Royal DSM Remuneration Report 2022

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Remuneration report 2022

Introduction by the Chair of the Remuneration Committee

Growing concerns about climate change, international conflicts and rising energy prices, among other factors, set the tone in 2022. As a result, we faced a very challenging global operating environment, while insecurities and (especially in Europe) rising inflation put pressure on the daily lives of our employees. 2022 was also the year in which our game-changing merger of equals with Firmenich was announced. In preparation for this transformational move, the repositioning of the company to focus on Health, Nutrition & Bioscience that had been initiated in 2021 continued in 2022, in parallel with arrangements to find new homes for our Materials businesses.

Even as the world emerged from the COVID-19 pandemic, growing concerns about the planet and high inflation began to make themselves felt in the daily lives of our employees, who faced new insecurities and experienced the impact of these developments on their purchasing power. In view of this, we made special one-off payments to our employees in various countries to supplement local governmental programs aimed at reducing the impact of these developments. In addition, we paid special attention to living wages. Certified reviews against the WageIndicator's benchmark were performed, resulting in an adjustment of salaries to respective regional/local standards.

In a challenging business environment, characterized by an overstrained labor market, rising energy costs and the impact of supply chain disruptions, among other factors, DSM delivered a solid performance over the course of 2022. While sales volumes were approximately equal to 2021, pricing actions to counter higher energy and raw materials costs, resulted in higher revenues. However, the price-cost gap remained significant for parts of the business. Neither the Adjusted EBITDA target nor the Cash Flow target included in the Short-Term Incentive (STI) scheme have been achieved. Our Safety performance during 2022 was disappointing by our own high standards and likewise did not contribute to the achievement of our STI result. However, we remained on track regarding the Brighter Living Solutions Plus goal. Given the significant external and internal changes the organization underwent, we were particularly proud to see Employee Engagement remain strong with an engagement index of 77% indicating that our employees are supportive of our ongoing transformation to become a leading Health, Nutrition & Bioscience company. The vesting of the Performance Share Units (PSUs) granted in 2019 was driven by the result on the Total Shareholder Return (TSR) target and the outperformance against our sustainability goals.

In 2022, we continued our strategic journey to become a company focused on Health, Nutrition & Bioscience, better placed to deploy our resources and capabilities to address the urgent societal and environmental challenges linked to the way the world produces and consumes food. Major steps were taken in this respect. New homes were found for the Materials businesses, enabling them to maximize their full potential to drive the important industrial shift to a bio-based and circular economy. Our operating structure was simplified and streamlined to deliver on our new operating model. At the end of May, we announced our intention to enter into a merger of equals with Firmenich, the world's largest privately-owned fragrance and taste company, to form a leading creation and innovation partner in nutrition, beauty, and well-being.

In view of the upcoming merger, we decided to interrupt the project concerning the review of the Remuneration policy, as the merger will have an impact on the governance and decision-making processes regarding remuneration. A detailed benchmarking study conducted in early 2022 confirmed that DSM lags behind the market as far as the remuneration of the Managing Board is concerned. Referencing a peer group consisting of companies headquartered in Europe and comparable to DSM (pre-merger) in terms of size and complexity, we learned that the remuneration of DSM's Co-CEOs is positioned around the lower quartile of the market. An appropriate step-up would be needed to bring the remuneration close to the market median, as described in our policy.

The 2022 remuneration reported herein is fully aligned with the pursuit of DSM's strategic objectives. In addition, we continued in 2022 to remain focused on customer-centricity, large innovation projects, integrating acquired businesses, cost control, and operational excellence.

This Remuneration report provides a summary of the remuneration policy for the Managing Board of Koninklijke DSM N.V. and the Supervisory Board of Koninklijke DSM N.V. respectively, as well as an overview of the remuneration of the members of the Managing Board and the Supervisory Board in the financial year 2022. The full remuneration policy as approved by the AGM in 2019 is published on the company website. This report is prepared in accordance with the relevant parts of Section 135 Book 2 of the Dutch Civil Code.

Carla Mahieu
Chair, Remuneration Committee

Remuneration of the Managing Board of Koninklijke DSM N.V. 2022

Summary of the remuneration policy of the Managing Board of Koninklijke DSM N.V.

The remuneration policy of the Managing Board is designed to attract and retain qualified leaders who can shape our purpose-led, performance-driven strategy, engage our people and other stakeholders, and ultimately achieve results – putting customers first and delivering on our company's promises. The policy provides clear focus: improving company performance and enhancing purpose-led, long-term value creation across multiple dimensions (People: individual and societal; Planet: environmental and ecological; and Profit: economic and financial) while recognizing the interests of all our stakeholders (our customers, employees, shareholders, as well as society at large).

Remuneration is linked to company and individual performance. Based on the company's short- and long-term strategic objectives as well as our business drivers, results are measured on the basis of specified targets, balancing short- and long-term outcomes, serving the interests of all our stakeholders. To be competitive and to ensure alignment internally, Total Direct Remuneration offered by DSM approaches – from below – the median of a predefined peer group. Reward levels are benchmarked against the Dutch/European labor market peer group, while the design of various reward components is reviewed against the broader perspective of best market practices.

Labor market peer group

European industry peers:

- Clariant AG
- Covestro AG
- Evonik Industries AG
- Givaudan SA
- Johnson Matthey Plc
- LANXESS AG
- Lonza Group AG
- Solvay SA

Dutch AEX-listed peers:

- Koninklijke Ahold Delhaize N.V.
- Akzo Nobel N.V.
- ASML Holding N.V.
- Heineken N.V.
- Koninklijke KPN N.V.
- Koninklijke Philips N.V.
- Randstad N.V.
- Wolters Kluwer N.V.

