ROBECO

Koninklijke DSM N.V. Annual General Meeting 2021

Type of meeting	AGM
Date	14:00h CEST, May 6th 2021
Location	Virtual Shareholder Meeting
Speaker	Michiel van Esch (Robeco)
Opt-in members	Robeco, APG, Menzis, MN, NNIP
Attendance AGM	73.52% of stock of outstanding stock represented

			Result (%)		
	Agenda items	**Vote**	**For**	**A**	**O**
1.	Opening	-			
2.	Amendment of the Articles of Association	For	99.21%		
3.	Annual Report for 2020 by the Managing Board	-			
4.	Remuneration Report 2020	For	93.44		
5.	Financial Statements for 2020	For	100%		
6.a.	Reserve policy and dividend policy	-			
6.b.	Adoption of the dividend on ordinary shares for 2020	For	98.64		
7.a.	Release from liability of the members of the Managing Board	For	97.26		
7.b.	Release from liability of the members of the Supervisory Board	For	97.26		
8.	Reappointment of Dimitri de Vreeze as member of the Managing Board	For	99.90		
9.a.	Reappointment of Frits van Paasschen as member of the Supervisory Board	For	98.58		
9.b.	Reappointment of John Ramsay as member of the Supervisory Board	For	95.02		
9.c.	Appointment of Carla Mahieu as member of the Supervisory Board	For	88.01		
9.d.	Appointment of Corien M. Wortmann-Kool as member of the Supervisory Board	For	99.32		
10.	Reappointment of the External Auditor	For	98.80		
11.a.	Authorization of the Managing Board to issue up to 10% ordinary shares and to exclude pre-emptive rights	For	88.76		
11.b.	Authorization of the Managing Board to issue an additional 10% ordinary shares in connection with a rights issue	For	90.66		
12.	Authorization of the Managing Board to have the company repurchase shares	For	98.97		
13.	Reduction of the issued capital by cancelling shares	For	99.46		
14.	Any other business	-			
15.	Voting Results	-			
16.	Closure	-			

Agenda item 3 - Annual Report for 2020 by the Managing Board

My name is Michiel van Esch, I work at Robeco. The questions I have today are on behalf of a group of Institutional Investors, being: Robeco, APG, MN, Menzis, and NNIP

First of all, I would like to thank Mr. Routs for his work as the chairman of the Supervisory board in the past years, and we would like to wish Mr. Leysen good luck as his successor. We look forward to a continued constructive dialogue with DSM in the coming years.

We had already asked some questions in writing, and I have a couple of follow up questions.

From the most recent strategy update it is clear that DSM aims via M&A in the sphere of digital and Bioscience to align their services in the field the of Nutrition more closely to the specific health needs of customers and to provide tailored servicing.

- What do you see as the most important challenge to achieve that ambition, and do you believe this is sufficiently scalable?

Co-CEO de Vreeze explains that DSM wants to create a platform that integrates detailed Nutrition information with user experiences in order to use data to provide personalized suggestions what clients need. We have some experience in that from the animal nutrition space. We already have a lot of know-how of our products and how they are used across the globe. If we build a data-platform we can precisely define for every animal or for every human being, a special dietary micro-nutritional proposal. That is basically the ideal plan. We're not there yet, it's going to be built step by step.

To our first question "Is that scalable?" DSM responds that the solution will be very scalable, because such a platform could apply for all consumers or all animals and farmers in the world.
To our question "what do you see as the biggest challenge?", DSM responds that the challenge lies in how the platform needs to be built and to integrate all relevant data and nutritional needs.

In January of this year the European Commission announced a set of so-called eco schemes. These may further promote demand for products such as Bovaer.

- What effect of developments in regulation in other markets do you foresee on the product portfolio of DSM, for example looking at the developments of antibiotics and regulations around animal wellbeing in China?

Co-CEO de Vreeze explains that DSM is in favor of stricter legislation around emissions because they create more innovation. Stricter CO2 emissions create innovations. Bovaer (a solution for cow food to reduce methane emissions) is a consequence of that. Balancius is another example focused on reducing CO2 emissions at the farmer. We are much in favor of these types of legislation, it's really helping us going forward. The antibiotics being moved out of pre-mix for animals is creating innovation and therefore now we have Eubiotics whose replacing that. Eubiotics is a great innovation where we as DSM play a key role.

- Could you explain your foreseen timelines for product approval of HMO (infant milk product) in China?

HMO's is also an innovation which we have at DSM. We've applied for legislation as an infant nutrition, also in China. We've applied our dossier, it's very difficult to say what the exact timelines are, but we're doing our best to see that we get the registration as soon as possible.

This AGM season we've seen several companies ask for a shareholder vote on their climate strategies. We expect that by having a frequent shareholder vote, best practices will evolve in terms of reporting, ambition levels and progress for the mitigation of climate change. We also expect that this will keep a momentum in the climate debate.

- Can we expect that DSM will also present their climate action plan for a shareholder vote in next year's AGM?

DSM explains that they have a triple P approach (People, Planet, Profit) and they holistically look at it as an Executive Committee, as a company. We don't believe that fitting out a single issue around planet or around climate, for the AGM represents where we stand for as a company. What we present as an integrated Annual Report is about People, Planet, Profit, and is reflecting in what we think the approach should be.

