



Corporate Governance Statement Annual Report 2010

This corporate governance statement contains the information regarding corporate governance pursuant to the Dutch governmental decree of 23 December 2004 establishing further instructions concerning the content of the annual report (Besluit 23 december 2004 tot vaststelling van nadere voorschriften omtrent de inhoud van het jaarverslag, Staatsblad 2004, 747) as amended in April 2009 (Staatsblad 2009, 154) and in December 2009 (Staatsblad 2009, 545). This statement is deemed to form part of the CSM Annual Report 2010.

The information included in this corporate governance statement pursuant to articles 3, 3a and 3b of the abovementioned decree can be found, where applicable, in the Annual Report, in the Remuneration Report or in the Articles of Association, all of which are published on the CSM website (www.csmglobal.com).

I. Compliance with the Corporate Governance Code.

General

CSM recognizes the importance of good corporate governance and the principles contained in the Dutch corporate governance code (the “Code”), namely that a company is a long-term partnership between various parties related to the company. Corporate management bears overall responsibility for balancing the interests of these parties, mostly with the aim of ensuring continuity of the company. At the same time, CSM aims to create value for its shareholders in the longer term. CSM is committed to embedding the Code principles within the company, thereby abiding by the core concepts of good business practices, integrity, openness, and transparent and well-supervised management. The text of the Code can be viewed at: www.commissiecorporategovernance.nl.

Compliance with the Code

In accordance with the Code, CSM's Annual Report contains a section describing the main features of its corporate governance structure and compliance with the Code. Any departures from the best practices are explained. Important changes in the corporate governance structure are presented to the General Shareholders Meeting for discussion. Our corporate governance policy, including the relevant regulations and reports, can be consulted on the CSM website.

With the exception of the deviations outlined in the paragraphs below CSM endorses and adheres to the principles and best practices of the Code.

Deviations from the Code

CSM departs from the provisions of the Code with regard to (a) the severance arrangements in the event of non-voluntary resignation by members of the Board of Management and (b) the possible financing of income tax on vested shares under the share plan by selling part of the vested shares.



Regarding its composition the Supervisory Board always tries to strike the right balance between expertise and experience. A certain degree of age and gender variation may be instrumental in achieving the desired balance in the composition of the Board, but diversity on the basis of age and gender is not a goal as such. Required expertise and experience as well as the availability of the right candidates will be decisive when proposing candidates for (re)appointment.

A severance pay arrangement has been agreed with the members of the Board of Management. This severance pay deviates from provision II.2.8 of the Code. This deviation originates from the time of the appointment of Mr Hoetmer in 2005, enabling CSM to offer him a competitive package of employment conditions. The same severance pay arrangement was offered to the members of the Board of Management appointed shortly after Mr Hoetmer. The agreed severance pay can amount to a maximum of 1.5 times the sum of the annual base salary and the most recently determined short-term incentive. In addition, contributions to the base pension plan and the Commitment Award will be paid for a further two years.

New appointments to the Board of Management will be treated in accordance with the practice of good governance and regulations in force at the time of the appointment.

There are two other aspects in which CSM departs from the Code.

The members of the Supervisory Board and the Board of Management are appointed by the General Shareholders Meeting on the basis of nominations by the Supervisory Board. The CSM Articles of Association state that the General Shareholders Meeting can overrule any such nomination by an absolute majority of the votes cast, provided the said majority represents at least 1/3 of the issued capital. In contrast with the Code, no second meeting will be convened if there is no quorum, as a second meeting is not required by law.

The General Shareholders Meeting may decide to suspend or dismiss a member of the Board of Management or the Supervisory Board by an absolute majority of the votes cast, provided the said majority represents at least 1/3 of the issued capital. This quorum requirement does not apply if the proposal for suspension or dismissal is submitted by the Supervisory Board. In contrast with the Code, no second meeting will be convened if there is no quorum, as a second meeting is not required by law.

II. Risk management and control systems

Risk Management Approach

Our approach to risk management is aligned with the Enterprise Risk Management framework of the Committee of Sponsoring Organizations of the Treadway Commission (COSO – ERM), which aims to achieve a reasonable level of assurance. This approach aims to embed risk awareness and risk management at all levels of CSM to ensure risk decisions are taken and evaluated consciously and properly. Our risk management approach covers Strategic/Market, Operational and Financial/Compliance risks and can be illustrated as follows:



In 2010, our bi-annual risk management workshops were held to identify the critical risks for all Business Units. Action plans to mitigate the risks are and will be developed and the progress of risk mitigation actions will be followed periodically. Risks are being discussed on an ongoing basis during quarterly meetings between the Business Units and the Board of Management.

