Sustainability as a Business Growth Driver at DSM

*Brighter Living Value Propositions*

Irene Colicchio, Sustainability Engineer
irene.colicchio@dsm.com

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Content

- Sustainability at DSM
- Eco+ and People+ programs: short description
- Brighter Living Value Proposition
  Understanding value chains and trends
  Eco+ example: CNG tanks
  People+ example: ALPAFLOR®EDDELWEISS
- Wrap-up and references
DSM at a glance*

- Sales: ~€10 billion
- EBITDA: ~€1.3 billion
- Global presence: ~24,500 employees worldwide
- Listed at Euronext NYSE
- Share price quintupled in 25 years
- Sustainability leader: Top ranking Dow Jones Sustainability Index

DSM offers products & solutions to a wide range of markets

2013 Sales by end-market
DSM in motion: *driving focused growth*

- Our purpose is to create brighter lives for people today and generations to come

- We connect our unique competences in Life Sciences and Materials Sciences to create solutions that nourish, protect and improve performance
Growing profitable business on a strong foundation, with clear aspirations

DSM believes that its continued success will be driven by its ability to create shared value for all stakeholders, now and in the future.

**Sustainability aspirations 2015**

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<th>People</th>
<th>Sustainability Growth Drivers</th>
<th>Environmental Sustainability Positioning</th>
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<td>Credible Sustainability Qualifiers</td>
<td>Internal DSM Triple P Foundation</td>
<td>DSM Sustainability Positioning</td>
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<tr>
<td>• Health and safety</td>
<td>• Diversity</td>
<td>• Employee engagement</td>
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<td>• Vitality@DSM</td>
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**Planet**

- Greenhouse-gas emissions
- Energy efficiency
- Water

**Sustainability Drivers**

- Eco+ innovation
- Eco+ running business
- Energy efficiency
- Greenhouse Gas Emissions
- Employee Engagement Survey

**Dow Jones Sustainability Index 2015**

- Top ranking (“SAM Gold Class”)

- at least 80% of pipeline is ECO+

- from ~34% towards 50%

- 20% improvement in 2020, compared to 2008

- -25% (absolute) by 2020, compared to 2008

- towards High Performance Norm
Taking a life cycle approach
Measure impact and look for improvement opportunities in all stages of the lifecycle

Eco+: Product solutions that create more value with less environmental impact than competing alternatives commercially available, fulfilling the same function.

People+: Product solutions that create a measurable better impact on the lives of people than competing alternatives commercially available, fulfilling the same function.
Understanding the changing value drivers and influencers in the Engineering Plastics markets

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<td>Eco labels &amp; NGOs</td>
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<td>(Social) Media</td>
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<td>Academia &amp; Institutes</td>
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<th>VALUE DRIVERS</th>
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<td>Functionality &amp; performance</td>
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<td>Price &amp; costs</td>
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<td>Security of supply &amp;</td>
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<td>Sustainability</td>
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Monomer - Polymer - Compound - Molder - Component - System - OEM - End user
Trends

- Transparency requested about a product origins, conditions, impact

Transparency is The New Green.
Trends

‘If you can’t measure it, you can’t manage it’

Peter Drucker

➢ Companies want to make impacts measurable and track progress
Brighter Living Value Proposition

Compressed natural gas tanks

Indicative carbon footprint comparison: cradle to grave
Functional unit: 1 tank in vehicle for 230000km
Assessment method: IPCC 2007 GWP100a
Sources: DSM primary data, Ecoinvent database
Products with better impact on the lives of people than competing alternatives

DSM People+
Methodology harmonization

Driving harmonization to create credibility and transparency
• DSM takes an active role in setting up, supporting and driving joint initiatives of industries, scientists and NGOS to develop a credible, comparable and harmonized methodology

Key initiatives:
• Handbook Product Social Impact Assessment
  Developed by 12 peers. Recognition for taking lead
  Publication Sept 2014

• World Business Council for Sustainable Development (WBCSD) Social LCA project within Chemical Sector working group. Expected guidelines 2015.
Handbook Product Social Impact Assessment

19 topics, building on international standards based on the companies approaches supporting quantitative and qualitative data

- **Workers**
  - Health and safety
  - Wages
  - Social benefits
  - Working hours
  - Child labour
  - Forced labour
  - Discrimination
  - Freedom of association and collective bargaining
  - Employment relationship
  - Training and education
  - Work-life balance
  - Job satisfaction and engagement

- **Consumers**
  - Health and safety
  - Experienced well-being

- **Local communities**
  - Health and safety
  - Access to tangible resources
  - Local capacity building
  - Community engagement
  - Employment
**ALPAFLOR® EDELWEISS**

**Societal challenge:**
Increased interest in social responsible sourced and natural ingredients.

**DSM Solution:**
ALPAFLOR® EDELWEISS extract, used in personal care products, preserves skins’ balance and enhances its natural resistance.

**People+:**
*Impact on the lives of people:* For consumers improved resistance of sensitive skin for a more comfortable skin feel. For workers optimal working conditions, dedicated support to local cultivation, contribution to local prosperity (CH). Organic cultivation contributes to Alpine flora diversity.

**Wrap-up**

DSM’s **growth strategy** driven by megatrends, and sustainability targets are included in management’s short term and long term incentives.

Sustainability & sustainable innovations are strongly contributing to **DSM’s sales and profit growth**: sustainability as a profit driver.

Innovating solutions for societal challenges are measured to improve environmental (Eco+) and social (People+) impact throughout the value chain. **Eco+ products** have less environmental impact than competing alternatives. **People+ products** have better impact on the lives of people than competing alternatives.

Contribution to sustainability (Eco+, People+) are measured over the **total value chain** and life cycle.
References

DSM sustainability strategy:

DSM Eco+ program - to drive innovation with a measurable environmental benefit:

DSM People+ program - to drive innovation with a measurable positive impact on people’s lives:
http://www.dsm.com/corporate/sustainability/people/people-plus.html

http://socialimpact.dsm.com

Roundtable for harmonization of product social impact methodology:
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