Agenda item 4 - Remuneration Report 2020

DSM has decided to immediately vest all outstanding shares of the Long-term Incentive plan of the previous CEO in one go. This is a practice that we don't see anymore for many Dutch listed companies. The practice is not part of DSM's remuneration policy, but apparently standard practice for 'good leavers'

- In a next update of the remuneration policy, could you align the policy with market practice by vesting the LTI pro rata also for good leavers?

The Chair of the remuneration committee explains that the Supervisory Board took a balanced approach to Mr. Sijbesma's release agreement. There was no payment of severance, there was no payment of short-term incentives over 2020, there was no payment of long-term grants over 2020. In accordance with to DSM remuneration policy, the Supervisory Board applied some discretion to grant accelerated vesting, as you rightly indicated, to the outstanding performance share units. The Supervisory Board applied this discretion on the grounds that the CEO led DSM for almost two decades and delivered strong shareholder returns. On balance, the supervisory board thought this was an appropriate exit arrangement.

In relation to changing the remuneration policy, the chair of the remuneration committee mentions that the up for renewal no later than the AGM of 2023. The new chair of the committee, therefor we will lead a process to review the policy against the prevailing market conditions. You will be advised in due course of that. But for now, we feel that on balance, the exit arrangements for Mr. Sijbesma were entirely appropriate.

Written questions submitted prior to the AGM

Agenda item 3: Annual Report for 2020 by the Managing Board

- At the strategy update, you mentioned that M&A in digital and bioscience could support execution of the strategy. Can you explain the added value of such an M&A?

DSM has a growth strategy, primarily focusing on organic growth in which our innovation pipeline plays an important role. Capex for organic growth is our first cash allocation priority. Second is our stable preferably rising dividend commitment. Value creating M&A to further strengthen our businesses is the third priority and is targeted predominantly in Nutrition to expand our positions in Global Products, Local Solutions and the new areas of Digital and Bioscience. In this new area we are expanding for instance in precision farming and the personalization in human nutrition, moving closer to the end-consumer. This expansion can be done via our own innovation platforms and M&A, but also through Venturing investments, which can bring us access to pioneering sciences and technology, enabling us to build data-driven platforms that link to DSM's capabilities and products. An example is Hologram Sciences, DSM's consumer-facing company that will create brands for various specific health conditions. By combining health diagnostics, digital coaching and personalized nutrition, Hologram Sciences will provide consumers with more holistic solutions to manage their health.

- The 2020 AR sends mixed signals in terms of DSM's GHG-emission reduction results. Due to various factors explained in the annual report, total emissions on all scopes increased; still, DSM states that it is well on its way to realize 30% absolute reduction by 2030 for at least its scope 1+2 emissions as compared to a corrected 2016 baseline. How does DSM expect its absolute emissions to develop and how can it ensure to meet it reductions targets and net-zero ambitions if factors such as acquisitions and increased purchasing volumes negatively affect total emissions?

Acquisitions absolutely have an impact on our emissions performance. Acquisitions are included in our reporting scope within 12-18 months after acquisition, depending on the moment of acquisition. The full acquisition policy is explained in our Annual Report. The emissions of our acquisitions are included in our updated baseline, in our reportable emissions, and in our Science-Based Targets and NetZero commitment. We are committed to bring down the emissions of our acquisitions in the same way as for our continuing operations. Our absolute reduction in 2020 versus our corrected 2016 baseline was 25%, well on track against our target level of 30% in 2030. We expect to continue to bring down our emissions over time, supported by our renewable electricity transition, and our greenhouse gas reduction and energy efficiency improvement programs. In our scope 3 emissions, despite an overall increase in emissions, we have realized a 5% efficiency improvement against our 2016 baseline in our first year of reporting. Our CO2REDUCE program is progressing well and is realizing results. We have included an internal carbon price for €50 per ton within DSM already for many years. In addition to this, as of 2019 we require all business growth projects to be carbon-neutral, or else be compensated for within the same business. In 2021, we increased the internal carbon price to €100 per ton to better reflect the updated insights on the actual price of CO2 to society. This price is also within the ranges of the scenarios we use for assessing climate transition risks. Finally, we will continue to review our target level and baselining in-line with SBTi guidance.

Agenda item 4 - Remuneration Report 2020

- The remuneration report mentions plans to address gaps between the current remuneration policy and the ability to retain talent. How do you plan to address these?

The Remuneration report addresses the fact that DSM dropped to the lowest position within the labor market peer group as far as Total Direct Compensation of the Managing Board is concerned, as well as the fact that we face difficulties in attracting senior business leaders (one or two reporting line below the Executive Committee).

The gap is significant:
DSM's MB remuneration is a few tens of percentages below the 1st percentile
-When attracting external candidates for senior management jobs (1-2 reporting levels below EC), we come across variable pay levels that go beyond MB levels

DSM plans to begin to explore ways to address the gaps. It is too early to already provide any guidance on the direction and/or impact of possible measures. In addition, time will be required as we want to involve relevant stakeholders in the process, whilst we believe that a gap-analysis only is not sufficient. Any renewed reward strategy needs to address the issues we face and should consider our business model (pay mix and reward vehicles), strategy (pay mix and nature of KPI and targets), market positioning (considering internal pay structure and external benchmark).