

Top risks and related mitigating actions

Description of risks	Mitigating actions
<p>Market environment</p> <p>In 2015, DSM finalized important transformation steps, completing the creation of a streamlined and simplified business portfolio and a good platform for growth. Nonetheless the risk of facing increased competition for some product-market combinations remains.</p>	
<p>DSM leverages its innovation power to differentiate in the value chain and secure growth. Furthermore, DSM is broadening its offering in terms of products, applications and customer base.</p>	<p>Improved marketing and pricing management programs should contribute to enable DSM to increase the value it captures.</p>
<p>People, organization and culture</p> <p>DSM's capabilities in certain disciplines and the way it manages talent may not be fully at the desired level to execute its plans for above-market growth or its cost and productivity improvement programs.</p>	
<p>DSM is adjusting its operating model and strengthened its top leadership structure to manage performance and drive the achievement of its objectives. A culture change program is on-going focused on a results-driven trust/support/can-do mindset. Moreover, DSM will implement a new talent management approach developed in 2015. DSM will improve its existing capabilities by training and attracting additional competences if required.</p>	<p>DSM is adjusting its operating model and strengthened its top leadership structure to manage performance and drive the achievement of its objectives. A culture change program is on-going focused on a results-driven trust/support/can-do mindset. Moreover, DSM will implement a new talent management approach developed in 2015. DSM will improve its existing capabilities by training and attracting additional competences if required.</p>
<p>Global financial and economic developments</p> <p>DSM's Strategy 2018 assumed no major economic downturn with a global GDP growth-rate of 3.2%, although economic headwinds might occur. DSM assumed exchange rates versus the euro of USD 1.10 and CHF 1.08, while future currency volatilities could have a significant detrimental impact on the achievement of DSM's targets; USD 0.01 volatility in the exchange rate has almost € 10 million EBITDA impact (before hedging).</p>	
<p>The same mitigating actions apply to macro-economic developments as for risks related to the market environment. Furthermore, DSM continues to match cost and revenue currencies wherever possible, while the exchange rate risk is also reduced by DSM's acquisitions in China (Aland) and Latin America (Tortuga) which provide a measure of natural hedge with 'local for local' production. The appropriateness of the DSM hedging policy will be reviewed.</p>	<p>The same mitigating actions apply to macro-economic developments as for risks related to the market environment. Furthermore, DSM continues to match cost and revenue currencies wherever possible, while the exchange rate risk is also reduced by DSM's acquisitions in China (Aland) and Latin America (Tortuga) which provide a measure of natural hedge with 'local for local' production. The appropriateness of the DSM hedging policy will be reviewed.</p>
<p>Program and project management</p> <p>Besides achieving above-market growth in the period 2016-2018, EBITDA improvements have to be generated via cost savings to be derived from globally leveraging DSM's support functions and a Nutrition-specific cost and productivity improvement program. Although DSM has well-identified initiatives with targeted overall savings of € 250-300 million in EBITDA by the end of 2018, the final delivery of the program will require strong program and project management.</p>	
<p>DSM's new way of working with its focus on Accountability (delivering the results) and Collaboration (increase speed) in combination with a new operating model and a new strengthened top structure should enable faster and better execution of the strategic cost and productivity improvement programs. Moreover, DSM continues to invest in change management, strict project management and ongoing monitoring which includes taking corrective actions where needed.</p>	<p>DSM's new way of working with its focus on Accountability (delivering the results) and Collaboration (increase speed) in combination with a new operating model and a new strengthened top structure should enable faster and better execution of the strategic cost and productivity improvement programs. Moreover, DSM continues to invest in change management, strict project management and ongoing monitoring which includes taking corrective actions where needed.</p>