

Report by the Supervisory Board

Supervisory Board report

The composition of the Supervisory Board changed during the year under review. Mr. Henk Bodt stepped down at the Annual General Meeting of Shareholders as he had served the maximum term of 12 years on the Supervisory Board. The Supervisory Board is grateful to Mr. Bodt for his commitment to the company during his membership and his constructive and valuable contribution to the Board's work. The General Meeting of Shareholders appointed Mrs. Louise Gunning-Schepers as a new member of the Supervisory Board and reappointed Mr. Cor Herkströter and Mr. Ewald Kist. The Supervisory Board appointed Mr. Ewald Kist as its Deputy Chairman, succeeding Mr. Henk Bodt.

The Supervisory Board held six meetings in the presence of the Managing Board during the year under review. Each of these meetings was preceded by a Supervisory Board meeting without the Managing Board being present. The subjects discussed in these regular Supervisory Board meetings outside the presence of the Managing Board included the establishment and the outcome of the Managing Board bonus targets and the Managing Board overall remuneration package and a proposal to the Annual General Meeting of Shareholders in 2009 to adjust the remuneration policy for the members of the Managing Board. These subjects were all prepared by the Remuneration Committee. In addition to remuneration subjects, these Supervisory-Board-only meetings were also used for pre-discussion of for instance corporate governance issues. The Supervisory Board also devoted a separate meeting to its profile, composition and functioning. The meeting concluded that all members of the Supervisory Board were independent, as defined by the Dutch corporate governance code, and that the competences of its individual members in aggregate were in line with the Board's profile. At the same meeting the Managing Board's composition and performance and the performance of its individual members were also discussed.

The Supervisory Board meetings in 2008 were all attended by at least six of the seven members. None of the Supervisory Board members was regularly absent.

The composition of the Audit Committee changed in 2008. Mr. Henk Bodt stepped down, Mr. Tom de Swaan took over the chairmanship and Mr. Ewald Kist was appointed as a member. The Audit Committee, thus consisting of Messrs. Tom de Swaan (chairman), Claudio Sonder and Ewald Kist, held eight meetings in 2008. Five meetings were specifically devoted to discussing and approving the content of press releases on financial results and guidances for the full-year

results. During the other three regular meetings various subjects were discussed; the external auditor was in attendance at these meetings, and the internal – operational – auditor was present or represented as well. The main topics of discussion during these meetings were the adoption of the group's financial statements, the external auditor's comments and their assessment of DSM's systems such as internal control and ICT. The Audit Committee discussed and endorsed the dividend proposal for the year 2007. The Committee acknowledged the receipt of the independence letter of the external auditor. The Committee discussed the work of the Corporate Operational Audit department and approved its audit plan. The review of strategic and operational risks reported by the business groups was discussed as well as the follow-up actions following the Corporate Risks Assessment 2007. The Committee discussed the wish voiced in the 2008 Annual General Meeting of Shareholders to further increase the quantification of the risk disclosures and endorsed the decision of the Managing Board not to do so for competitive reasons. The system and status of the Letters of Representation issued by the managers directly reporting to the Managing Board were evaluated. An assessment of the performance of the external auditors Ernst & Young Accountants was discussed. The Committee discussed at year-end the potential accounting issues for 2008 and observations by the external auditor regarding their assessment of internal control at DSM as well as some recommendations. The status of the whistle-blower system was discussed. The adequacy of the charter of the Audit Committee was reassessed; no recommendations were made for any changes.

The Audit Committee had its regular private discussion with the auditors without members of the Managing Board being present.

The Chairman of the Audit Committee verbally reported the main issues discussed to the Supervisory Board in their subsequent meeting. The Audit Committee furthermore provided the Supervisory Board with written reports on its deliberations, findings and recommendations. These reports were distributed among all members of the Supervisory Board.

The composition of the Nomination and Remuneration Committee changed in 2008. Mr. Ewald Kist stepped down and was succeeded by Mr. Pierre Hochuli. In 2008 the combined Nomination and Remuneration Committee was formally split into two separate committees, both consisting of Messrs. Cor Herkströter (chairman), Cees van Woudenberg and Pierre Hochuli.