Insurance

Insurance is an integral part of our risk management approach as it is an instrument to manage the financial consequences of risks. The choice to obtain external insurance cover depends on the cost efficiency of the instrument. The coverage of insurances is monitored and benchmarked regularly.

Key risk areas

The following table describes the main risks that have been identified, their impact and the mitigation measures taken to offset them.

Type of risk	Possible impact	Mitigation
<i>Strategic and market risks</i>	This area can also be affected by legal and regulatory changes made by governments, which could severely impact our business but cannot be influenced by us.	
Impact of the economic environment	Global economic conditions impact our bakery business as demand for our products fluctuates in line with GDP development. At the same time, demand for lactic acid products is impacted by the cyclical market conditions that affect some of our customers.	We cannot neutralize the overall effect of an economic downturn, but we can offset some of the impact by reducing costs and adjusting our product offering to meet changing demand. We have built a degree of flexibility into our production costs by hiring temporary staff. We are also able to adjust our product offering



Inability to manage market and structural changes

Ongoing strategic reorganization and volatile market conditions inevitably put a strain on management's ability to deal with all changes successfully. Failure to respond adequately or in a timely manner could severely damage CSM's financial position and its future growth prospects. The availability of good management and systems is vital.

with relative ease because of our extensive Research & Development and procurement experience.

We continuously review the effectiveness of our organizational structure and the quality of our management. We aim to find the right people for the right position and to align our systems and structures to market developments.

Not meeting the needs of customers and end consumers

It is essential to continuously innovate and revitalize our product range in line with today's market trends in order to maintain market leadership and avoid a narrowing margin on our products.

Bakery Supplies has established eight Innovation Centers across Europe and North America. At the same time, Purac has established a core Innovation & Competence center with four regional application labs.

Our innovation and competence organization focuses on the successful development of products that meet the needs of customers and end users. Significant investments have also been made in monitoring market trends and consumer needs.

PLA Bio-plastic developments not meeting customer needs

Lactic acid is one of the sources for manufacturing bio-plastics and other technologies are or will be developed to target this promising market. The attractiveness of the bio-plastics market is driven by growing consumer demand for degradable plastics made from renewable sources. Demand may increase or decrease with its relative cost compared to

Purac keeps a close eye on competing technologies and is maintaining its competitiveness by continuously refining its offering from a product specification and cost perspective.

Early 2010 we began construction of a Purac lactide



	conventional oil-based plastics.	plant in Thailand to produce components for bio-plastics, increasing our investment in this technology by approx. €45 million. This should be ready by the end of 2011
Losing our competitive position	We operate in a highly competitive market in which it is essential to keep cost and service levels at least on par with those of our competitors. Failing to achieve this could lead to market share erosion by competitors or customers substituting our products with alternatives.	Our Research & Development efforts are not only geared product introductions but also to production improvements. Improving our cost competitiveness has long been a top priority. To this end, we have restructured our manufacturing footprint, enhanced production specialization and optimized logistics. Continuous IT investments are being made to support our business requirements and achieve cost efficiencies as well as to improve customer responsiveness and service levels.
Attractive Bakery Supplies acquisition targets not being available	Growth by acquisitions plays an important part in our Bakery Supplies strategy. The execution of our growth strategy is hampered if there are no candidates available to deliver the value required by our financial standards, which could potentially weaken our position if the competition is also pursuing acquisitions.	With an average market share of approximately 10% in our major markets in the US and Europe, we believe acquisition opportunities do exist. In recent years, we have changed our structure in such a way as to be able to easily integrate new acquisitions into our organization. This will result in stronger synergies through the elimination of costs and/or the realization of faster sales growth. It also enhances our ability to offer competitive market prices and meets our value creation requirements.



Operational risks

Business continuity

Serious disruption of our supply chain as a result of calamities such as fire, flood or earthquakes, or due to contamination, strikes or major system breakdowns, could have a major impact on our profitability. The closure and specialization of factories for efficiency reasons have increased this risk.