The full version of the remuneration policy of the Managing Board Koninklijke DSM N.V., as approved by the 2019 AGM, is available on the company website. The following table specifies the elements of the remuneration policy, describing their purpose, design, and link to our company strategy, as well as their potential value.

Purpose	Design and link to strategy	Value
Goal The goal of DSM's remuneration policy for the Managing Board is to offer an on-target total remuneration package approaching – from below – the median of the labor market peer group.		

Purpose	Design and link to strategy	Value
Total Direct Compensation Is the basis for benchmark efforts, i.e., the reference to the labor market peer group.	Includes base salary and variable income. Variable income concerns the performance-related Short-Term Incentive (STI) and the STI deferral & matching plan, as well as the Long-Term Incentive plan (LTI). In addition, Managing Board members are entitled to certain benefits.	Value of each respective item is included hereafter.
Base salary Basic pay for doing the job.	Aims to provide a fair and competitive basis for the total pay level to attract and retain qualified leaders. Annual review based on the market movement for executives based in the Netherlands and peer companies. Regular in-depth benchmark.	Base salaries at DSM approach – from below – the median of the labor market peer group.
Short-Term Incentive (STI) Incentive aligning short-term business objectives and business drivers with strategic company objectives. Driving pay for performance.	The Supervisory Board sets goals and targets for the respective performance year and determines the extent to which these have been achieved. By ensuring that strategic objectives are properly reflected in stretching yet achievable targets, the realization of strategic business objectives is addressed. Half of the at-target STI is linked to financial objectives; the other half is tied to sustainability aspirations and individual goals.	On-target performance: 50% of annual base salary. Maximum opportunity capped at 100%. Threshold: no STI pay-out in case the target for Adjusted EBITDA is not achieved to the level of at least 75%.
STI deferral & matching Ensures that longer-term considerations are sufficiently considered in pursuing short-term objectives.	Conversion of STI into shares, with a 1:1 company match delivered in Performance Share Units (PSUs). The PSUs vest upon the realization of predefined goals (same as LTI program), observing a three-year vesting period. By linking the vesting of the PSUs to the targets of the LTI program, it is ensured that decisions regarding short-term results are aligned with long-term value creation.	Mandatory conversion: 25% of STI achieved; voluntary conversion: 0–25%, with incremental steps of 5%. Maximum number of matching PSUs to vest is equal to number of PSUs granted.
Long-Term Incentive (LTI) Focus on long-term value creation. Designed to ensure that decisions made are in the long-term interests of all stakeholders and to ensure that interests of the Managing Board and the company stakeholders are aligned.	PSUs are awarded every year, to be converted into shares upon realization of predefined targets, observing a three-year vesting period. A five-year holding period (starting at grant date) applies. Performance goals are based on company strategy, driving long-term value creation. Half of the target LTI is linked to financial goals; the other half is linked to sustainability aspirations. Performance is measured over three financial years, starting with the year of grant.	Based on face value, the at-target grant equals 100% of base salary; the number of PSUs granted equals the maximum to vest (i.e., 150% of base salary). Therefore, the maximum vesting opportunity is 100% of the number of PSUs granted.
Shareholding requirement Aligning reward to the interests of stakeholders and emphasizing confidence in performance and strategy.	Managing Board members are expected to build up a shareholding in the company; the minimum shareholding requirement must be accrued in four years. Considered are shares privately purchased and vested shares granted under DSM share-based compensation plans.	The minimum share-holding requirement is 300% of annual base salary for both Co-CEOs and 200% for other Managing Board members.
Pension and other benefits Post-retirement remuneration contributing to the competitiveness of the overall package. Together with other benefits, creates alignment with market practice.	Mandatory enrollment in basic pension plan as applicable to all DSM employees in the Netherlands (Collective Defined Contribution). In addition, a company-paid contribution to allow participation in the so-called Net Pension Plan under conditions as applicable to Netherlands-based employees (Individual Defined Contribution). Other benefits include sick pay (aligned with Netherlands-based employees) and a company car.	Pension scheme aligned with plans in place for employees in the Netherlands. Other benefits aligned with market practice.

Purpose	Design and link to strategy	Value
Goal- and target-setting Goal- and target-setting are key to drive pay for performance aligned with Company strategy and to ensure that decisions made, and results delivered, are aligned with the interests of DSM's stakeholders.	The Supervisory Board sets goals, their respective weight, and targets (i.e., metric to be achieved) for the respective performance year under the STI and LTI scheme, considering: - Company strategy - Focus on long-term value creation - Historical performance, business outlook, and circumstances and priorities - Stakeholder expectations - At target level, there is a 50:50 split between financial goals and sustainability/individual goals	Targets must be stretching yet achievable.

The company website contains an overview of the main terms and conditions of employment of both Co-CEOs.

Total remuneration of the Managing Board 2022

Introduction

Other than the positioning of the targeted Total Direct Compensation, which is at the lower quartile of the peer group, the remuneration for 2022 is aligned with the remuneration policy, and complies with EU requirements, the Dutch Corporate Governance Code and legislation.

Base salary

As at July 2022, the annual review of base salary resulted in an adjustment of 2.5%, As such, the adjustment is aligned towards the market movement for executives based in the Netherlands and peer companies.

Fixed annual base salary

in €	1 July 2022	15 February 2021
Geraldine Matchett	1,028,750	1,003,625
Dimitri de Vreeze	1,028,750	1,003,625

Goals and targets incentive programs

In September 2021, DSM announced its strategic decision to fully focus its resources and capabilities to address the urgent societal and environmental challenges linked to the way the world produces and consumes food. With a growing global population, the world is facing multiple systemic and interconnected food system challenges that impact the health and wellbeing of people, animals, and the planet. Advancements in digital technology and bioscience offer realistic scalable solutions to tackle these challenges, creating new markets and innovation opportunities. With its strong combination of scientific competences and growing portfolio of nutrition and health solutions, DSM is ideally positioned to capture these opportunities.