The Nomination Committee met once in 2008. The Committee recommended Mrs. Louise Gunning-Schepers as a successor of Mr. Henk Bodt. The Committee also discussed longer-term developments regarding the composition of the Supervisory Board and the succession planning for the Managing Board and the top executives within the company. The Chairman of the Nomination Committee verbally reported the issues discussed to the Supervisory Board in their subsequent regular Supervisory Board meetings outside the presence of the Managing Board.

The Remuneration Committee met five times in 2008. On behalf of the Supervisory Board the Committee prepared an overview of the manner in which the remuneration policy was implemented in the year 2008 as well as an overview of the remuneration policy for the Managing Board members in subsequent years. The Committee prepared proposals to the full Supervisory Board on the realization of the 2007 targets, the short-term incentive targets for 2008 and an increase in the base salary of the Managing Board with effect from 1 July 2008. These proposals were adopted by the Supervisory Board. Information on DSM's remuneration policy is to be found on page 68 of this annual report and is posted on the company's website.

As a consequence of *Vision 2010* as well as some comments by institutional investors during the Annual General Meeting of Shareholders on 26 March 2008 the Supervisory Board decided to review in particular the variable compensation elements (bonus and stock incentives) of the remuneration policy for the Managing Board. The Remuneration Committee prepared a proposal to the full Supervisory Board to adjust the bonus scheme to further strengthen the alignment of the bonus-related financial targets with *Vision 2010* and to adjust the Total Shareholder Return (TSR) vesting scheme. The Supervisory Board adopted the proposals; the proposal to adjust the TSR vesting scheme is to be submitted for approval to the 2009 Annual General Meeting of Shareholders. Information regarding changes to the remuneration policy expected in 2009 is to be found later in this chapter.

The Remuneration Committee provided the Supervisory Board with written reports on its deliberations, findings and recommendations. These reports were distributed among all members of the Supervisory Board.

Six regular Supervisory Board meetings were held in 2008. The Supervisory Board and the Managing Board discussed company matters on a regular basis during the year under review. One of the issues discussed was DSM's executive development and succession planning for the top executives

within the company. Also various aspects of the alignment of the organization with the *Vision 2010* strategy as well as the progress made in this alignment were discussed.

The financial results recorded by the various units and developments at these units were discussed at every meeting. Special attention was paid to the consequences of the financial crisis that became apparent as from October 2008. The Supervisory Board discussed and monitored various aspects concerning the progress of the implementation of the *Vision 2010 – Building on Strengths* strategy program adopted in 2005 and the acceleration of the shift to a specialty Life Sciences and Materials Sciences company. The Board discussed the Annual Strategic Review which included an assessment by the Managing Board of the main risks to the company.

The Supervisory Board held discussions with the Managing Board on possible future acquisitions that would fit in with the strategy, one of the aims being to strengthen the Nutrition and Performance Materials clusters, and approved the exploration of possible acquisitions fitting into this strategy. The Supervisory Board was regularly updated on the progress of the so-called Batavia project aimed at cooperation with NCPC (North China Pharmaceutical Group Corporation) in vitamin C and in anti-infectives and granted an amended mandate for the set-up of the agreements. The Supervisory Board approved the acquisition of The Polymer Technology Group active in the biomedical sector. The Board approved DSM Dyneema investment proposals.

The Board was regularly updated on the progress of the so-called Pearl divestment project regarding the sale of DSM Agro, DSM Melamine, DSM Elastomers and Urea Licensing. The Supervisory Board discussed and approved the proposal to close the IJmuiden (Netherlands) fertilizer plants of DSM Agro. The Board also approved the closure of the Nutritional Products site in Wuxi (China). The Board gave the mandate to dispose of the DSM Special Products business and approved the sale of the Side Chains business unit, part of DSM Anti-Infectives, to the management of DSM Deretil in Spain. The Board discussed and approved a restructuring program for DSM Pharmaceutical Products aimed at improving top line growth and cost reduction.