Our risk management approach aims to detect and prioritize the most serious risks areas, leading to a discontinuation of our supply chain. We are working to develop appropriate back-up measures and where possible, these measures are tested for effectiveness.

Based on best practices and experiences, we continuously review and improve manuals and guidelines at our operations to support employees in preventing and limiting risk calamities and mitigating their effects

Raw material & energy price volatility and availability

As we have seen in recent years, sudden increases or decreases in the price of raw materials can seriously impact the margins of our products sold. Scarceness of raw materials due to excessive demand or production interruption at suppliers can also impact our results because of sales declines and due to the additional costs incurred to satisfy our raw materials needs.

We continuously invest in the relationship with our customers, advising on changes in product assortment, technology and changes in consumer behavior. We believe a relationship based on transparency and trust, in which true value is added, supports our ability to pass on increased costs via price increases or redevelop products with lower cost ingredients in collaboration with our customers.

Our procurement departments, centralized by continent, have developed adequate measures to secure contract positions to minimize or delay exposure to cost fluctuations of raw materials that could negatively impact our margins. These



		measures include early warnings of possible impact to our organization and our customers. Furthermore, we have implemented a multiple-supplier sourcing policy for our most critical raw materials.
IT risks	IT systems are the heart of our supply chain and customer fulfillment processes. Major disruptions to IT systems can have a serious impact; one of the most critical moments is the implementation of new systems.	We run a continuous IT program supporting our strategic and operational business objectives. In recent years we have implemented various new systems. We are confident we have a good understanding of how to execute implementations and take the necessary safety measures to avoid failures. Where possible, we try to limit the potential impact of system failures by avoiding “big bang” implementations. However, these cannot be avoided in every situation.
Integration of acquisitions	The presumed value of an acquisition can be seriously impacted if it is not properly integrated. This could lead to the loss of major customers, the loss of important employees or the loss of proprietary knowledge and disruption in the supply chain, quality complaints or impacted service levels.	CSM has adopted a structured approach towards the integration. During the acquisition process, significant time is spent on planning post-acquisition measures for a successful integration into the organization.
Loss of large customers	The loss of a large customer could have a disproportionate impact on the profitability of the company due to the effect on the utilization of factories. CSM has a large customer base in which the five largest customers account for a little less than 10% of sales.	An intimate relationship based on a profound knowledge of customers’ needs and those of their end consumers; continuous development of new products, where possible developed jointly with our customers; and excellent service and cost levels should

<p>Insufficient liquidity to finance operations</p>	<p>As CSM is financed through a mix of equity and interest-bearing loans, a sudden increase in its liquidity needs or a decrease in available credit might pose a threat to the continuity of the financing of the company.</p>	<p>currency to mitigate the impact of sudden movements in currencies. A sensitivity analysis of interest rate changes can be found in Note 23 on pages 113-118 of the financial statements.</p> <p>In order to avoid unexpected increases in its liquidity needs, CSM has a planning & control system in place that manages the working capital needs of the company and gives an early warning in case of a sudden increase taking place. In the event of an increase in its liquidity needs CSM has sufficient committed loan facilities of approx. €700 million at its disposal. At the end of 2010 CSM had used approx. €470 million of these facilities. The facilities can be used up to a maximum allowable net debt to EBITDA ratio of 3.5. At the end of 2010 this ratio was 2.1.</p>
<p>Pension risks</p>	<p>Pension risks mainly relate to the funding risk of our defined benefit plans. The most important effects are attributable to economic factors such as interest rates, equity risk, inflation risk and foreign exchange risk. Adverse stock market developments negatively affect the assets of CSM's pension funds, while falling interest rates lead to lower discount rates and higher pension liabilities.</p>	<p>CSM gives considerable attention and assigns considerable resources towards ensuring disclosure, awareness and control of pension exposure and related financial risks. CSM's pension landscape is diverse.</p> <p>In Europe, CSM has a number of defined benefit plans, covering a substantial number of its employees in the Netherlands, the UK, Germany and Belgium. Outside Europe the pension risk is considered not material, as CSM has mainly defined</p>