In view of this, during 2022 DSM simplified its operating structure and reorganized its Health, Nutrition & Bioscience activities into three Business Groups, each with clear opportunities to benefit the health of people and the health of the planet, underpinning the company's growth plans. At the time, DSM announced it was reviewing the strategic options for its Materials businesses. This resulted in the divestment of DSM Protective Materials in 2022, while the closing of the divestment of DSM Engineering Materials is approaching.

As a Health, Nutrition & Bioscience company, DSM has a purpose-led, performance-driven strategy with sustainability and innovation as key growth drivers of its long-term focused plan, underpinned by ambitious targets across People, Planet and Profit. In view of this, the company announced an acceleration in its greenhouse gas emissions reduction target (a reduction of its own emission by 59% in 2030).

Related to this, a broader set of key performance indicators (KPIs) was defined, some of which feature in our incentive programs. This relates to targets that reflect our financial performance as well KPIs reflecting our commitment to deliver on sustainability goals, since contributing to brighter lives goes hand in hand with profitable growth. The design of our Short- and Long-Term Incentive plans emphasizes the importance of building long-term growth opportunities. Targets regarding energy efficiency and greenhouse gas (GHG) emission reduction and building our portfolio of Brighter Living Solutions Plus underpin our commitment to contribute to a better world, while at the same time generating profitable growth in line with our key strategic goals (Adjusted EBITDA and Adjusted net operating free cash flow) and safeguarding employee safety and engagement (definitions are provided in the respective paragraph).

A comprehensive scenario analysis was conducted when the current Remuneration policy was prepared. The analysis confirmed that neither the structure of the incentive schemes nor the nature of the goals would result in inappropriate pay-out levels. DSM's Remuneration policy is designed in the interest of long-term value creation, as is confirmed by a range of factors, including:

- The pay mix: the target value of the LTI has twice the target value of the STI
- The mandatory re-investment of any STI achieved in LTI and the vesting of the match provided on such investments is subject to targets with a long-term horizon
- The targets set for the STI or underlying the LTI grants are consistent with DSM's longer-term strategic financial and sustainability objectives

By this means, the structure of the policy is designed to ensure that the pursuit of short-term objectives does not prevail over the delivery of long-term results.

Short-Term Incentive (STI)

This report includes the STI achievement for 2022, payable in April 2023, and based on the base salary paid in 2022. Targets were set ahead of the STI cycle, in accordance with the Remuneration policy and with reference to the prior year, the budgets and the business plans for the performance year, ensuring that achievement of the threshold, target or maximum pay-out out are appropriately challenging.

Definitions of goals set for 2022 STI (total at-target weight is 50% of annual base salary):

- Adjusted EBITDA (weighting 12.5%): sum of the operating profit plus depreciation and amortization, adjusted for material items of profit/loss following acquisitions/divestments, restructurings and other circumstances deemed necessary
- Adjusted net operating free cash flow (10%): cash flow from operating activities, corrected for the cash flow of the Alternative Performance Measures (APM) adjustments, minus the cash flow of capital expenditures and drawing rights
- Net sales growth (2.5%): net organic sales growth
- Brighter Living Solutions Plus (BLS+) (5%): DSM applies a Sustainable Portfolio Steering methodology to identify, and further develop sustainable, innovative solutions that deliver sustainability benefits within the value chain. Brighter Living Solutions Plus are those products, services and technologies that, considered over their life cycle, offer a sustainability benefit recognized by key stakeholders, underpinned with substantiating evidence, whilst having no urgent negative signals. The set-up enables us to align the impact of our products more closely with the UN Sustainable Development Goals (SDGs)
- Safety (5%): based on the Frequency Index for recordable injuries
- Employee Engagement (5%): based on the High-Performance Norm in the industry
- Individual goals (10%): in 2022, the Managing Board / Executive Committee shared a team target

The financial measures reflect our strategic growth ambitions while the targets related to Brighter Living Solutions Plus, Employee Engagement and Safety relate to our Sustainability Commitments.

Within DSM's STI scheme, pay-out brackets are defined, considering the nature of the goal. A minimum threshold is set for each goal; an achievement below this threshold results in no pay-out with respect to that target. Over-performance results in a pay-out exceeding 100% where the maximum achievement is capped at 200% of the 'at-target' weighting of the respective goal. Goals, targets and pay-out schedules were defined at the beginning of the year, with defined brackets between 'threshold' and 'maximum'. The following table provides an overview of the realization of the 2022 STI targets.

2022 STI achievement

	Weight in % of base salary	Target definition Threshold[1]	Target	Maximum[2]	Achievement	Performance achieved	Pay-out in % of base salary	Pay-out
Adjusted EBITDA	12.5%	≤ €1,845m	€1,920m	> €1,995m	€1,725m	0%	0%	€0
Adjusted net operating free cash flow	10.0%	≤ €974m	€1,019m	> €1,064m	€425m	0%	0%	€0
Net sales growth	2.5%	≤ 2.5%	5%	> 7.5%	8%	200%	5%	€50,809
Brighter Living Solutions Plus	5.0%	≤ 58%	65%	> 73%	67%	100%	5%	€50,809
Safety	5.0%	≥0.24	0.21	≤ 0.20	0.28	0%	0%	€0
Employee Engagement	5.0%	≤ 73%	76%	> 80%	77%	100%	5%	€50,809
Individual value adding goals[3] (Between 0 and 200% of target)	10.0%					200%	20%	€203,239
Total STI achieved over performance year 2022							35%	€355,666

1 If threshold not achieved, no pay-out on respective goal.
2 If achievement at maximum or above, pay-out capped at 200% of weighted target.
3 In 2022, the Managing Board members had a shared strategic objective related to the strategic transformation.

