Royal DSM Remuneration Report 2021

Creating brighter lives for all

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DSM
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Remuneration report 2021

Introduction by the Chair of the Remuneration Committee

The COVID-19 pandemic once again had a significant impact on the daily life of our employees as well as our businesses in 2021. The number one priority remained as always to safeguard the safety, health and well-being of our employees. In January 2021, we paid a special COVID-19 bonus to our employees around the globe in recognition of their continuous efforts to keep the business on track during the pandemic. In all our operating facilities, measures were taken to reduce COVID-19 risks. Building on experiences gained in the course of the pandemic, DSM introduced a hybrid working concept, allowing for new, innovative ways of working. Support was provided in setting up safe and suitable workplaces at home, deploying initiatives to ensure compliance with occupational healthcare considerations when working from home.

Our businesses showed a strong financial performance in 2021 in dynamic market conditions, and we remained well on track on our People and Planet objectives. Good end-user demand drove the continued positive momentum of our Nutrition business while our Materials business recorded a very strong recovery from the impact of the COVID-19 pandemic. By actively managing the volatile dynamics of the global supply chain we remained able to meet the needs of our customers. Nutrition recorded strong organic sales growth, driven by very strong volumes in Animal Nutrition and Personal Care. Human Nutrition and Food Specialties recorded further good organic growth, building upon their strong performances in the prior year. Organic sales growth in Materials was close to 30% on the back of exceptional strong sales supported by supply disruptions and material shortages in the industry. Furthermore, Materials delivered a strong operational performance, successfully navigating global supply chain challenges as well as the disruptions caused by the semiconductor shortages impacting the automotive industry. In 2021, the divestment of our Resins & Functional Materials and associated businesses was successfully completed.

In September, we announced our intention to accelerate our strategic journey to become a company focused on Health, Nutrition & Bioscience, better placed to deploy our resources and capabilities to addressing the urgent societal and environmental challenges linked to the way the world produces and consumes food. The health and well-being of people, animals, and the planet are impacted by multiple systemic and interconnected food system challenges. DSM is well positioned to respond to these challenges, using advances in digital technology and bioscience that offer realistic scalable solutions to innovate and to create new markets. As a global leader, we have the opportunity, capability and therefore responsibility to apply our resources and expertise where these can have the greatest impact. By focusing exclusively on our activities in Health, Nutrition & Bioscience, we will be able to operate with greater agility and impact and meet the growing need for better and more sustainable food systems. Within this context, we are unlikely to be able to maximize the Materials businesses' full potential to drive the important industrial shift to a bio-based and circular economy. We are therefore reviewing strategic options for both Materials businesses, including a possible change of ownership.

In view of this, we have simplified the operating structure with effect from 1 January 2022. At the heart of our strategic direction is the creation of three market-focused Business Groups: Food & Beverage, Animal Nutrition & Health, and Human Nutrition & Care. Each Business Group will be much more closely aligned with its respective customers and (through the integration of research & development activities previously performed by the DSM Innovation Center) will be fully equipped to rapidly develop impactful, science-based, market-ready innovations. Our Business Groups are supported by global enabling functions. These functions have reviewed their operating model, focusing on their core role, aiming for simplification, and optimizing the use of digital technologies to maximize their contribution to achieving the three Business Groups' objectives.

Related to the strategic direction, we announced a series of new quantifiable commitments designed by 2030 help to address urgent societal and environmental challenges linked to how the world produces and consumes food. In doing so, we are one of the first companies in the consumer ingredient sector to make its societal impact explicit through a set of measurable Food System Commitments. Besides this, we announced that we will accelerate our greenhouse gas (GHG) emissions reduction target versus 2016, providing a firm foundation for the company to achieve net-zero by 2050.

In last year's Remuneration report, we announced a review of the Remuneration Policy for the Managing Board, considering the new strategic direction as well as the challenge of attracting senior international business leaders from a remuneration perspective. It was decided to take sufficient time for this review in consideration of the strategic update, the organizational restructuring, and our new quantifiable commitment to address challenges of the world's food systems, while allowing sufficient time to consult our main stakeholders.

The 2021 remuneration reported herein is fully aligned with the deployment of DSM's strategic objectives. In addition, we continued in 2021 to deliver improvements in customer-centricity, large innovation projects, integrating acquired businesses, cost control and operational excellence, resulting in sound results, which are reflected in the remuneration as presented in this report.