<p>Financial reporting</p>	<p>Non-compliance with International Financial Reporting Standards (IFRS) can pose a serious threat. Not informing our shareholders and other stakeholders in conformity with IFRS would lead to a lack of trust, reputation damage, a declining share price, and potential legal claims.</p>	<p>contribution plans in place or pension arrangements with local insurance companies.</p> <p>The investment strategy of the pension funds and the associated tactical asset allocation are based on asset, region and currency diversification to offset funding risks. The funding position at the end of 2010 is such that no substantial cash payments by CSM are required in the short term.</p> <p>Our financial reporting systems and processes are geared towards our business requirements and support business reviews. For group reporting we deploy a standard consolidation tool. Our corporate accounting policies and procedures are properly maintained and made available to all our staff via the CSM intranet and are communicated frequently to our finance community. A monthly review of finance reports is performed by corporate and business unit teams. Our global control framework should warrant adherence to IFRS. The finance community has been trained in 2010 in view of the latest IFRS developments.</p>
<p>Tax</p>	<p>CSM operates in many countries and has to manage compliance with a wide variety of tax laws.</p>	<p>We have an adequate quarterly reporting system in place, hold regular tax meetings, and visit our operating companies to monitor compliance. A transfer pricing policy and documentation are in place as</p>

Interest rate increases	To a large extent, CSM is financed via interest-bearing loans, which at the end of 2010 amounted to approx. €700 million.	well. Furthermore, we work with external tax experts who support our tax planning and returns and advise us in compliance matters. In order to mitigate fluctuations in the interest rate paid, CSM has agreed to long-term interest rates with its financial partners. A sensitivity analysis of interest rate changes can be found in Note 23 on pages 113-118 of the financial statements.
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Control measures

In order to prevent risks from occurring and to mitigate the effect of risks if they occur, CSM has a number of control measures in place, the details of which are explained below.

Entity-wide controls

Our entity-wide controls are not limited to those outlined in this section, although various examples of policies and procedures can be found which are implemented by local operating companies.

Legal and regulatory review

Local management is responsible for compliance. Corporate Legal is consulted by local management on an ongoing basis. Every six months, local management reports legal issues exceeding €100,000 to Corporate Legal and Corporate Finance.

Fraud prevention & Code of Conduct

CSM has a continuous focus on fraud prevention, which is supported by the distribution of the “Good to know on fraud!” booklet to management throughout the Group. The booklet is also available on our intranet to all employees. This publication, comprising the Code of Conduct, creates awareness and provides examples of how to identify and respond to fraud. The Code of Conduct can be found on our website.

Whistleblower procedure

A Whistleblower Policy and reporting system are in place to enable our employees to report potential integrity issues or violations of our Code of Conduct. In 2010, 3 cases were reported. Each of these cases has been followed up by CIAS (Corporate Internal Audit Services) and where necessary, appropriate measures and or actions have been taken by management. The whistleblower cases, including follow up actions taken, are reported to the Audit Committee.



Letter of representation

Every six months, Managing Directors and Finance Directors of each reporting entity and, where applicable, other senior staff, provide a Letter of Representation to the Board of Management. This letter represents compliance with financial reporting and internal controls.

Global control framework

As CSM operates worldwide, it is committed to maintaining high-quality, reliable financial reporting and a sound control environment. Since 2006, we have been working on the implementation of a financial control framework. In the initial phase all entities documented their internal controls on financial reporting. Since 2008, a software solution enables maintenance of the internal control documentation as well as self-assessments of operational effectiveness, reviews and audits.

All reporting entities assess operational effectiveness of their financial closing and reporting processes, at mid-year and end-of-year, confirming compliance with the relevant guidelines and IFRS. Together with the Letters of Representation, this ensures the integrity of our financial reporting. During 2010 our main entities performed an assessment of the operational effectiveness of their key financial process controls. The assessments have been audited by the internal and external auditors. The scope of our Information Security policy is fully aligned with the ISO 27002 standard and also meets our financial reporting requirements. All entities performed assessments with the guidance to prioritize their improvements actions on nine key risk areas ranging from information system continuity to disaster recovery, and from user management to adequate design of roles and responsibilities in our application systems. In 2010, an additional 8 key controls were added in the area of IT security. Based on the outcome of the assessments and progress made in the key risk areas we concluded that our IT security position is adequate. However, we will continue to make further improvements.