Considering the challenging business environment, DSM delivered strong results in 2022. As in 2021, our net sales growth target was overachieved (8% in 2022, compared with 13% in 2021). Although pricing actions to counter higher energy and raw materials costs delivered increased revenues, the price-cost gap remained significant for parts of the business. The realization (for 2022 representing total group with DSM Protective Materials included until August 31, 2022) of both the Adjusted EBITDA target and the Cash Flow target therefore remained below their respective thresholds. In 2021 a maximum achievement of these goals had been recorded. Our Safety performance during 2022 was disappointing by our own high standards. Although our safety performance did not contribute to the STI in 2022, we remained on track in terms of our other sustainability targets. Our Brighter Living Solutions Plus score improved, attaining 67% in 2022 versus 64% in 2021. Given the significant external and internal changes the organization underwent, we are proud to report that Employee Engagement improved to a level of 77% compared to 75% in 2021. This resulted in an on-target achievement. It also indicates that our employees are supportive of our ongoing transformation to become a leading Health, Nutrition & Bioscience company. The combined realization resulted in a 2022 STI pay-out, as shown below.

Short-Term Incentive

in €	2022	2021
Geraldine Matchett	355,666	819,888
Dimitri de Vreeze	355,666	819,888

Short-Term Incentive deferral & matching

As included in the Offering Circular, the STI deferral & matching scheme will be canceled in view of the intended merger with Firmenich and settled in cash. Regarding performance year 2022, no PSUs will be granted to eligible persons under the respective deferral & matching plans. Instead, a payment in cash will be made. This will equate to the amount of the maximum deferral percentage (i.e., 50% of the STI achieved) that would have applied under the respective DSM Share Matching Plan over performance year 2022 and also what MB members have consistently deferred in the last years. The achievement of the STI over 2022 is therefore multiplied by a factor of 1.5. This resulted in a mark-up of the STI of €177,833. This figure is not included in the above table (the amount of the STI deferred over performance year 2021 was €409,944, converted to 2,506 PSUs).

Grant of PSUs under the STI deferral & matching scheme

Number of PSUs	2022 grant	2021 grant
Geraldine Matchett	2,506	1,850
Dimitri de Vreeze	2,506	1,850

Long-Term Incentive (LTI)

2022 and 2023 grant

On 31 March 2022, 8,500 Performance Shares Units (PSUs) were granted to each of the Co-CEOs (2021: 10,000). The grant is based on the annual base salary applicable on the grant date and the average share price in January of the year of grant. The fact that the number of PSUs granted in 2022 is lower compared to the previous year is a result of the share price appreciation between both grant dates.

For performance year 2023, final approvals are yet to be made regarding the remuneration of the Executive Committee with regards to the question of whether a grant will be made and – if a grant is confirmed – the number of equity-related instruments to be granted.

Goal setting

Targets were set ahead of the LTI cycle, in accordance with the remuneration policy, ensuring that achievement is realistic but challenging. The following goals were set for the LTI grants:

- Total Shareholder Return — TSR (weighting 25%): sum of capital gain and dividends paid, representing the total return to shareholders; the relative ranking (within the peer group) reflects the overall performance relative to our peers
- Return on Capital Employed — ROCE (25%): operating profit as percentage of weighted average capital employed
- Energy Efficiency Improvement — EEI (25%, as of the 2022 grant 15%): the reduction of the amount of energy used per unit product (known as energy efficiency) on a three-year rolling average basis
- Greenhouse Gas Emissions — GHGE (25%, as of the 2022 grant 35%): absolute structural reduction of greenhouse gas emissions in kilotons

Vesting 2019 grant

The performance period of the PSUs granted in 2019 was completed by year-end 2021: the actual vesting was on 31 March 2022. This concerns the PSUs granted under the Long-Term Incentive plan as well as the PSUs granted under the STI deferral & matching plan. The following vesting schemes applied.

TSR[1]		ROCE		EEI		GHGE Efficiency improvement	
Rank	% of PSUs granted that vest[2]	ROCE ultimo performance period	% of PSUs granted that vest[2]	EEI% (over a 3-year period)	% of PSUs granted that vest[2]	GHGE Efficiency absolute reduction (3-year period)	% of PSUs granted that vest[2]
1	100	>16.7	100	≥4.00	100	<1.285	100
2	97	>16.20 - ≤16.70	83	3.25 - <4.00	83	1.285 - <1.290	83
3	93	>15.20 - ≤16.20	67	2.75 - <3.25	67	1.290 - <1.295	67
4	87	>14.70 - ≤15.20	50	2.50 - <2.75	50	1.295 - <1.300	50
5	80	>14.20 - ≤14.70	33	2.25 - <2.50	33	1.300 - <1.305	33
6	73	≤14.20	-	2.00 - <2.25	17	1.305 - <1.310	17
7	67			<2.00	-	≥1.310	-
8	50						
9	33						
10–15	0						

1 Peer group 2019 grant includes Arkema, BASF, Celanese, Chr. Hanssen, Clariant, Croda International, Evonik, Givaudan, IFF, Kerry, Lonza Group, Novozymes, Solvay, and Symrise. In line with the plan rules, IFF replaced DuPont in the Total Shareholder Return (TSR) peer group.

2 Any PSU grant concerns the maximum number that may vest, 100% vesting included in this table means that the target has been achieved to the maximum level.

