

Annual General Meeting of Shareholders

On 26 March 2008 the Annual General Meeting of Shareholders was held. The agenda was to a large extent similar to that of previous years. A special item on the agenda was a resolution for the annual report and financial statements for the financial year 2008 and subsequent years to be drawn up in English. All resolutions that were tabled were passed.

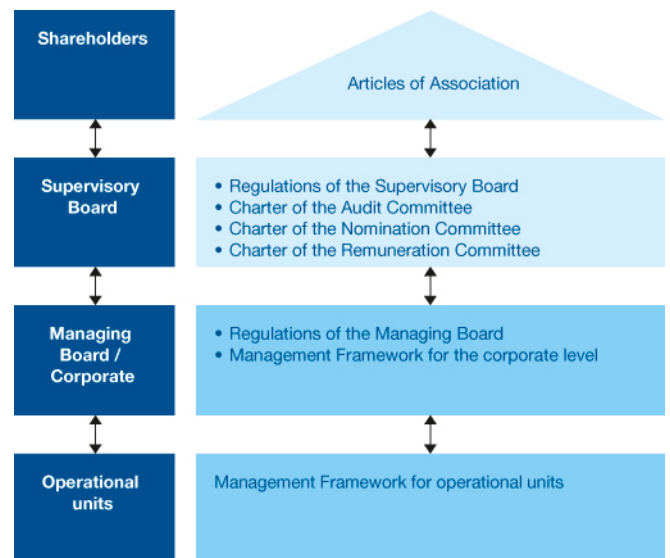
Governance framework

DSM's business-steering model remained unchanged in 2008, after having been adapted to the *Vision 2010* strategy in 2006. The business groups are the main building blocks of the organization; they have integral long-term and short-term business responsibility and have at their disposal all functions that are crucial to their business success. In order to facilitate selective leveraging of expertise and implementation capabilities in the approach to markets, products and technologies, business groups with the most important commonalities in these areas are grouped into clusters. The business groups within a specific cluster report to a member of the Managing Board. This Board member has the responsibility of managing synergy within the cluster. In order to ensure sufficient independence with regard to financial management, the Chief Financial Officer has no business groups reporting to him.

The Management Framework for the corporate level provides a description of the relations between the main building blocks mentioned above and geographical and functional management. It also describes the most important (decision) processes, responsibilities and 'rules of the game' at the Managing Board and corporate staff levels and includes the governance relations with the next-higher levels (Supervisory Board / shareholders) and the operational units.

In 2008, the framework was adapted to reflect the transition from four to five clusters (Nutrition, Pharma, Performance Materials, Polymer Intermediates and Base Chemicals and Materials) that was implemented on 1 January 2008 in order to facilitate the planned disposal of activities in the Base Chemicals and Materials cluster.

The following figure depicts DSM's overall governance framework and the most important governance elements and regulations at each level.



Note: all internal regulations apply in addition to applicable national and international laws and regulations. In cases where internal regulations are incompatible with national or international laws and regulations, the latter prevail.

For the sake of clarity, a short summary of the main aspects of the framework at Managing Board / corporate level and operational level is given here:

- The Managing Board adheres to the Regulations of the Managing Board.
- In addition, the Managing Board and corporate staff departments / services work according to the Management Framework for the corporate level. This implies amongst other things that they adhere to the DSM Values and applicable corporate policies and requirements, and set the company's strategic direction and objectives in the Corporate Strategy Dialogue (CSD). The framework further defines the roles of clusters, corporate staff departments, shared-competence and business-support functions, the China Governance function, the DSM Innovation Center and the charters of several Boards. Together they define the basic organizational structure and the division of responsibilities between the Managing Board, these corporate and central functions and the business groups and clusters.
- The operational units conduct their business within the parameters of the Management Framework for operational units. This implies amongst other things that the operational units establish the strategy and objectives of their business according to the Business Strategy Dialogue (BSD), in which process various scenarios and related risk profiles are

Corporate governance, risk management, financial policy and related functions

investigated. The framework further stipulates that the strategy implementation must take place in line with corporate policies and multi-year plans in several functional areas and in compliance with the Corporate Requirements. Whenever a special situation calls for it, the Corporate Requirements are extended to include so-called Corporate Directives (for example a travel ban for security reasons).

Compliance with the Corporate Requirements and the effectiveness of the risk management and internal control system are monitored by the entities themselves and discussed regularly between the Managing Board and the operational units. On average once every three years, the units are also audited by Corporate Operational Audit (COA). The director of the COA department reports to the chairman of the Managing Board and has the authority to consult with the chairman of the Audit Committee of the Supervisory Board. Furthermore, the director of COA acts as the compliance officer with regard to inside information and is the chairman of the DSM Alert Committee, which implements the whistle-blower policy.

Risk management system

On this page the main risks as well as the functioning of the risk management system are described. This section gives a general description of the system and its developments. A full description of the risk management system can be found on the DSM Internet site (www.dsm.com, governance section).

The DSM risk management system is based on the COSO-ERM Framework. It aims to achieve maximum integration of the risk management process in the normal business processes. It provides for risk assessment tools, controls for risks that commonly occur in the company and monitoring and reporting procedures and systems. The internal controls for the goods and money flows have been 'built into' standard business processes and tools have been developed to support their implementation and to monitor their effectiveness in operation. In this way, a high level of internal control can be achieved efficiently.

Based on developments within and external to the company, as well as findings from the various monitoring efforts as described above, the risk management system is regularly adapted and optimized. The most important developments are listed below.

The growth, diversity and acquisition policies of DSM lead to an increased influx of senior managers from outside the company. In order to ensure their familiarity with the DSM Values and the DSM governance and risk management system, a Corporate

Directive was instituted which stipulates that they have to acquaint themselves with a number of key documents and discuss them with their superior.

To better accommodate a first introduction of management to the risk management system, an intranet-based e-learning module was developed. The risk management training activities were considerably expanded, amongst other things to service specific target groups such as risk management professionals in China and business controllers. The Corporate Requirements were made available in Chinese.

During the year under review a number of areas were identified where the risk profile had increased or where the existing risk management and control processes showed weaknesses. These areas include the security of payment processes, hedging of commodities, protection against product liability issues and safeguarding against the loss of intellectual property. In these areas measures were taken to enhance the risk management system.

Risks

The following list gives an overview of risks that have been identified as potentially important. A description of the nature of these risks is given on the DSM website (www.dsm.com, governance section). Furthermore, information on financial risks is provided in the financial statements on page 131. The main risks as mentioned in this section are asterisked.