Monitoring and Audits

Business planning, budgeting & management review

Based on the CSM strategy and plans, divisional targets are set for the annual budget process. After determining the divisional budgets, targets are rolled out to the business units, operating companies and operational levels. Quarterly updated estimates are made based on a six-quarter rolling forecast. The divisions monitor business performance on a periodic basis using a defined set of critical performance indicators and periodic divisional reviews of actual results, and by visiting local entities frequently.

Operational management meets at least once a month to discuss the strategy and related risks, the actual performance versus budget, and other significant matters. The Board of Management has daily contact and meets once a month with the newly created Executive team. The Executive team consists of the division presidents and the global functional leaders. The Board of Management reviews the divisional businesses on a quarterly basis. Next to this, the members of the Board of Management regularly visits our main local business operations.

Internal audit

The objective of CIAS is to provide a broad range of audit services designed to help the Group meet its objectives. CIAS evaluates risks and ensures that the controls in place are adequate to



mitigate those risks. Next to the “assurance role”, the second role of CIAS is to provide value to the business through tailor-made operational audits, identifying best practices and indicating improvement opportunities to business management.

Internal Audit at CSM is based on co-sourcing: a small department in combination with external parties, providing specialized knowledge and flexibility. In 2010 39 audits were performed and reported on. The focus of CIAS is evenly spread over the following areas:

- compliance of the operating companies with the Global Control Framework;
- value-added audits (focused on business processes);
- special projects (due diligence, post mortems, fraud prevention and others).

Audit results are reported to the Board of Management and discussed with the Audit Committee.

External audit

Our external financial audit engagement ensures that all main entities are audited by the external auditor either for statutory and/or group purposes. The focus of the external auditor’s work is the financial reporting with the objective of providing a reasonable basis for the audit opinion on the fairness of the presentation of the financial position.

Management representation

CSM’s risk management and internal control system are designed to identify in a timely manner the risks inherent to our strategic, operational and financial business objectives and to determine appropriate risk responses as generally described above. Risk management and actions taken in the year under review were reported to and discussed by the Supervisory Board and Audit Committee.

Internal representations received from management, regular management reviews, reviews of the design and implementation of our risk management and internal control systems, and reviews of business and the Audit Committee are an integral part of the company’s risk management approach.

III. Shareholders meeting

Structure

CSM nv is an international holding company as understood by Section 153, subsection 3 paragraph b, of Book 2 of the Dutch Civil Code. The “large company” regime therefore does not apply at the level of CSM nv.

The main powers of the General Meeting of Shareholders relate to:

- the appointment, suspension and dismissal of members of the Board of Management and Supervisory Board;
- approval of the remuneration policy of the Board of Management;
- approval of the remuneration of the Supervisory Board;
- the adoption of the annual financial statements and approval of dividends;



- release from liability of the members of the Board of Management and Supervisory Board;
- issuance of shares or rights to shares, restriction or exclusion of pre-emptive rights of shareholders and repurchase or cancellation of shares;
- amendments to the Articles of Association;
- decisions of the Board of Management that would entail a significant change in the identity or character of CSM or its business.

The annual General Shareholders Meeting is held within six months of the close of the financial year. At this meeting the Annual Report and Financial Statements drawn up by the Board of Management are presented for adoption, amongst other things.

If requests are received from shareholders who individually or collectively represent one percent (1%) of the issued capital or at least €50 million of market capitalization, to place items on the General Shareholders Meeting agenda, these will be honored provided they are submitted to CSM at least 45 days prior to the date of the meeting, unless such items are deemed incompatible with important company interests.

Extraordinary General Shareholders Meetings will be held as often as the Board of Management and Supervisory Board so desire. An extraordinary General Shareholders Meeting must also be held if one or more shareholders who collectively represent at least 1/10 of the issued capital submit a written request to this effect to the Board of Management or the Supervisory Board enclosing a detailed list of agenda items.

If neither the Board of Management nor the Supervisory Board – which have equal powers in this matter – responds in such a way that this extraordinary General Shareholders Meeting can be convened within six weeks of the request, the applicants are at liberty to convene the meeting themselves and appoint a Chairman.

Common shares in CSM are listed on NYSE Euronext Amsterdam. The financing preference shares are not listed. No restrictions apply for the transfer of shares. If a shareholder or group of shareholders acquires 30% or more of the share capital, the said shareholder or group of shareholders is required by law to make an offer for the entire outstanding capital.