The Supervisory Board has taken a balanced approach toward the remuneration of the Managing Board. Whereas no base salary increase was applied for the Managing Board and the Executive Committee in 2020, the Supervisory Board decided to adjust base salaries for the Managing Board considering that our Co-CEOs' remuneration, at the beginning of their tenure, was positioned below the level of the previous CEO and clearly below the median of the peer group. After careful consideration of the impact of the pandemic, the Supervisory Board decided not to take any other remuneration measures in 2021.

I would like to thank my predecessor Pauline van der Meer Mohr who joined DSM's Supervisory Board in 2011 and chaired the Remuneration Committee since 2016. As member of the Supervisory Board, Pauline made many outstanding contributions to the transformation of the company, for which DSM is very grateful. As Chair of the Remuneration Committee, Pauline has been leading the way in establishing a balanced remuneration policy in line with DSM's purpose and strategy, reflecting both financial and non-financial targets while meeting new governance requirements. I like to express my deep appreciation for Pauline's professional and sound judgement and organizational savviness in this field. It is my privilege to take over from her and to build on the strong foundation which was put place under her leadership. We wish Pauline every success with her next endeavors.

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 2021. 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. 2021

Summary of the remuneration policy 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: ecological and sustainability; and Profit: economic and financial) while recognizing the interests of all our stakeholders (especially our customers, employees and 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.		
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 in order 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.

Purpose	Design and link to strategy	Value
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.
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 2021

Introduction

Actual remuneration for 2021 is fully aligned with the remuneration policy, which complies with EU requirements and Dutch legislation.

2021 was the first full year in which Geraldine Matchett and Dimitri de Vreeze were in charge as Co-CEOs. A comparison with 2020 is somewhat distorted, because the remuneration for that year was partly based on their capacity as a Member of the Managing Board and partly in their capacity as Co-CEOs.

Base salary

As already reported in the 2020 Remuneration report, a quick scan was conducted early 2021, benchmarking DSM's position within the labor market peer group as defined within the Remuneration Policy of the Managing Board of Koninklijke DSM N.V. Whereas the policy is to approach the median from below, the benchmark showed that DSM had dropped to the lowest position in the peer group as far as targeted total Direct Compensation (annual base salary plus targeted Short-Term Incentive plus targeted Long-Term Incentive) is concerned. As a first step to close the gap, the Supervisory Board decided to adjust annual base salary of the Co-CEOs to € 1,003,625 on annual basis per 15 February 2021. This adjustment reflects the fact that the annual base salary of the Co-CEOs was initially set below the level of their predecessor and considers the market movement of the peer group. After this adjustment and compared to the quick scan mentioned, the Co-CEOs' base salary moved toward the 25th percentile of the labor market peer group, whereas target Total Direct Compensation still remains below the 25th percentile.

Fixed annual base salary

in €	15 February 2021	15 February 2020
Geraldine Matchett	1,003,625	925,000
Dimitri de Vreeze	1,003,625	925,000

Goals and targets incentive programs

Our purpose as company is to create brighter lives for all. We are therefore in business to generate profitable growth while at the same time contributing to a better world. Our focus in 2021 was on developing innovative solutions addressing our three focus domains: Nutrition & Health, Climate & Energy, and Resources & Circularity. Our initiatives within these focus domains were brought together in the three pillars of our Brighter Living Agenda:

- improving our own operations (for example, by reducing our emissions)
- enabling our customers to deliver healthy and sustainable solutions by developing and providing products that, from a Triple-P perspective, stand out against mainstream products
- accepting and acting on our responsibilities as a corporate member of society

Our focus shifted in light of the strategic update announced in September 2021. With a growing global population, the world is facing multiple systemic and interconnected food system challenges that impact the health and well-being of people, animals and the planet. DSM has the capability and therefore the responsibility to make a meaningful impact on the world's food systems. Helping to bring about a positive transformation in global food systems also creates attractive new market opportunities for our company. With this new strategic focus, we are therefore staying true to our purpose of creating brighter lives for all.