The Supervisory Board discussed and approved the (Revised) Capital Expenditure Plan and the Financing and Guarantee Plan for 2008.

Report by the Supervisory Board

The Supervisory Board approved the proposal to re-open the existing € 300 million bond issued in 2005 and increase the outstanding amount from € 300 million to € 500 million.

The Board approved a proposal to the Annual General Meeting of Shareholders in March 2008 to adopt a resolution for the annual report for the financial year 2008 and subsequent years to be drawn up in English. The Board also approved the proposal to increase the dividend per ordinary share for 2007 by 20% and the proposal made to the Annual General Meeting of Shareholders regarding the final dividend to be paid out for 2007. The Supervisory Board approved the interim dividend to be paid for 2008.

As in previous years, the Supervisory Board invited managers from a number of DSM business groups and corporate staff and services departments to its meetings, to present relevant developments in their units in person. The Supervisory Board visited DSM Pharmaceutical Products' site in Linz (Austria) and was updated by local management on the business and production activities.

Discussions were held with the external auditor, Ernst & Young Accountants, about the financial statements for 2008. The Report by the Managing Board and the financial statements for 2008 were submitted to the Supervisory Board by the Managing Board, in accordance with the provisions of Article 30 of the Articles of Association, and subsequently approved by the Supervisory Board in its meeting on 17 February 2009. The financial statements were audited by Ernst & Young Accountants, who issued an unqualified opinion (see page 148 of this report). The Supervisory Board concluded that the external auditor was independent of DSM.

We submit the financial statements to the Annual General Meeting of Shareholders, and propose that the shareholders adopt them and discharge the Managing Board from all liability in respect of its managerial activities and the Supervisory Board from all liability in respect of its supervision of the Managing Board. The profit appropriation as approved by the Supervisory Board is presented on page 149 of this report.

Despite increasing economic headwinds, DSM succeeded in recording good results for 2008. The Supervisory Board wishes to express its sincere appreciation for all the efforts made by the employees and the Managing Board.

Remuneration policy regarding the Managing Board and the Supervisory Board

This chapter comprises two parts. The first part outlines the remuneration policy as approved in 2005 and adapted in 2008 by the Annual General Meeting of Shareholders. The second part contains details of the remuneration in 2008 and expected changes in 2009.

Remuneration policy

The objective of DSM's remuneration policy is to attract, motivate and retain the qualified and expert individuals that the company needs in order to achieve its strategic and operational objectives.

- DSM strives for a high performance in the field of sustainability and aims to maintain a good balance between economic gain, respect for people and concern for the environment in accordance with the Triple P concept (People, Planet, Profit). The remuneration policy reflects a balance between the interests of DSM's main stakeholders as well as a balance between the company's short-term and long-term strategy. In the light of the remuneration policy, the structure of the remuneration package for the Managing Board is designed to balance short-term operational performance with the long-term objective of creating sustainable value within the company, while taking account of the interests of all stakeholders.
- To ensure that highly skilled and qualified senior executives can be attracted and retained, DSM aims for a total remuneration level that is comparable to levels provided by other (predominantly Dutch) multinational companies that are similar to DSM in terms of size and complexity. For that purpose, external reference data are used.
- The remuneration policy for the members of the Managing Board is aligned with the remuneration of other senior executives of DSM.
- In designing and setting the levels of remuneration for the Managing Board, the Supervisory Board also takes into account the relevant provisions of statutory requirements, corporate governance guidelines and other best practices applicable to DSM. DSM's policy is to offer the Managing Board a total direct compensation comparable with the median of the (predominantly Dutch) labor-market peer group.

Labor-market peer group

In order to be able to recruit the right caliber of people for the Managing Board and to secure long-term retention of the current Board members, DSM has taken external reference data into account in determining adequate salary levels. For that purpose, a specific labor-market peer group has been defined which consists of a number of Dutch and some European companies that are more or less comparable to DSM in terms of size, international scope and business portfolio.