Shareholders have voting rights in proportion to the number of shares held.

With the exception of cases in which a larger majority is required by law or the Articles of Association, decisions at the General Shareholders Meeting will be taken by an absolute majority of the votes cast.

The members of the Supervisory Board and the Board of Management are appointed by the General Shareholders Meeting on the basis of nominations by the Supervisory Board. The CSM Articles of Association state that the General Shareholders Meeting can overrule any such nomination by an absolute majority of the votes cast, provided the said majority represents at least

1/3 of the issued capital. In contrast with the Code, no second meeting will be convened if there is no quorum, as a second meeting is not required by law.

The General Shareholders Meeting may decide to suspend or dismiss a member of the Board of Management or the Supervisory Board by an absolute majority of the votes cast, provided the said majority represents at least 1/3 of the issued capital. This quorum requirement does not apply if the proposal for suspension or dismissal is submitted by the Supervisory Board.

Decisions to amend the Articles of Association and/or dissolve the company may only be taken at a General Shareholders Meeting in which at least 2/3 of the issued capital is represented and by a majority of at least 3/4 of the votes cast, unless the proposal has been submitted by all incumbent members of the Board of Management with the collective approval of all incumbent members of the Supervisory Board, in which case the decision may be taken by an absolute majority of votes, regardless of the represented capital.

General Shareholders Meeting held in 2010

On 29 April 2010 the Annual General Shareholders Meeting was held.

The agenda with explanatory notes and the 2009 annual report were sent free of charge to shareholders requesting so. They were also available at the offices of CSM and the Royal Bank of Scotland and on the website of CSM.

In accordance with the Articles of Association, a registration date for the exercise of voting rights was determined.

All shares, both common and financing preference shares carry equal voting rights at the General Meeting of Shareholders. Votes may be cast directly, through a proxy or by voting instructions via internet through the website of the Royal Bank of Scotland (www.rbs.com/evoting).

The Articles of Association do not provide the possibility to issue depository shares (“certificaten”). During the Shareholders Meeting of 29 April 2010, a total of 28,071,900 common shares and 2,983,794 financing preference shares were represented.

The attendance rate to this meeting was 41.39%.

The Dutch version of the minutes was available as a draft on the website within the requisite time of three months. No comments on the draft were received and the minutes were adopted.

The following resolutions were adopted by the Shareholders Meeting of 29 April 2010:

1. Adoption of the financial statements 2009.
2. Approval of the statutory dividend on financing preference shares.
Approval of the dividend on common shares of €0.88 per share. Shareholders were given the choice between a cash dividend and a stock dividend charged to the reserves.
3. Discharge of the members of the Board of Management in respect of their management duties.
4. Discharge of the members of the Supervisory Board in respect of their supervisory duties.

5. Appointment of Mr. N.J.M. Kramer as member of the Board of Management for a new four year term as of 29 April 2010.
6. Approval of the proposal to adapt the remuneration policy for the Board of Management of CSM, reflecting changes in the composition of the Board of Management and market circumstances.
7. Appointment of Mr. R.H.P. Markham as member of the Supervisory Board for a four year term as of 1 January 2011.
8. Approval of the amended remuneration for the regular members of the Supervisory Board and the chairman and members of the various committees of the Supervisory Board.
9. Authorization of the Board of Management to issue shares:

It was approved to

A. extend the period during which the Board of Management is authorized to issue ordinary shares, which includes the granting of rights to take up ordinary shares as provided for in Article 5 of the Articles of Association, to a date 18 months from the date of this Shareholders Meeting (i.e. up to and including 29 October 2011) on the understanding that this authorization of the Board of Management – in conjunction with decision C – is limited to 10% of the total number of shares outstanding as at the date of the decision to issue shares. This percentage may be increased to 20% in the event of mergers and acquisitions.

B. extend the period during which the Board of Management is authorized to restrict or exclude the statutory pre-emptive rights when issuing ordinary shares, including the granting of rights to take up ordinary shares as provided for in Article 5 of the Articles of Association, to a date 18 months from the date of this Shareholders Meeting (i.e. up to and including 29 October 2011).