Related to this framework, a broader set of key performance indicators (KPIs) was defined, some of them feature in our incentive programs. Added to this are financial targets that reflect our financial performance, 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 on energy efficiency and greenhouse gas (GHG) emission reduction and building our portfolio of Brighter Living Solutions 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 initially conducted when the revised 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 2021, payable in April 2022, and based on the base salary paid in 2021. 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 2021 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 (BLS) (5%): is DSM's program for the development of sustainable, innovative solutions with environmental and/or social benefits, creating shared value for our stakeholders. Brighter Living Solutions are products, services and technologies that, considered over their life cycle, offer a superior environmental impact (ECO+) and/or a superior social impact (People+) when compared to the mainstream alternative for the same application.
- 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 2021 the Managing Board / Executive Committee shared two team targets

The financial measures reflect our strategic growth ambitions while the targets related to Brighter Living Solutions, 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 2021 STI targets.

2021 STI achievement

	Weight in % of base salary	Target definition			Achievement	Performance achieved	Pay-out in % of base salary	Pay-out
		Threshold[1]	Target	Maximum[2]				
Adjusted EBITDA	12.5%	≤ €1,635m	€1,725m	> €1,770m	€1,814	200%	25%	€248,451
Adjusted net operating free cash flow	10.0%	≤ €795m	€850m	> €905m	€949	200%	20%	€198,761
Net sales growth	2.5%	≤ 2.0%	4.0%	> 6.0%	13%	200%	5%	€49,690
Brighter Living Solutions	5.0%	≤ 57.0%	62.0%	> 68.0%	64%	100%	5%	€49,690
Safety	5.0%	≥0.26	0.24	≤ 0.21	0.22	150%	7.5%	€74,535
Employee Engagement	5.0%	≤ 70.5%	75.0%	> 79.5%	75.3%	100%	5%	€49,690
Individual value adding goals[3] (Between 0 and 200% of target)	10.0%					150%	15%	€149,071
Total STI achieved over performance year 2021							82.5%	€819,888

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 2021, the Managing Board members had two strategic objectives related to the strategic transformation.

We delivered a strong performance as we continued to successfully navigate dynamic market conditions. Good end-user demand further boosted our sales, resulting in an organic sales growth of 13%. The net sales growth target was fully realized and capped at the maximum achievement of 200% (2020 achievement: 0%). The strong sales paired with exceptional operational excellence, translated into a step-up of 18% in Adjusted EBITDA, resulting in maximum achievement (2020 achievement: 0%). The Adjusted net operating free cash flow also improved by 9% compared to 2020, again resulting in maximum achievement. Following the carve out of our Resins & Functional Materials and associated businesses, the composition of our portfolio changed considerably. Continued innovations contributed to an at-target achievement of the BLS-target; 64% (against 63% in 2020) of our products qualify as outstanding compared to mainstream solutions. Our safety performance continued to improve as well in 2021. Compared to 2020, the Frequency Index improved from 0.24 to 0.22, resulting in an achievement of 150% of target. The simplification of our organizational structure and the redesign of the operating model of all our enabling functions as well as the strategic repositioning of our Materials' business had a significant impact on our employees. Nonetheless, we are proud that the Employee Engagement Score was maintained at the targeted level.

The combined realization resulted in a 2021 STI pay-out as included in the below overview (note: the 2020 STI was pro-rata linked to the base salary as respectively Member of the Managing Board and as Co-CEO).

Short-Term Incentive

in €	2021	2020
Geraldine Matchett	819,888	545,249
Dimitri de Vreeze	819,888	545,249

Short-Term Incentive deferral & matching (STI)

In addition to the mandatory deferral (25% of STI achieved), the Managing Board members decided to convert another 25% (maximum possible) of their STI into shares. This means that the Co-CEOs converted 50% of their STI into this long-term incentive, demonstrating their trust in the company strategy and their focus on the long term. A 1:1 grant of PSUs was implemented, as included in the following table. The 2021 grant was based on the STI achieved during 2020 and therefore on the 2020 terms and conditions partly tied to remuneration as Member of the Managing Board and partly as Co-CEO.

Grant of PSUs under the STI deferral & matching scheme

Number of PSUs	2021 grant (vesting 2024)	2020 grant (vesting 2023)
Geraldine Matchett	1,850	1,558
Dimitri de Vreeze	1,850	1,632

Long-Term Incentive (LTI)

2021 and 2022 grant

In 2021, 10,000 Performance Shares Units (PSUs) were granted (on 31 March) to each of the Co-CEOs (2020: 12,500). 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 2022 grant (to be implemented 31 March) equals 8,500 PSUs for each Co-CEO. Any grant equals the maximum number of PSUs that may vest. The fact that the number of PSUs granted in 2021 and 2022 is lower compared to the foregoing year is a result of the share price appreciation.