The labor-market peer group currently consists of the following twelve companies:

Aegon	Nutreco
AkzoNobel	Océ
Ciba ¹	Rhodia
Clariant	Solvay
Heineken	TNT
KPN	Wolters Kluwer

¹ Will be eliminated from the peer group and replaced due to the expected de-listing of the company.

Professional independent remuneration experts (Towers Perrin, Amsterdam) have adapted the raw data of the peer-group companies using a statistical empirical model, so as to make them comparable with a company the size of DSM, with the associated scope and responsibilities of the Managing Board. Peer-group data are updated on an annual basis. The peer group is verified by the Supervisory Board each year based on market circumstances (mergers, acquisitions) which determine the appropriateness of the composition of the labor-market peer group.

DSM operates in a competitive international industry. Therefore, DSM will also closely monitor industry and company-specific international developments with respect to remuneration.

Below, the various remuneration components are addressed separately.

Base salary

On joining the Board, the Managing Board members receive a base salary that is comparable with the median of the labor-market peer group. Every year base-salary levels are reviewed. Adjustment of the base salary is at the discretion of the Supervisory Board, which takes into account external and internal developments.

Bonus

Managing Board members can earn a bonus amounting to 60% of their annual base salary for on-target performance. Under the bonus plan, the part of the bonus that is related to financial targets accounts for 42% of base salary, which can increase to 84% in the case of an exceptionally good financial performance.

The part of the bonus that is not related to financial targets accounts for 18% of the base salary and cannot increase beyond that. Targets are defined in the areas of the company's strategic development and Triple P, among other things.

Bonus part linked to financial targets

The part of the bonus that is linked to financial targets includes elements related to operational performance, being operating profit (EBIT), net cash and net sales growth (organic), reflecting short-term financial results.

The weighting given to the individual financial elements in the bonus is as follows: EBIT 21%, net cash 12% and net sales growth 9% of annual base salary for on-target performance.

Targets	On-target pay-out (% of base salary)	Maximum pay-out (% of base salary)
Financial targets:		
- Operating profit	21	42
- Net cash	12	24
- Net sales growth	9	18
Non-financial targets:		
- Shared	12	12
- Individual	6	6
Total	60	102

Operational performance

Three financial-target-related bonus elements can be derived from the financial statements:

- Operating profit: EBIT before exceptional items
- Net cash, defined as cash provided by operating activities
- Net sales growth, excluding currency fluctuation

Targets are determined each year by the Supervisory Board, based on historical performance, the operational and strategic outlook of the company in the short term and expectations of the company's management and stakeholders, among other things. The targets contribute to the realization of the objective of long-term value creation.

Report by the Supervisory Board

The company does not disclose the actual targets, as they qualify as commercially sensitive information.

Stock incentives

The Managing Board members are eligible to receive performance-related stock options and shares. Both stock options and performance shares operate on the basis of the same performance schedule.

The vesting of stock options and performance shares is conditional on the achievement after three years of previously determined target levels of total shareholder return (TSR) compared to the peer group (see also table below).

The Chairman will receive 10,000 performance shares and 37,500 performance options; the members of the Board will receive 8,000 performance shares and 30,000 performance options.

Exercise price

The stock options and shares are granted on the first 'ex-dividend' day following the Annual General Meeting of Shareholders at which DSM's financial statements are adopted. The exercise price of the stock incentives is equal to the opening price of the share on the date of grant at Euronext Amsterdam.

TSR as a performance measure

DSM's TSR performance is compared to the average TSR performance of a set of pre-defined peer companies.

The TSR peer group for 2008 consists of the following companies:

AkzoNobel	Lanxess
BASF	Lonza Group
Ciba ¹	Novozymes
Clariant	Rhodia
Danisco	Solvay
EMS Chemie Holding	

¹ Will be eliminated from the peer group and replaced due to the expected de-listing of the company.

The peer group used for benchmarking TSR performance reflects the relevant market in which DSM competes for shareholder preference. It includes sector-specific competitors that the Supervisory Board considers to be suitable benchmarks for DSM.