On the back of a strong share price appreciation, our Total Shareholder Return performance remained strong. As in 2021, we ranked second, resulting in an achievement of 145% of target. This figure equates to the vesting of 97% of the number of Performance Share Units initially granted and linked to this goal. At 14.3%, the ROCE target resulted in a vesting of 50% of target (or 33% of PSUs granted, related to this goal); the 2021 realization against this target remained below the threshold. In terms of Energy Efficiency, DSM realized an improvement of 14% over the performance period. In terms of greenhouse gas emissions, DSM realized an absolute reduction over the performance period of 1,058kt on average. As a result, the vesting related to both sustainability goals was at maximum level. The below table provides an overview of the vesting (i.e., conversion to shares) on 31 March 2022 of the number of Performance Share Units granted in 2019: 82.5%

(123.75% of target) of the Performance Share Units granted under the Long-Term Incentive plan vested (compared to 74.2% in 2021), whereas all Performance Share Units granted in 2019 under the STI deferral & matching scheme vested in 2022.

PSUs granted in 2019 vested in 2022

Numbers of PSUs vested[1]	LTI	STI deferral & matching scheme
Geraldine Matchett	10,313	2,552
Dimitri de Vreeze	10,313	2,474

1 At vesting, a sell-to-cover applied: out of the vested shares, a number of shares are sold at vesting date to cover taxes due.

Pension and other benefits

Participation in the basic pension plan provided by the Dutch pension fund (*Stichting Pensioenfonds DSM Nederland* – PDN) to all DSM employees in the Netherlands is mandatory for the Managing Board. Regarding pensionable salary not covered by the basic pension plan, a company-paid pension contribution as determined by the Supervisory Board applies. This contribution can be used by Managing Board members to participate in the so-called Net Pension Plan under conditions applicable to all participating DSM employees. The company provides accident insurance cover, a company car, and a fixed representation allowance in line with market practice.

Total remuneration

Actual total remuneration for 2022 is aligned with the remuneration policy. The following table provides an overview of the total remuneration expense for the company in relation to the Managing Board in accordance with IFRS rules (these costs are not necessarily equal to compensation paid or the cash-out for DSM).

Total remuneration expenses incurred in 2022 were higher than in 2021. The differences between the two years are mainly attributable to variable compensation. The Short-Term Incentive concerns the incentive accrued for in 2022. As explained herein, this figure has been multiplied by a factor of 1.5 to offset the cancelation of the STI deferral & matching plan in view of the intended merger with Firmenich. The total amount is 35% lower than in 2021. The expense for share-based compensation is approximately €0.7 million higher in 2022 than in 2021. This is for two reasons: first, the fact that the 2022 amount includes different grants, and second, the additional cost considered in 2022 in view of the Long-Term Incentive grants made in 2021 and 2022. As included in the Offering Circular, PSUs granted in 2021 and 2022 under the Long-Term Incentive plan shall vest on the vesting date as initially determined at the grant date. Such vesting shall be based on the average of the vesting result achieved over the vesting that occurred in 2020, 2021 and 2022. Considering IFRS accounting standards, this results in an additional expense of €0.5 million for each of the Co-CEOs.

Total remuneration expense for the Managing Board in accordance with IFRS definitions

x € thousand	Fixed		Variable compensation				Fixed		Fixed		Total		Proportion fixed / variable remuneration	
	Base salary / fees		Short-term incentive		Share-based compensation[1]		Pension expenditure		Other items[2]					
	2022	2021	2022[3]	2021	2022[4]	2021[4]	2022	2021	2022[5]	2021	2022	2021	2022	2021
Geraldine Matchett	1,016	994	533	820	1,626	903	178	153	17	17	**3,370**	2,887	36:64	40:60
Dimitri de Vreeze	1,016	994	533	820	1,624	903	201	180	(27)	46	**3,347**	2,943	36:64	41:59
Total	2,032	1,988	1,066	1,640	3,250	1,806	379	333	(10)	63	**6,717**	5,830	36:64	41:59

1 Share-based compensation represents the expense of Performance Share Units (PSUs) awarded. These costs are considered over the vesting period and therefore cover several years. Against the opening price at vesting date (i.e., 31 March 2022), the 2022 vesting (the Co-CEOs together) represented the value of €4.2 million (2021 €3.2 million), subject to a sell to cover.

2 Fringe benefits, such as company car and allowances.

3 Including €177,833 (for each of the Co-CEOs) in lieu of the cancelation of the STI deferral & matching scheme for performance year 2022 as included herein.

4 Share-based compensation for 2022 concerns the grants in 2019 (partial), 2010, 2021 and 2022 (partial), share-based compensation for 2021 concerns the grants in 2018 (partial), 2019, 2020 and 2021 (partial).

5 Other items for Mr. De Vreeze include the impact of a tax equalization because he temporarily observed the role of Chair of the Executive Leadership Team of DSM Nutritional Products. This impact exceeds cost of other benefits provided.

Equity-based compensation

Main characteristics

The main conditions of the share-based compensation are:

- Vehicle — Performance Share Units (PSUs), converted to shares at vesting
- Grant date — Last trading day in March
- Vesting period — Three years, starting at Grant date
- Vesting conditions — Realization predefined performance goals and in service at vesting date
- Performance period — Three performance years, starting 1 January in the year of grant
- Holding period — Five years, starting at Grant date
- Lock-up period — Blocking period chosen by incumbent; may result in a tax discount

Outstanding Performance Share Units

The table below provides an overview of outstanding PSUs (granted under the LTI and STI deferral & matching scheme respectively).

