A member of the Audit Committee shall exercise this right in consultation with the Chairman of the Audit Committee and the Company Secretary.

<sup>12</sup> Dutch Corporate Governance Code, best practice provision III.5.8.

<sup>13</sup> Dutch Corporate Governance Code, best practice provision V.4.2.

<sup>14</sup> Dutch Corporate Governance Code, best practice provision V.2.2.

<sup>15</sup> Dutch Corporate Governance Code, best practice provision III.5.3.

**6. MISCELLANEOUS**

- 6.1 The Chairman of the Audit Committee (or one of the other Audit Committee members) shall be available to answer questions regarding the Audit Committee's activities at the annual General Meeting of Shareholders.
- 6.2 The Supervisory Board may occasionally decide at its sole discretion not to comply with this Charter, subject to applicable law and regulations.
- 6.3 The Audit Committee shall review and re-assess the adequacy of this Charter annually, report its assessment to the Supervisory Board and recommend, where appropriate, any proposed changes to the Supervisory Board.
- 6.4 The Supervisory Board can at all times amend this Charter and/or revoke any powers granted by it to the Audit Committee.
- 6.5 Clauses 24.4 to 24.7 inclusive of the Regulations of the Supervisory Board apply by analogy to the Audit Committee, while for the application of this Charter the power of the Supervisory Board or the Chairman of the Supervisory Board referred to in these Clauses is considered a power of the Supervisory Board or the Chairman of the Supervisory Board.
- 6.6 The annual report of the Supervisory Board as referred to in clause 9.2 of the Regulations of the Supervisory Board shall state the composition of the Audit Committee, the number of meetings held by the Audit Committee and the main issues dealt with at these meetings.<sup>16</sup>
- 6.7 This Charter and the composition of the Audit Committee are posted on the Company's website.<sup>17</sup>

<sup>16</sup> Dutch Corporate Governance Code, best practice provision III.5.2.

<sup>17</sup> Dutch Corporate Governance Code, best practice provision III.5.1.