The peer group is verified by the Supervisory Board each year based on market circumstances (mergers, acquisitions) that determine the appropriateness of the composition of the performance peer group. Depending on DSM's performance compared to the peer group a certain number of options will become exercisable and a certain number of shares will be unconditionally awarded. The stock options can be kept for a maximum of eight years (including the three-year vesting period) while the shares shall be retained by the members of the Managing Board for a period of at least five years (after the three-year vesting period) or at least until termination of employment if this period is shorter. The final performance of DSM versus its peers will be determined and validated by a bank and audited by the external auditor at the end of the performance period.

Performance incentive zone

The number of options and shares that become unconditional after three years is determined on the basis of DSM's performance relative to the average TSR performance of the peer group. The difference between DSM's performance and the peer group's performance (in percentage points) determines the vesting.

The following table gives an overview of the vesting conditions.

DSM performance minus peer-group performance in % points	Percentage of stock incentives that vest
≥ 20	100
≥ 10 and < 20	75
≥ (10) and < 10 (target)	50
≥ (20) and < (10)	25
< (20)	0

For the 2009 TSR vesting scheme see the discussion of changes expected in 2009 at the end of this chapter.

Pensions

The members of the Managing Board are participants in the Dutch pension fund Stichting Pensioenfonds DSM Nederland (PDN). PDN operates similar pension plans for various DSM companies. The pension provision of the Managing Board is equal to the pension provision for the employees of DSM Limburg B.V. and DSM Executive Services B.V. employed in the Limburg area.

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

Report by the Supervisory Board

Base salary in 2008

The Supervisory Board reviewed whether circumstances justified an adjustment of the base-salary levels. Based on the benchmark against the peer group, it was concluded that the base salary for the chairman was well below the median whilst the salaries of the other members of the Managing Board were around the median level.

As stated in the 2007 annual report, it was decided to close the gap with the median of the benchmark in 2008. As a consequence the Supervisory Board decided in 2007 to increase the base salary of the chairman of the Managing Board by an extra 10% with effect from 1 January 2008 to close the gap with the median of the market, as already mentioned in the 2007 annual report.

External and internal circumstances justified a general increase in the base salary of the Managing Board of 3.0% as of 1 July 2008 to compensate for inflation and to reflect market developments.

Bonus for 2008

Bonus targets are revised annually so as to ensure that they are stretching but realistic. Considerations regarding the performance targets are influenced by the operational and strategic course taken by the company and are directly linked to the company's ambitions. The targets are determined at the beginning of the year for each Board member.

Target bonus level and pay-out

When they achieve all their targets, Managing Board members receive a bonus of 60% of their annual base salary. Outstanding performance can increase the bonus level to 102% of the annual base salary.

The 2008 annual report presents the bonuses that have been earned on the basis of results achieved in 2008. These bonuses will be paid out in 2009.

The Supervisory Board has established the extent to which the targets for 2008 were achieved. The realization of the 2008 financial bonus targets has been reviewed by Ernst & Young Accountants. Furthermore, Ernst & Young has reviewed the process with respect to the target setting and realization of the non-financial bonus targets. The targets relating to the group's financial performance were all met and even exceeded. The other, non-financial targets were almost fully achieved. The average realization percentage was 97.3%.

See the next page for a tabular overview of the actual bonus pay-out per individual Board member in 2008.

Stock options and performance shares in 2008

In 2008 performance-related stock options and performance shares were granted to the Managing Board on 28 March 2008 at an exercise price of € 29.79. The table below shows the number of stock incentives granted to the individual Board members:

	Number of stock incentives granted	
	Stock options	Performance shares
Feike Sijbesma	37,500	10,000
Jan Zuidam	30,000	8,000
Nico Gerardu	30,000	8,000
Rolf-Dieter Schwalb	30,000	8,000
Stephan Tanda	30,000	8,000

Pensions in 2008

The members of the Managing Board are participants in the Dutch pension fund Stichting Pensioenfonds DSM Nederland (PDN).