Goal setting

Targets were set ahead of the LTI cycle, in accordance with the remuneration policy, ensuring that achievement of threshold, target or maximum vesting is 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%): 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 2019 grant: absolute reduction of greenhouse gas emissions in kilotons over performance; the target up to and including the 2018 grant is based on the reduction of greenhouse gas emissions per unit of product

Vesting 2018 grant

The performance period of the PSUs granted in 2018 was completed by year-end 2020: the actual vesting was on 31 March 2021. 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 improvement % (over a 3-year period)	% of PSUs granted that vest[2]
1	100	≥15.75	100	≥4.00	100	≥8.75	100
2	97	15.25 - <15.75	83	3.25 - <4.00	83	8.25 - <8.75	83
3	93	14.25 - <15.25	67	2.75 - <3.25	67	7.75 - <8.25	67
4	87	13.75 - <14.25	50	2.50 - <2.75	50	7.25 - <7.75	50
5	80	13.25 - <13.75	33	2.25 - <2.50	33	6.75 - <7.25	33
6	73	<13.25	-	2.00 - <2.25	17	6.25 - <6.75	17
7	67			<2.00	-	<6.25	-
8	50						
9	33						
10–15	-						

1 Peer group 2018 grant includes AkzoNobel, Arkema, BASF, Chr. Hanssen, Clariant, Croda International, DuPont/IFF, Evonik, Givaudan, Kerry, LANXESS, Lonza, Novozymes, Solvay.

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.

A strong share price appreciation resulted in the second rank on the relative Total Shareholder Return goal (same score applied for the 2017 grant that vested in 2020), resulting in an achievement of 145%; i.e., the vesting of 97% of the PSUs initially granted linked to this goal. The ROCE reported over 2020 of 10.3% is substantially below target on the back of several acquisitions in the period 2018-2020. When adjusted for these acquisitions, the ROCE improved to 12.2%, still below target. As the threshold was not achieved, no PSUs tied to this goal vested. On Energy Efficiency DSM realized an improvement of 9% over the performance period. During the 3-year performance period total GHG emissions were reduced by 30%. As a result, the vesting related to both sustainability goals was at maximum level. The below table provides an overview of the number of PSUs granted in 2018 that vested (i.e., converted to unconditional shares) on 31 March 2021. In total, 74.2% of the PSUs granted in 2018 vested (note: in 2020, 90.8% of the PSUs granted in 2017 vested). Since the number of PSUs granted equals the maximum number to vest, the vesting equals 111.3% of the targeted grant (136.3% in 2020).

PSUs granted in 2018 vested in 2021

Numbers of PSUs vested[1]	LTI	STI deferral & matching scheme
Geraldine Matchett	8,162	2,800
Dimitri de Vreeze	8,162	2,800

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 2021 is fully 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 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]					
	2021	2020	2021	2020	2021[3]	2020[3]	2021	2020	2021	2020	2021	2020	2021	2020
Geraldine Matchett	994	889	820	545	903	987	153	148	17	26	2,887	2,595	40:60	41:59
Dimitri de Vreeze	994	889	820	545	903	986	180	172	46	47	2,943	2,639	41:59	42:58
Total	1,988	1,778	1,640	1,090	1,806	1,973	333	320	63	73	5,830	5,234	41:59	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 2021), the 2021 vesting (the Co-CEOs together) represented the value of € 3.2 million (2020 €3.7 million), subject to a sell to cover.

2 Fringe benefits, such as company car and allowances.

3 Share-based compensation for 2021 concerns the grants in 2018 (partial), 2019, 2020 and 2021 (partial), share-based compensation for 2020 concerns the grants in 2017 (partial), 2018, 2019 and 2020 (partial).

In line with the outstanding company performance, the STI achieved over 2021 compared to 2020 went up, whereas the cost of Share based compensation (LTI) decreased due to the valuation and composition of the underlying series. Also considering the base salary adjustment, total remuneration expenses incurred in 2021 went up to € 5,830 million.