C. to extend the period during which the Board of Management is authorized to issue cumulative financing preference shares as provided for in Article 5 of the Articles of Association, to a date 18 months from the date of this Shareholders Meeting (i.e. up to and including 29 October 2011) on the understanding that this authorization of the Board of Management – in conjunction with decision A – is limited to 10% of the total number of shares outstanding as at the date of the decision to issue shares. This percentage may be increased to 20% in the event of mergers and acquisitions.

10. Authorization of the Board of Management to acquire shares in the share capital of the Company on behalf of the Company.

It was approved that the Board of Management is authorized for a period of 18 months, starting from 29 April 2010 and subject to the approval of the Supervisory Board to acquire on behalf of the Company, within the confines of the law and the Articles of Association: Paid-up ordinary shares in the Company at a price which is at least €0.01 and which is not higher than the market price incremented by 10%. The market price will be the average of the highest price per share as published in the Official Stock Exchange List (the Officiële Prijscourant) of Euronext Amsterdam on each of the five trading days preceding the date of acquisition, and



Paid-up cumulative financing preference shares in the Company at a price which is equal to the amount to be paid – in accordance with the Articles of Association at force.

11. Reappointment of Deloitte Accountants B.V. as the Auditor responsible for auditing the financial statements of CSM nv.

IV. Board of Management

Composition of the Board of Management

The Board of Management consists of two or more members to be determined by the Supervisory Board.

The Board of Management currently consists of two persons:

G.J. Hoetmer (1956), Chief Executive Officer

Nationality : Dutch
Previous position : Senior Vice President Supply Chain Unilever Foods, member of Unilever Foods Executive, Leader of Unilever's global overheads and organization restructuring
Additional position : Chairman Spieren voor Spieren Foundation
First appointed in : May 2005
Current term of office : 2009-2013

N.J.M. Kramer (1959), Chief Financial Officer

Nationality : Dutch
Previous position : CFO and member of the Executive Board Koninklijke Wessanen NV
First appointed in : April 2006
Current term of office : 2010-2014

Since 2005, members of the Board of Management are appointed for a maximum period of four years. Mr. Gerard Hoetmer has been reappointed as member of the Board of Management by the General Shareholders Meeting of 22 April 2009. Mr. N.J.M. Kramer has been reappointed as member of the Board of Management by the General Shareholders Meeting of 29 April 2010.

Functioning Board of Management

The Board of Management develops the objectives and the strategy and implements the strategic and operational policy of the company. The independent Supervisory Board supervises and advises the Board of Management. For certain decisions the Board of Management requires the prior approval of the Supervisory Board as set forth in article 12 of the Articles of Association of the Company, which can be found on the Company's website.



The members of the Board of Management are collectively responsible for the management of the Company. Notwithstanding their collective responsibility within the Board of Management, certain tasks and responsibilities for business clusters, functional areas and regional responsibilities have been assigned to the individual members.

Remuneration Board of Management

The remuneration of the Board of Management is determined by the Supervisory Board based on the basis of the remuneration policy approved by the General Meeting of Shareholders.

The remuneration policy is set out in the Section “Remuneration Policy” in the Annual Report. A full remuneration report is published on the CSM website.

Conflicts of interest

As part of the terms of their employment contract, the members of the Board of Management have undertaken not to compete with the CSM activities. CSM’s Code of Conduct prevents employees, management and directors to accept gifts of commercial value for themselves or their relatives, to provide advantages to third parties to the detriment of CSM or to take advantage of business opportunities to which CSM is entitled. None of the members of the Board of Management is supplier of goods or, except as is necessary for the performance of their job, of services to CSM or its subsidiaries. During the year under review, no conflicts of interest were reported between the members of the Board of Management and CSM or its subsidiaries.

V. Supervisory Board

Composition of the Supervisory Board:

The Supervisory Board consist of at least three members.

Members fo the Supervisory Board are appointed for a maximum of three four-year terms.

The current members of the Supervisory Board are:

P. Bouw (1941), Chairman

Nationality : Dutch

Previous position : President, KLM N.V.

Supervisory directorship : Nuon N.V.

