

Emerging Economies

Capturing new opportunities



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Our strategy for the Emerging Economies

Our strategy is to focus on Life Sciences and Materials Sciences in response to a number of long-term societal trends. The emerging economies represent one of our areas of attention.

Our goal in respect of the emerging economies (Brazil, Russia, India, China) is to grow with a focus on China, ensuring that we apply our SHE and human rights standards uniformly worldwide.

Some of our specific objectives are to:

- Achieve sales of \$ 1.5 bn in China by 2010.
- Innovate and explore opportunities presented by the Base of the Pyramid.
- Apply the DSM Values and DSM SHE standards uniformly in all regions.

DSM's management approach to the challenges of the Emerging Economies is part of our Life Sciences and Materials Sciences strategy. Our country organizations in China, India and Russia exist to support business growth and represent DSM's smaller business groups. They provide the necessary business infrastructure and shape specific regional policies.

The examples provided in this chapter offer insights into DSM's relevant operations, our innovative business developments and our License-to-Operate activities in China, India and Brazil.

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Growth within the emerging economies is a cornerstone of our accelerated *Vision 2010* strategy, and DSM is well positioned to capture the opportunities offered by these markets.

The combination of a growing middle class with increasing spending power, rising urban populations with an appetite for the newest products, and wide-ranging industrial advances within these markets represents significant opportunities.

DSM's response to this growth in demand is to build local production facilities. This approach has the advantages of spreading our global presence, accelerating the internationalization of our asset base and workforce, and bringing our operations closer to the local markets they serve, thus reducing our currency exposure.

“With advanced experience in managing the control and traceability of each segment of the food chain, DSM is well placed to advise food standards agencies worldwide on best practice.”

Wei-Ming Jiang
DSM Corporate Vice President & President of DSM China
With DSM since August 2006



China

DSM China is fully committed to DSM's Triple P sustainability strategy. DSM's global SHE standards apply in China as elsewhere in the world, and in 2008 DSM China published its own first Triple P Report. Modeled on the global Triple P Report, this document makes clear that sustainable development is one of the business principles of DSM in China as well.

This commitment is further underlined by the building of a new DSM China Campus to cutting-edge environmental standards (LEED) as well as by the participation of Wei-ming Jiang, DSM Corporate Vice President & President of DSM China, in the CBCSD (China Business Council for Sustainable Development). Founded in 2003, CBCSD provides a platform for exchange and cooperation among Chinese and foreign enterprises, government and social communities to help companies improve their performance in EHS (environment, health and safety), CSR (corporate social responsibility) and climate change in the service of sustainable development.

DSM supports food safety drive in China

In September, DSM signed a memorandum with Shanghai FDA (Food & Drug Administration) to extend the existing cooperation in the area of food safety. In 2007, DSM had supported Shanghai FDA in its hosting of a Food Safety and Public Policy International Seminar which advanced the development of farm produce traceability through the introduction of European Union food safety regulations.

At this forum, DSM has introduced the SQRT principles of Safety, Quality, and Reliability & Traceability in the food chain. September 2008 also saw the opening of the China International Food Safety & Quality Conference 2008 in Beijing. Hosted by AQSIQ (the Administration for Quality Supervision Inspection & Quarantine), this conference was supported by DSM as a gold sponsor. Wei-Ming Jiang hosted a roundtable discussion on the theme of 'Issues and solutions of emerging global food safety' together with the Vice President of the IAFP (International Association of Food Protection). Martijn Adorf, Global Marketing Manager Human Health & Nutrition of DSM Nutritional Products, outlined how DSM achieves sustainable quality standards for its ingredients on a global basis.

“DSM is converting its strategy to focus on biotechnology, and will be able to extend its existing business in China.”

Prof Chen Si Wei
Former Vice-Chairman of the People's Congress
Beijing, China.

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NEW RECRUITMENT STRATEGY

In 2008 we further strengthened our regional recruitment footprint to ensure that we continue to attract top talents from across the globe. The number of non-Dutch and female professionals entering DSM continues to grow. Details can be found in the People chapter on page 57.

We are seizing the opportunity to strengthen the diversity of our leadership team. While recognizing the need to attract external talent, we also recognize the need to stimulate existing talent across DSM. A new global recruitment management system was introduced in 2008 which will be integral to our future recruitment activities.

A single vacancy tracking and management system for all DSM vacancies worldwide, accessible to all DSM employees, will provide greater transparency concerning career opportunities and will also further internationalize our employee base.

Another noteworthy initiative during 2008 was the development of a unique EVP (Employer Value Proposition) within the context of DSM's corporate brand. We undertook extensive research with both internal and external stakeholders to understand what we need to do better and to capture this in the messages we convey to the labor market. The DSM EVP will form an integral part of all employer branding initiatives directed at our target groups, including new academics, professionals and executives worldwide. The date for the formal launch of the EVP is currently being determined.