The pension scheme (revised as of 1 January 2006) comprises the following elements:

- Retirement age 65 years (early retirement possible only by actuarial reduction of pension rights).
- The scheme includes a spouse pension as well as a disability pension.
- Annual accrual of pension rights (old-age pension) over base salary exceeding € 12,209 (reviewed annually) at a rate of 2%.
- Employee's contribution of 2.5% of base salary up to € 53,660 and 6.5% of pensionable salary above this amount (to be reviewed annually).
- Conditional defined benefit: indexation of pensions and pension rights, conditional depending on PDN's cover ratio.

Members of the Managing Board born before 1 January 1950 (Mr. Zuidam) continue to participate in the old pension plan. Other Board members participate in the revised PDN pension plan (due to changed legislation on pre-pensions). For Mr. Sijbesma a transitional arrangement is applicable.

Loans

DSM does not provide any loans to members of the Managing Board.

Purchasing shares

As announced in the press release on the third-quarter results of 2007, all members of the Managing Board have decided to purchase more shares in the company to emphasize their confidence in the strategy. These share purchases are private transactions with private money. At year-end 2008 the members of the Managing Board together held 23,027 shares in Royal DSM N.V.

Total remuneration

The total remuneration (including pension costs relating to current and former Board members) of the Managing Board amounted to € 4.6 million in 2008 (2007: € 3.8 million). The increase of € 0.8 million was mainly due to higher bonus pay-out and pension expenditures.

Overview of remuneration awarded to the Managing Board in 2008

The tables below show the remuneration awarded to the Managing Board in 2008.

Fixed annual salary

in €	1 July 2008	1 July 2007
Feike Sijbesma	766,000	676,000
Jan Zuidam	509,000	494,000
Nico Gerardu	509,000	494,000
Rolf-Dieter Schwalb	509,000	494,000
Stephan Tanda	509,000	494,000

Bonus

in €	2008 ¹	2007 ²
Feike Sijbesma	735,930	395,633
Jan Zuidam	481,440	317,200
Nico Gerardu	496,485	317,200
Rolf-Dieter Schwalb	483,948	317,200
Stephan Tanda (as from 1 May 2007)	488,963	212,767

¹ Based on results achieved in 2008 and therefore payable in 2009

² Bonus paid in 2008 based on results achieved in 2007

Pensions

in €	Pension costs (employer)		Accrued pension as of age 65	
	2008 ¹	2007 ²	31 Dec. 2008	31 Dec. 2007
Feike Sijbesma	56,532	-	331,487	167,562
Jan Zuidam	35,232	-	272,809	256,509
Nico Gerardu	38,272	-	282,294	261,615
Rolf-Dieter Schwalb	38,272	-	21,681	11,755
Stephan Tanda	38,272	-	38,543	28,208 ³

¹ Partial pension discount

² Discount on employer contribution

³ Including additional accrual (one-off) for compensation of loss of pension from previous employer

Overview of remuneration awarded to the Supervisory Board in 2008

In the following table an overview is given of the remuneration awarded to the Supervisory Board in 2008.

Supervisory Board remuneration in 2008

in €	Annual fixed fee	Committee fee	Total
Cor Herkströter, chairman	50,000	7,500	57,500
Henk Bodt, deputy chairman (until 26 March 2008)	8,750	1,875	10,625
Ewald Kist, deputy chairman (as from 26 March 2008)	35,000	5,000	40,000
Louise Gunning- Schepers (as from 26 March 2008)	26,250	-	26,250
Pierre Hochuli	35,000	3,750	38,750
Claudio Sonder	35,000	5,000	40,000
Tom de Swaan	35,000	6,875	41,875
Cees van Woudenberg	35,000	5,000	40,000
Total	260,000	35,000	295,000

Changes expected to the remuneration policy in 2009 for the Managing Board

As a consequence of *Vision 2010* as well as some comments made by institutional investors during the Annual General Meeting of Shareholders on 26 March 2008 the Supervisory Board decided to review the remuneration policy for the Managing Board.

Report by the Supervisory Board

This review predominantly addressed the variable compensation elements (bonus and stock incentives).