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 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. 2020	In 2021 Granted	In 2021 Vested	In 2021 Forfeited / expired	Outstanding at 31 Dec. 2021	Share price at date of grant (€)
Geraldine Matchett	2018	13,800	-	(10,962)	(2,838)	-	80.04
	2019	15,052	-	-	-	15,052	97.74
	2020	14,058	-	-	-	14,058	105.00
	2021	-	11,850	-	-	11,850	147.40
	Total	**42,910**	**11,850**	**(10,962)**	**(2,838)**	**40,960**	
					Retained shares originated from PSUs	51,594	
Dimitri de Vreeze	2018	13,800	-	(10,962)	(2,838)	-	80.04
	2019	14,974	-	-	-	14,974	97.74
	2020	14,132	-	-	-	14,132	105.00
	2021	-	11,850	-	-	11,850	147.40
	Total	**42,906**	**11,850**	**(10,962)**	**(2,838)**	**40,956**	
					Retained shares originated from PSUs	42,722	

Upon expiration of their term, Dimitri de Vreeze exercised in 2021 the legacy stock options initially granted to him in 2013 (prior to his first appointment as a Managing Board member). During 2021, he exercised 6,000 stock options; the shares obtained were sold for an average share price of €150.47.

Outstanding stock options

	Year of issue	Outstanding at 31 Dec. 2020	In 2021		Outstanding at 31 Dec. 2021	Average share price at exercise (€)	Exercise price (€)	Expiry date
			Exercised	Forfeited / expired				
Dimitri de Vreeze	2013	6,000	(6,000)	-	-	150.47	48.91	7 May 2021
	Total	**6,000**	**(6,000)**	-	-			
Of which vested		6,000			-			

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 2021, 1,665,073 (2020: 2,460,656) 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 on the basis of vested grants under the DSM Stock Incentive Plan, the Co-CEOs have 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 2021			31 December 2020		
	Ordinary shares purchased with private money	Holdings from vested PSUs	Total	Ordinary shares purchased with private money	Holdings from vested PSUs	Total
Geraldine Matchett	16,736	51,594	68,330	14,886	44,990	59,876
Dimitri de Vreeze	25,839	42,722	68,561	23,989	36,927	60,916
Total holdings	**42,575**	**94,316**	**136,891**	**38,875**	**81,917**	**120,792**

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

		2021	2020	2019	2018	2017	Average
Managing Board remuneration							
Geraldine Matchett	Base salary	994	889	630	614	598	745
		11.8%	41.1%	2.6%	2.7%	1.4%	11.9%
	Total remuneration	2,887	2,595	2,182	2,269	1,855	2,358
		11.3%	18.9%	-3.8%	22.3%	12.0%	12.1%
Dimitri de Vreeze	Base salary	994	889	630	614	598	745
		11.8%	41.1%	2.6%	2.7%	1.4%	11.9%
	Total remuneration	2,943	2,639	2,175	2,188	1,749	2,339
		11.5%	21.3%	-0.6%	25.1%	3.9%	12.2%
Company performance							
Adjusted EBITDA[1]		1,814	1,534	1,551	1,532	1,445	1,575
		18.3%	-1.1%	11.8%[2]	6.0%	14.5%	9.9%
Year-average share price (€)		164.86	123.70	103.44	84.00	66.79	108.56
		33.3%	19.6%	23.1%	25.8%	24.4%	25.2%
Greenhouse gas emission improvement		14.8%	8.5%	12.7%	9.3%	4.1%	9.9%
Average employee remuneration							
Average remuneration employees global		86,860	84,169	84,320	84,500	85,841	85,138
		3.2%	-0.2%	-0.2%	-1.6%	0.9%	0.4%

1 Adjusted EBITDA as of 2019 reflects Adjusted EBITDA from Continuing Operations as per current scope. The Adjusted EBITDA for 2017 and 2018 reflects the Total Group.

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

DSM's performance in 2021 improved compared to 2020. Over the last five years, the performance in terms of Adjusted EBITDA, share price appreciation and greenhouse gas emissions has been outstanding. The development of the share price (as included in the table) as well as the dividends paid over the years subscribe to this. Whereas the Managing Board remuneration expenses increased in 2020 as a consequence of the CEO change, the change in 2021 is merely driven by the improved business performance, resulting in a higher STI. 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 for employees globally a lesser portion of their total remuneration is variable, the year-to-year change of the average remuneration of our employees globally (which includes all employee costs as included in Note 5 of the Consolidated Financial Statements) shows less fluctuations. In addition, the average remuneration of all employees is impacted by merger & acquisition activities and restructuring of our operations, while the adjustments of exchange rates also had an impact. Furthermore, the year-on-year change of the average employee cost globally, are influenced by the fact that the composition of the underlying employee population changes from year to year as a consequence of factors including retirements, new hires and restructurings.