Throughout 2008 we also continued to strengthen our presence in the academic arena by further developing our strategic collaborations with universities and key business schools in Europe, China and the United States.

DSM supports earthquake victims in China

The earthquake that struck China's Sichuan Province on 12 May 2008 triggered a powerful reaction among DSM employees. Wei-Ming Jiang, Corporate Vice President and President of DSM China, was quick to offer DSM's support for the recovery effort. DSM China, its subsidiaries and employees donated in excess of € 275,000 in disaster relief.

Meanwhile DSM proactively cooperated with key customers to make available over € 64,000 worth of amoxicillin for child application, cephalexin, vitamins and other emergency items to help treat the injured. € 92,000 of the funds donated was allocated to the China Youth Development Foundation to help build Hope Schools, allowing children in affected areas to resume their studies as soon as possible. DSM will continue to support these schools in the future by making employee volunteers available to help out in them as well as by providing additional financial assistance.

One of DSM's Chinese business partners, ChemChina, was directly affected by the disaster. DSM made an additional donation of 50 cases of vitamin supplements and 450 pairs of protective gloves reinforced with Dyneema® fiber worth €13,000 to support ChemChina in its recovery efforts.

New China Campus: sustainable design and construction

In support of our strong commitment to growth in China, we completed the construction of a new China Campus in 2008. The project was awarded 'Gold' certification from the US Green Building Council within the LEED® (Leadership in Energy & Environmental Design) Green Building Rating System™: it is one of the first LEED Gold-certified buildings in China.

These 'green' considerations include: optimum orientation to avoid overheating and glare; occupant movement sensors to reduce unnecessary internal lighting; green roofs that insulate and retain rainwater for re-use; sophisticated heating, cooling and ventilation systems, together with high-performance windows that provide a healthy and comfortable indoor environment but not at the expense of high energy consumption; high attention for indoor air quality; maximum use of local materials and materials with recycled content; recycling of construction waste, and the use of local plants to provide greenery.

The China Campus, which is situated in the Zhangjiang Hi-Tech Park in the Pudong New Area of Shanghai, will house both the

“Customers and employees admire DSM because of our company’s sustainability policy. It is a very important motivating factor.”

Du Guan Hou
Director Mergers and Acquisitions DSM China
With DSM since July 2008



Shanghai offices of the DSM (China) Ltd. Holding and several business groups, as well as the R&D labs of DSM in China. The new campus will house approximately 600 people, and it will be DSM’s most important research facility outside Europe and the United States. The creation of this ‘Green Facility’ in China not only fits well with our corporate policy on sustainability; it also demonstrates that we can assist emerging economies in taking a leadership position on global issues. On 29 October 2008, Tim Jeanné, General Manager of DHV in Shanghai, gave a presentation for Dutch prime minister Jan-Peter Balkenende about the DSM Campus as a model for sustainable construction in China. In support of DSM’s commitment to sustainability, the DSM Managing Board decided in 2008 to apply LEED® norms to all new DSM office buildings as well as office reconstruction projects.

Social plan on closure of Gonglu site

At the request of the local government and with the aim of supporting local residential development, we closed down our site in Gonglu in May 2008. Selected activities formerly carried out at this site were transferred to our site in Xinghuo, Shanghai. A detailed and comprehensive social plan was put in place for employees who had worked at the Gonglu site.

Prepared by management and discussed and approved by the representatives of the Labor Union, this plan included additional items on top of the normal compensation stipulated by Chinese labor law. Retention of employees was optimized by various means. Where activities had been transferred to Xinghuo, the employees assigned to them were likewise relocated. Vacancies at Xinghuo site were kept open until the relevant employees from Gonglu became available to take

DIVERSITY PROGRAM

Successful implementation of our accelerated Vision 2010 strategy requires a wide variety of outside-in views, diverse capabilities and backgrounds, and a mix of local and global experiences. This balance ensures optimal decision-making combined with fast and reliable implementation.

The development of a more diverse workforce is therefore a cornerstone of our HR strategy, and is carefully overseen by DSM’s Diversity Council, which was founded in 2007 and is chaired by Feïke Sijbesma, Chairman of the DSM Managing Board. At the beginning of 2008, DSM decided that the intake of non-Dutch executives must be increased to at least 60%. This was achieved by a clear margin during 2008, the score as at 31 December being 65%. DSM’s aim is for 25% of executives joining from outside the company in the period from 2008 to 2010 to be women. In 2008 this figure was 18%.

Recognizing that our efforts in this area need to be increased, focus groups comprising women from various areas of DSM were organized during 2008 to ascertain how more women can be encouraged to apply for jobs at, as well as internal promotions within, DSM.