Bonus

To further strengthen the alignment of the bonus-related financial targets with *Vision 2010* and in line with requests and remarks made by shareholders during the 2008 Annual General Meeting of Shareholders, the Supervisory Board has decided to include in the bonus scheme for the Managing Board only two financial targets related to *Vision 2010*, namely EBIT and organic sales growth.

Net cash as a target will be discontinued because of the complexity of target setting for this element.

Therefore the pay-out scheme will be adjusted as shown below:

	On-target pay-out (% of base salary)	Maximum pay-out (% of base salary)
Financial targets:		
- EBIT	30	60
- Net sales growth (organic)	12	24
Non-financial targets:		
- Shared	12	12
- Individual	6	6
Total	60	102

Stock incentives

During the Annual General Meeting of Shareholders on 26 March 2008 shareholders made comments on the TSR scheme for vesting of stock incentives.

The current performance incentive zone (TSR) for stock incentives allows pay-out ('vesting') for below-median performance versus the peer group.

The Supervisory Board agreed to review the TSR vesting scheme.

A proposal for 2009 will be submitted to the 2009 Annual General Meeting of Shareholders to adjust the TSR vesting scheme as follows:

TSR vesting scheme

DSM performance minus peer-group performance in % points	Percentage of stock incentives that vest	
	Current plan	Proposal
≥ 30%	100	150
≥ 25% and < 30%	100	133
≥ 20% and < 25%	100	117
≥ 15% and < 20%	75	100
≥ 10% and < 15%	75	83
≥ 5% and < 10%	50	67
≥ 0% and < 5%	50	50
≥ (10%) and < 0%	50	0
≥ (20%) and < (10%)	25	0

The expected value of the stock incentives in the proposed TSR scheme will not change, whilst vesting for below-median performance will no longer be possible.

The remuneration policy for the Managing Board (as approved by the Annual General Meetings in 2005 and 2008) is to offer a total direct compensation (base salary, bonus and stock incentives) at the median of the labor market peer group. The annualized stock incentive value for the Managing Board is below the median of the peer group.

In Q3 2008 the Supervisory Board concluded that a first step in closing the gap with the peer group should be implemented. A proposal to increase the number of stock incentives has been prepared. However, in the context of the current economic climate, the Supervisory Board and Managing Board agreed that such a proposal would not be appropriate at this moment. An adjustment of the number of stock incentives will be proposed once it is more appropriate.

The Managing Board has decided to request the Supervisory Board not to increase their base salaries in 2009. For DSM's almost 400 executives worldwide it has been decided not to implement general salary increases in 2009.

Recommendations from corporate governance code

In response to the recently amended Dutch corporate governance code (December 2008) the Supervisory Board assessed to what extent DSM was compliant in terms of remuneration aspects and which recommendations will require further consideration in the course of 2009.

Currently DSM complies with the majority of the recommendations.

The position taken by DSM with respect to the key recommendations is as follows:

- The Supervisory Board closely supervises the independence of the Remuneration Committee and the external remuneration consultant (Towers Perrin) in relation to the Managing Board as a key feature in the process for determining remuneration.
- The Supervisory Board applies internal guidelines for the total remuneration package of the members of the Managing Board. In the event of a change of ownership, the Supervisory Board, at its discretion, will take such measures as are reasonably necessary to control the total remuneration potentially to be received by members of the Managing Board. In the course of 2009, the Supervisory Board intends to define more precise remuneration criteria which would apply in a change-of-control situation.
- The Supervisory Board monitors the accuracy of the (financial) data on the basis of which variable pay is granted. Before unconditionally granting variable pay to a member of the Managing Board, the Supervisory Board evaluates the consequences of doing so, from the point of view of reasonableness and fairness, taking the values of the societies in which the company operates into consideration.
- It is the intention of the Supervisory Board to continuously improve communication to all stakeholders about the remuneration policy and its results. In the 2009 annual report we will further report in more detail on compliance with the revised governance code.

Heerlen, 17 February 2009

The Supervisory Board

Cor Herkströter, chairman
Ewald Kist, deputy chairman
Louise Gunning-Schepers
Pierre Hochuli
Claudio Sonder
Tom de Swaan
Cees van Woudenberg