Outstanding PSUs

	Year of issue	Outstanding at 31 Dec. 2021	In 2022			Outstanding at 31 Dec. 2022	Share price at date of grant (€)
			Granted	Vested	Forfeited / expired		
Geraldine Matchett	2019	15,052	-	(12,865)	(2,187)	-	97.74
	2020	14,058	-	-	-	14,058	105.00
	2021	11,850	-	-	-	11,850	147.40
	2022	-	11,006	-	-	11,006	163.65
	Total	**40,960**	**11,006**	**(12,865)**	**(2,187)**	**36,914**	
					Retained shares originated from PSUs	58,924	
Dimitri de Vreeze	2019	14,974	-	(12,787)	(2,187)	-	97.74
	2020	14,132	-	-	-	14,132	105.00
	2021	11,850	-	-	-	11,850	147.40
	2022	-	11,006	-	-	11,006	163.65
	Total	**40,956**	**11,006**	**(12,787)**	**(2,187)**	**36,988**	
					Retained shares originated from PSUs	49,482	

For employee information, as required by section 383d Book 2 of the Dutch Civil Code, reference is made to Note 27 Share-based compensation. On 31 December 2022, 1,647,106 (2021: 1,665,073) of the total number of treasury shares outstanding were held for servicing equity-based remuneration plans.

Shareholding obligation

In addition to the performance shares held because of vested grants under the DSM Stock Incentive Plan, the Co-CEOs invested in DSM shares. These shares were bought through private transactions with private funds (including shares purchased through STI deferral). The below table provides an overview of the number of shares held at year-end. The Co-CEOs significantly exceed the shareholding obligation (300% of base salary).

Managing Board holdings of DSM shares

	31 December 2022			31 December 2021		
	Ordinary shares purchased with private money	Holdings from vested PSUs	Total	Ordinary shares purchased with private money	Holdings from vested PSUs	Total
Geraldine Matchett	19,242	58,924	78,166	16,736	51,594	68,330
Dimitri de Vreeze	28,345	49,482	77,827	25,839	42,722	68,561
Total holdings	**47,587**	**108,406**	**155,993**	**42,575**	**94,316**	**136,891**

Company performance versus remuneration over time

Five-year review of company performance and Managing Board remuneration

The following table provides an overview of the development of the remuneration of the members of the Managing Board over the past five years, the development of company performance, and the average remuneration of other employees (excluding the Managing Board members). Total remuneration for Managing Board members consists of the remuneration expenses calculated in accordance with IFRS as included in the annual reports of the relevant years. The table provides an overview of company performance based on Adjusted EBITDA, share price (year-average) and the reduction of greenhouse gas emissions.

Typically, the share of total remuneration that is at risk varies for different employee segments and geographies, due to the impact of incentive schemes. While the percentage of variable pay as a percentage of total remuneration is highest for the Co-CEOs (at target 150%), it may be limited or nil for other employee segments or in certain countries (also because of collective agreements). Based on performance, the results of the respective incentive schemes (and therefore the impact on total remuneration) varies over time. The average remuneration of all other employees (excluding the Managing Board) is influenced not only by factors such as differences in the pay mix, or changes in exchange rates, but also by factors related to the composition of the employee population such as the impact of acquisitions and divestments, restructuring, and in- and outflow of personnel.

5-year overview of the year-on year-change of remuneration and company performance

		2022	2021	2020	2019	2018	Average
Managing Board remuneration							
Geraldine Matchett	Base salary	1,016	994	889	630	614	829
		2.2%	11.8%	41.1%	2.6%	2.7%	12.1%
	Total remuneration expenses	3,370	2,887	2,595	2,182	2,269	2,661
		16.7%	11.3%	18.9%	-3.8%	22.3%	13.1%
Dimitri de Vreeze	Base salary	1,016	994	889	630	614	829
		2.2%	11.8%	41.1%	2.6%	2.7%	12.1%
	Total remuneration expenses	3,347	2,943	2,639	2,175	2,188	2,658
		13.7%	11.5%	21.3%	-0.6%	25.1%	14.2%
Company performance							
Adjusted EBITDA[1]		1,725[2]	1,814	1,534	1,551	1,532	1,631
		-4.9%	18.3%	-1.1%	11,8%[3]	6.0%	6.0%
Year-average share price (€)		143.36	164.86	123.70	103.44	84.00	123.87
		-13.0%	33.3%	19.6%	23.1%	25.8%	17.7%
Greenhouse gas emission improvement		5.1%	14.8%	8.5%	12.7%	9.3%	10.1%
Average employee remuneration							
Average remuneration employees global		92,098	86,860	84,169	84,320	84,500	86,389
		6.0%	3.2%	-0.2%	-0.2%	-1.6%	1.5%

1 Adjusted EBITDA as of 2019 reflects Adjusted EBITDA from Continuing Operations as per current scope. The Adjusted EBITDA for 2018 reflects the Total Group.

2 Represents total group with DSM Protective Materials included until August 31, 2022.

3 EBITDA change versus a pro forma restated 2018 Adjusted EBITDA updated for Continuing Operations. EBITDA change versus 2018 reported Adjusted EBITDA 1.2%.