Pay ratio

The pay ratio is calculated at 31 December 2021 and is based on the average remuneration expense reported for each Co-CEO and the total average employee cost. 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. Given that 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.

The Monitoring Committee Dutch Corporate Governance Code recommends a definition that considers 'the hiring of external employees' pro-rated, insofar as they are hired for at least three months during the financial year and whereby the average annual remuneration of the employees is determined by dividing the total wage costs in the financial year (as included in the consolidated annual accounts on an IFRS basis) by the average number of FTEs during the financial year. Until now, DSM calculated average annual employee remuneration based on headcount. As of 2021, this has been changed to FTE (the table below shows the impact over the last years). The calculation does not yet include 'the hiring of external employees', as the current data architecture does not allow a trustworthy combination of external employees (in FTE) and cost involved. Adjustments will be made to meet the criteria in due course.

	2021	2020	2019	2018	2017
CEO Pay ratio based on headcount	34	33	41	40	32
CEO Pay ratio based on FTE	34	31	40	40	31

At DSM, we believe that the remuneration throughout the organization should be based on the same principles and values but should also consider local regulations and practices. That means that we aim for a consistent global approach (median of the market reference) and consider local circumstances. 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.

Due to the CEO change, the pay ratio dropped in 2020, since the remuneration package was set lower compared to the outgoing CEO, while equity-based compensation included series granted in the Co-CEOs' previous role. The 2021 ratio of total remuneration, including annual base salary, STI, LTI and other benefits such as pension (as reported in this Remuneration report) versus the average remuneration of total employees globally is 34:1 (2020: 31:1) for each of the Co-CEOs. As explained herein, the increase is merely a consequence of the higher Short-Term incentive over 2021 related to the outstanding results.

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, as well as from the table Geographical information in Note 4 Segment information, and from the table Employee benefit costs in Note 5 Net sales and costs (continuing operations) to the consolidated financial statements.

Retrospect and outlook

Whereas the overall remuneration expenses in 2020 dropped compared to 2019 as a consequence of the CEO change, the remuneration expense in 2021 increased compared to 2020. In this respect, it is to be considered that (until 15 February 2021) the base salary of the Co-CEOs was positioned below base salary of the outgoing CEO, whereas the share units granted to the Co-CEOs in 2018 and vesting in 2021 concerned a grant based on their base salary as Managing Board members (this effect will also occur in 2022).

Considering the strategic update provided in 2021 and the pending review of the Remuneration policy, the Supervisory Board has decided that the goals underlying the Short- and Long-Term Incentive schemes will not be adjusted for 2022. This review was initiated in view of, among other factors, a quick scan conducted early in 2021 and benchmarking DSM's position within the labor market peer group as defined within the Remuneration policy. The scan showed that DSM had dropped to the lowest position in the peer group as far as targeted total Direct Compensation (annual base salary plus targeted Short-Term Incentive plus targeted Long-Term Incentive) is concerned and was far from approaching the median from below as set out in the Remuneration policy. Although DSM in general has a compelling proposition to attract talent, the company faces more and more difficulties in attracting and retaining senior leaders (one or two reporting levels below the Executive Committee). This is due to the fact that the remuneration of the Managing Board sets a ceiling especially with regard to Short- and Long-Term Incentives. Together with the fact that the Managing Board's targeted Total Direct Remuneration is positioned below the 25th percentile of the labor market peer group, action was required. In the meantime, a policy review project has started. This was necessary on the one hand to further align actual remuneration of the Managing Board with the market and on the other hand to enable DSM to submit compelling and competitive remuneration propositions to attract and retain senior talents that will help shape the company's future success. The review project is well under way. In the course of 2022, we will consult with investors and proxy advisors to explore views and opinions.

Remuneration of the Supervisory Board of Koninklijke DSM N.V. 2021

Summary of the Remuneration policy 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: €1,250.
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 2021

Committee overview

The Supervisory Board members are assigned to the various committees.