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these up, and a number of additional skilled employees were transferred to Xinghuo in order to anticipate the future growth of the site. We additionally liaised with several local agencies and companies to identify job opportunities for those employees who could not be relocated.

India

India is one of the countries where DSM is developing Base of the Pyramid (BoP) activities. Four billion people in the world make up the Base of the Pyramid. They earn two dollars a day, or less.

The 'BoP philosophy', first articulated by C.K. Prahalad, states that companies have the resources and the expertise to develop new products or services to serve the needs of the poor, thus combining commercial success with poverty alleviation. Serving the Base of the Pyramid requires a clear understanding of the needs and wants of these four billion poor people, and involves developing innovative business models and new technologies. Through its dedicated Indian BoP operation DSM Neev, DSM engages in the development of new business models and teams up with local partners to implement these. We have embarked on business projects that aim to support rural farmers in India to create more value by providing performance nutrition services (a combination of diagnostic tools, training modules, basic farm management and animal feed). In addition, projects have been initiated to improve local biogas production through the use of additives which help convert agricultural waste and manure into a local source of heat, cooking gas and off-grid electrical power.

Animal nutrition programme

DSM Neev implements DSM's Base of the Pyramid strategy in India. The word 'Neev' is Hindi for 'base' or 'foundation', and the starting point of DSM Neev is the development of sustainable business that benefits both the poverty-stricken in India and DSM.

In November 2007, DSM Neev set up an animal nutrition program for the dairy sector in India. Delivered together with Pradan (an Indian self-help group), AMUL (a dairy cooperative) and BAIF (a research and development foundation), the initiative will offer DSM cattle feed to selected farmers. It is hoped that this three-year collaboration will help to shorten the inter-calving period, reduce the frequency of mastitis, and increase milk yields. DSM's innovative iCheck™ system, which is used to check β-Carotene levels in cows' blood, is also being made available to help Indian farmers assess the health

of their livestock. This is a win-win situation, offering economic returns to DSM and opportunities for sustainable growth to impoverished farmers.

Foundations for bio-village

In July, villagers in Toansa, Punjab, India, took a step in the direction of organic farming with the help of a DSM 'Torch' initiative.

Called 'Towards a Bio-village', the project was inaugurated at the suggestion of local DSM employees with the object of helping local farmers adopt more environmentally friendly practices. Whereas local farmers currently use chemical fertilizers to improve their soil, this initiative will provide them with the means to start farming organically. Several vermicompost installations are being provided in Toansa and the local farming community is being trained in their use.

Brazil

Obesity, which can trigger diabetes, is recognized as a growing health problem by the government of Brazil.

In 2008 DSM joined forces with ANAD, the National Diabetics Aid Association of Brazil, to promote InsuVital™ in foods and beverages by using the ANAD quality seal on the product labels. Manufactured by DSM Food Specialties, InsuVital™ represents a breakthrough in the management of type 2 diabetes. It enables manufacturers to create products which are clinically proven to help type 2 diabetics actively manage blood glucose (sugar) levels after a meal. DSM also participated in the 2008 ANAD Congress. DSM Nutritional Products Brazil is also collaborating with Unilever on that company's global 'Choices' program. Forming part of the company's Vitality agenda, this program makes use of a front-of-pack 'Choices' logo designed to make it easier for consumers to opt for healthy choices when buying foods and beverages. The 'Choices' seal stands for food safety, sustainability within the food chain, environmental care, responsibility and quality. DSM Nutritional Products in Brazil is proud to be recognized as sharing these important values.

A challenge for DSM

Balancing diversity and unity in the workforce

“DSM has its origins in Limburg, a province in the south of the Netherlands. For over a century, our activities have been centered there and have drawn heavily on the labor market of the region.

While still headquartered in Limburg, the DSM of today is a globally operating company. As such, we need a diverse workforce that reflects the many different markets we serve. Our duty as an employer means that we must increase the diversity of our workforce in a carefully managed way. This involves increasing the proportion of non-Dutch nationals within our company and also the ratio of women to men in senior positions.

Addressing the current imbalances between non-Dutch and Dutch nationals is only part of the challenge, however. In China, for instance, we need to see non-Chinese nationals committing themselves to longer postings and to learning the Chinese language. We also need to encourage greater cross-regional fertilization, diversifying our Chinese workforce by the addition of Chinese nationals drawn from such places as Hong Kong and Taiwan.

Our challenge is to create a common sense of identity and purpose for our employees while increasing the cultural diversity and rectifying the gender imbalance in our workforce. This can only be achieved if we understand ourselves as a single global company.”

Wei-Ming Jiang
DSM Corporate Vice President &
President of DSM China