Although DSM delivered a strong performance in 2022, the price-cost gap remained significant for parts of the business. This resulted in an Adjusted EBITDA lower than in 2021. In line with other companies in the industry whose stock is traded similarly to the DSM stock, the share price dropped during 2022. In line with these observations, the STI fell to a lower level compared to 2021. It should be noted that the increase of remuneration expenses for the Co-CEOs in 2022 compared to 2021 is mainly caused by the fact that -in accordance with IFRS rules- the cost to be considered in 2022 for the outstanding yet unvested PSUs had to be corrected. This correction was necessary because the PSUs granted under the Long-Term Incentive plan in 2021 and 2022, respectively, shall vest against the average of the vesting result achieved over the vesting that occurred in 2020, 2021 and 2022. This is in accordance with IFRS rules and In line with the Offering Circular. Had this not been the case, the 2022 remuneration expenses for each of the Co-CEOs would have dropped by €0.5 million. This demonstrates that total Co-CEO remuneration fluctuates in accordance with the fluctuations in the Short-Term Incentive and the cost of the share-based compensation. Since the variable portion of total remuneration is smaller for employees globally, the year-to-year change of the average of this figure (which includes all employee costs as included in Note 5 of the Consolidated Financial Statements) always fluctuated less in the past. In 2022, however, we recorded a 6% upward movement of the average employee cost. This increase includes one-off payments made to our employees to offset the effects of rising inflation. It should be noted that the average remuneration of all employees remains impacted by merger & acquisition activities and restructuring of our operations. Exchange rate adjustments also have an impact. Furthermore, the year-on-year change of the average employee cost globally is influenced by the fact that the composition of the underlying employee population changes from year to year. This is attributable to a range of factors including retirements, new hires and restructurings.

Pay ratio

The pay ratio is calculated at 31 December 2022 and is based on the average remuneration expense reported for each Co-CEO and the total average employee cost (on an FTE basis). Intercompany comparisons must be made with caution, as differences in the composition of the workforce, the geographical spread or in pay structures may occur. The pay ratio will differ from year to year, since the variable pay (as a percentage of annual base salary) will differ from year to year based on company results. Since their pay is to a larger extent at risk, such fluctuations have a higher impact at Managing Board or executive level, compared to the average variable pay of the employee group (limited or no variable pay component). The ratio will furthermore be influenced by differences in pay structures between regions, acquisitions/divestments and foreign exchange rates.

At DSM, we believe that remuneration throughout the organization should be based on the same principles and values but should also consider local regulations and practices. This means that we aim for a consistent global approach (median of the market reference) and take local circumstances into consideration. This may, for example, result in a different pay mix between countries or for employee segments without jeopardizing our principles and values. That is how we built and internally align our remuneration policies, including the Remuneration policy for the Managing Board. Ratios do not necessarily provide a reflection of such considerations, as they ignore, among other things, the typical differences between fixed and variable pay in geographies and/or employee segments and are influenced by changing currency conversion rates as well as being vulnerable to M&A activities.

The 2022 ratio of total remuneration expenses for each of the Co-CEOs, including annual base salary, STI, LTI expenses and other benefits such as pension (as reported in this Remuneration report) versus the average remuneration of total employees globally is 36:1 (2021: 34:1). As indicated the respective paragraph, this is merely driven by the IFRS requirement impacting the expenses (accruals) to be considered for outstanding equity-based compensation. Had this not occurred, the Pay ratio would have dropped to 31 on the back of the Short-Term Incentives lagging behind the incentive recorded over 2021.

Underlying data for the pay ratio calculation can be retrieved from the table DSM's remuneration expense for the Managing Board (including table notes) in the section Total remuneration of this Remuneration report, and from the table Employee benefit costs in Note 5 Net sales and costs (continuing operations) to the consolidated financial statements.

Retrospect and outlook

As mentioned in the 2021 Remuneration report, DSM intended to revise its Remuneration policy in 2022. In view of the intended merger with Firmenich and consequently the change of the regulatory environment, this project was interrupted. Following a successful completion of the intended merger with Firmenich, the DSM-Firmenich shareholders will at each annual General Meeting have the opportunity to vote, with non-binding effect, on DSM-Firmenich's remuneration report (for the prior financial year) and, with binding effect, on the maximum remuneration envelope for the members of the Board of Directors of DSM-Firmenich (until the next annual General Meeting) and the Executive Committee of DSM-Firmenich (for the next financial year).

Remuneration of the Supervisory Board of Koninklijke DSM N.V. 2022

Summary of the Remuneration policy of the Supervisory Board of Koninklijke DSM N.V.

The Remuneration policy is designed to engage qualified leaders with the right balance of personal skills, competences and experience required to oversee the execution of the company's strategy, its performance, and its creation of long-term value, recognizing the interests of all stakeholders. In line with the Dutch Corporate Governance Code, the remuneration is not linked to company and individual performance. As a reference, the remuneration of the Supervisory Board is benchmarked to market practice, predominantly against AEX companies, given the company's country of domicile. The total fixed remuneration should approach the median of the reference market. The full version of the remuneration policy for the Supervisory Board of Koninklijke DSM N.V. as approved by the 2019 AGM is available on the company website.

The table below summarizes the key elements of the remuneration policy, describing purpose, design and (potential) value.

Purpose	Design	Value
Fixed fee Basic pay for doing the job	Reward Supervisory Board members and incentivize them to utilize their skills and competences to the maximum extent possible in executing their tasks. The reward reflects the nature of responsibilities, the time spent, and aims to provide a fair and competitive pay level to engage qualified leaders. Review: in principle, every three years, based on in-depth benchmarking.	Approaching the median of the market reference (predominantly AEX companies). Position and annual fee: - Chair €105,000 - Deputy Chair €75,000 - Member €70,000 - Chair Audit Committee €18,500 - Member Audit Committee €12,000 - Chair other Committees €14,000 - Member other Committees €8,500
Intercontinental travel fee	Fixed amount representing time commitment related to intercontinental travel.	€5,000 for each time it is required to travel outside the continent of residence.
Expenses	Expenses incurred in fulfilling duties are reimbursed. To be paid upon submission of a statement of expenses, partially covered by a fixed allowance.	Depending on level of expenses. Fixed per annum: €2,475 gross per annum.
Shareholding requirement	In line with Dutch Corporate Governance Code, no mandatory shareholding requirement. Supervisory Board members are encouraged to invest in privately owned DSM shares.	Not applicable.
Benefits and loans	Supervisory Board members are not entitled to participate in any benefits program offered to employees. Loans will not be provided.	Not applicable.