Committee overview	Audit	Nomination	Remuneration	Sustainability
Thomas Leysen (Chair as of 6 May 2021)		Chair	Member	
John Ramsay (Deputy Chair as of 6 May 2021)	Chair		Member	
Rob Routs (Chair until 6 May 2021)		Chair	Member	
Pauline van der Meer Mohr (Deputy Chair until 6 May 2021)		Member	Chair	
Eileen Kennedy		Member		Chair
Carla Mahieu (as of 6 May 2021)			Chair	
Erica Mann	Member			Member
Frits van Paasschen			Member	Member
Pradeep Pant	Member	Member		
Corien Wortmann-Kool (as of 6 May 2021)	Member			Member

Total Remuneration

The table provides an overview of total remuneration provided in 2021.

Remuneration of Supervisory Board Members

in €	Fixed						Total remuneration		Portion fixed/variable compensation	
	Annual fee		Committee fee		Other costs[1]					
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Thomas Leysen, Chair as of 6 May 2021	90,417	40,833	21,667	11,958	1,250	729	113,334	53,520	100:0	100:0
John Ramsay, Dep. Chair as of 6 May 2021	72,917	70,000	27,000	27,000	1,250	1,250	101,167	98,250	100:0	100:0
Rob Routs, Chair until 6 May 2021	43,750	105,000	9,375	22,500	521	1,250	53,646	128,750	100:0	100:0
Pauline van der Meer Mohr, Dep. Chair until 6 May 2021	31,250	75,000	9,375	22,500	521	1,250	41,146	98,750	100:0	100:0
Eileen Kennedy, Member	70,000	70,000	22,500	22,500	6,250	6,250	98,750	98,750	100:0	100:0
Carla Mahieu, Member as of 6 May 2021	40,833	-	8,167	-	729	-	49,729	-	100:0	n.a.
Erica Mann, Member	70,000	70,000	20,500	20,500	1,250	6,250	91,750	96,750	100:0	100:0
Frits van Paasschen, Member	70,000	70,000	18,458	20,500	11,250	6,250	99,708	96,750	100:0	100:0
Pradeep Pant, Member	70,000	70,000	20,500	20,500	11,250	6,250	101,750	96,750	100:0	100:0
Corien Wortmann-Kool, Member as of 6 May 2021	40,833	-	11,958	-	729	-	53,520	-	100:0	n.a.
Victoria Haynes, Member until 8 May 2020	-	29,167	-	8,542	-	521	-	38,230	n.a.	100:0
Total	600,000	600,000	169,500	176,500	35,000	30,000	804,500	806,500	100:0	100:0

1 Involves International travel fee, expenses allowance and expenses exceeding expenses allowance.

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 at the same level as was the case during 2020. Note that in both years most meetings were virtual, resulting in relatively low travel costs (included in ‘Other costs’).

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 2021, Thomas Leysen held 5,035 shares (2020: 5,035) and John Ramsay held 1,068 shares (2020: 1,057). No other Supervisory Board members held company shares at year-end 2021.

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

	2021	2020	2019	2018	2017	5-years average[1]
Thomas Leysen, Chair as of 6 May 2021	113,334	53,520	-	-	-	
John Ramsay, Dep. Chair as of 6 May 2021	101,167	98,250	97,000	82,450	51,605	
Rob Routs, Chair until 6 May 2021	53,646	128,750	123,125	107,250	107,250	
Pauline van der Meer Mohr, Dep. Chair until 6 May 2021	41,146	98,750	95,208	82,250	82,250	
Eileen Kennedy, Member	98,750	98,750	110,292	90,250	94,250	98,458
Carla Mahieu, Member as of 6 May 2021	49,729	-	-	-	-	
Erica Mann, Member	91,750	96,750	67,251	-	-	
Frits van Paasschen, Member	99,708	96,750	114,125	102,250	68,270	
Pradeep Pant, Member	101,750	96,750	109,125	98,250	102,250	101,625
Corien Wortmann-Kool, Member as of 6 May 2021	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 2021 is aligned with the respective remuneration policies: no deviations or derogations applied. As in 2020, no revision or claw-back of any incentives occurred in 2021.

The remuneration for the financial year 2021, as described in this report, is subject to an advisory vote at the 2022 AGM. Questions raised in the 2021 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 2022

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

https://annualreport.dsm.com/ar2021/
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