Total remuneration 2022

Committee overview

The Supervisory Board members are assigned to the various committees.

Committee overview	Audit	Nomination	Remuneration	Sustainability
Thomas Leysen (Chair)		Chair	Member	
John Ramsay (Deputy Chair)	Chair		Member	
Eileen Kennedy		Member		Chair
Carla Mahieu		Member	Chair	
Erica Mann	Member			Member
Frits van Paasschen			Member	Member
Pradeep Pant	Member	Member		
Corien Wortmann-Kool	Member			Member

Total Remuneration

The below table provides an overview of the total remuneration provided in 2022.

Remuneration of Supervisory Board Members

in €	Fixed						Total remuneration		Portion fixed/variable compensation	
	Annual fee		Committee fee		Other costs[1]					
	2022	2021	**2022**	2021	**2022**	2021	**2022**	2021	**2022**	2021
Thomas Leysen, Chair	105,000	90,417	22,500	21,667	2,475	1,250	129,975	113,334	100:0	100:0
John Ramsay, Dep. Chair	75,000	72,917	27,000	27,000	2,475	1,250	104,475	101,167	100:0	100:0
Rob Routs, Chair[2]	-	43,750	-	9,375	-	521	-	53,646	n.a.	100:0
Pauline van der Meer Mohr, Dep. Chair[2]	-	31,250	-	9,375	-	521	-	41,146	n.a.	100:0
Eileen Kennedy, Member	70,000	70,000	22,500	22,500	17,475	6,250	109,975	98,750	100:0	100:0
Carla Mahieu, Member[3]	70,000	40,833	18,958	8,167	2,475	729	91,433	49,729	100:0	100:0
Erica Mann, Member	70,000	70,000	20,500	20,500	17,475	1,250	107,975	91,750	100:0	100:0
Frits van Paasschen, Member	70,000	70,000	17,000	18,458	17,475	11,250	104,475	99,708	100:0	100:0
Pradeep Pant, Member	70,000	70,000	20,500	20,500	12,475	11,250	102,975	101,750	100:0	100:0
Corien Wortmann-Kool, Member[3]	70,000	40,833	20,500	11,958	2,475	729	92,975	53,520	100:0	100:0
Total	600,000	600,000	169,458	169,500	74,800	35,000	844,258	804,500	100:0	100:0

1 Involves International travel fee, expenses allowance and expenses exceeding expenses allowance.
2 Member of the Supervisory Board until 6 May 2021.
3 Member of the Supervisory Board since 6 May 2021.

In line with the remuneration policy, variable compensation does not apply, and Supervisory Board members do not participate in any pension scheme. No extraordinary items apply. The total remuneration of the Supervisory Board is slightly above the 2021 level, explained by the fact that more meetings in 2022 have been in person or hybrid, whereas the 2021 meetings were predominantly virtual.

Benefits and loans

Members of the Supervisory Board are not eligible for any benefit programs offered by the company (or any beneficiary) to its employees, nor are any loans provided.

Equity-based compensation

As confirmed in the remuneration policy, Supervisory Board members do not receive any equity-based compensation. They are, however, encouraged to hold privately owned shares in DSM. At year-end 2022, Thomas Leysen held 10,035 shares (2021: 5,035) and John Ramsay held 1,788 shares (2021: 1,068). No other Supervisory Board members held company shares at year-end 2022.

Remuneration over time

The below table provides an overview of the total remuneration of the Supervisory Board members over a five-year period. A comparison of the development of total remuneration compared to company performance is not provided, as the Supervisory Board's total remuneration is not linked to company performance (Dutch Corporate Governance Code and remuneration policy of the Supervisory Board Koninklijke DSM N.V.).

5-year overview of the Supervisory Board remuneration

	2022	2021	2020	2019	2018	5-years average[1]
Thomas Leysen, Chair	129,975	113,334	53,520	-	-	
John Ramsay, Dep. Chair	104,475	101,167	98,250	97,000	82,450	96,668
Eileen Kennedy, Member	109,975	98,750	98,750	110,292	90,250	101,603
Carla Mahieu, Member	91,433	49,729	-	-	-	
Erica Mann, Member	107,975	91,750	96,750	67,251	-	
Frits van Paasschen, Member	104,475	99,708	96,750	114,125	102,250	103,462
Pradeep Pant, Member	102,975	101,750	96,750	109,125	98,250	101,770
Corien Wortmann-Kool, Member	92,975	53,520	-	-	-	

1 Average only calculated if the respective Supervisory Board member was engaged during five whole years.

Closing remarks and shareholder vote

The 2019 AGM approved the remuneration policy for the Supervisory Board of Koninklijke DSM N.V. (98.45% in favor) as well as the remuneration policy for the Managing Board of Koninklijke DSM N.V. (97.48% in favor). The total remuneration delivered in 2022 is aligned with the respective remuneration policies: other than total remuneration lagging behind the median of the labor market peer group, no deviations or derogations applied. As in 2021, no revision or claw-back of any incentives occurred in 2022.

Questions raised in the 2022 AGM regarding remuneration items were addressed in the respective meeting (reference is made to the Q&A document and minutes of that meeting, posted on the company website). As a result, there were no specifics raised that needed to be addressed in this Remuneration report.

Heerlen, 1 March 2023

The Supervisory Board
Thomas Leysen, Chair
John Ramsay, Deputy Chair
Eileen Kennedy
Carla Mahieu
Erica Mann
Frits van Paasschen
Pradeep Pant
Corien Wortmann-Kool