Additional positions : Chairman Supervisory Board VU Windesheim/
VU Medisch Centrum
Chairman Bank Council
Board member of various Foundations

First appointed in : 1999

Current term of office : 2007 - 2011



M.P.M. de Raad (1945), Vice-Chairman

Nationality : Dutch
Previous positions : Member Board of Management Koninklijke Ahold N.V.
Member Board of Management Metro AG
Chairman Board SHV Makro N.V.
Member Board SHV Holdings N.V.
Supervisory directorships : HAL Holding N.V.
Metro AG Düsseldorf
Vion Holding N.V.
Vollenhoven Olie Groep B.V.
TiasNimbas Business School, University of Tilburg
Chairman Supervisory Board Jeroen Bosch Hospital
First appointed in : 2004
Current term of office : 2008 - 2012

Mr. R.H.P. Markham (1946)

Nationality : British
Previous positions : Executive Director and Chief Finance Officer Unilever
Supervisory directorships : Non-Executive Director of Legal and General Plc (UK)
Non-Executive Director of United Parcel Services Inc. (UK)
Non-Executive Director of Astra Zeneca Plc (UK)
Non-Executive Director of Standard Chartered Plc (UK)
Additional Positions : Member of the Board of the Financial Reporting Council (UK)
Chairman of the Board of Moorfield Eye
First appointed in : 2010
Current term of office : 2011 - 2014

R. Pieterse (1942)

Nationality : Dutch
Previous position : Chairman Board of Management Wolters Kluwer N.V.
Supervisory directorships : Chairman Koninklijke Grolsch N.V.
Chairman Mercurius Groep B.V.
Non-executive director board SABMiller plc (UK)
Additional positions : Chairman Vereniging Effecten Uitgevende Ondernemingen (VEUO)
Board member of various Foundations
First appointed in : 2004
Current term of office : 2008 - 2012



W. Spinner (1948)

Nationality : German
Previous position : Member Board of Management Bayer AG
Supervisory directorships : Altana AG, Wesel (Germany)
Chairman ROESER GmbH Bochum (Germany)
First appointed in : 2004
Current term of office : 2007 - 2011

Conflicts of Interest

In the judgement of the Supervisory Board all its members are independent as understood by the Code.

The Supervisory Board rules contain provisions with regard to potential conflicts of interest. In the year under review no transactions with a potential conflict of interest were reported.

Functioning of the Supervisory Board

The duties of the Supervisory Board are to supervise the management by the Board of Management, the effectiveness and integrity of the internal control and risk management systems and procedures put in place by the Board of Management and the general conduct of affairs within CSM and its businesses, and to assist the Board of Management with advice in accordance with the best practices of the Code.

In addition, certain (material) decisions of the Board of Management, as specified in the law, in the Articles of Association and in the Supervisory Board rules, are also subject to the prior agreement of the Supervisory Board. The rules of the Supervisory Board as basis for its own functioning and for its relationship with the Board of Management can be found on CSM's website.

Company Secretary

The Supervisory Board receives support from Mr. J.W.E. van der Klaauw, Company Secretary, also Director Legal and General Affairs of CSM.

Committees of the Supervisory Board

Audit Committee

The members of the Audit Committee are Mr R. Pieterse (Chairman) and Mr W. Spinner. In 2010 the Audit Committee met six times in the presence of the CFO, the external auditors, the Director Financial Accounting & Internal Control, The Director Management Accounting and the Director Audit Services. The agenda at these meetings covered, amongst others, the annual and half-year figures, the interim management statements, accounting issues, the operation of the internal risk management and control systems, the Best Brands acquisition, tax matters, the financing plan, treasury, information technology developments and organization and the reports of the internal and external auditors.

Remuneration Committee

The Remuneration Committee is formed by Mr. M.P.M. de Raad (Chairman) and Mr. P. Bouw. The Remuneration Committee met 5 times in 2010 and discussed the level of achievement of the 2009 targets for the members of the Board of Management, the progress of the 2010 targets and the target setting for 2011.

The Remuneration Committee made a final proposal for the General Shareholders Meeting to adjust the remuneration packages for the Board of Management in order to reflect the changes in the Board composition as well as the changed market conditions. The variable pay component for the CEO has been increased to 60% of the annual base salary for both the Short Term Incentive Plan (STIP) and the Long Term Incentive Plan (LTIP). The variable pay component for the CFO remained at 50% of annual base salary for both STIP and LTIP, while the annual base salary of the CFO has been adjusted to market level. During the 2010 General Shareholders Meeting the proposed changes in the remuneration package of the members of the board of management have been approved.

Nomination Committee

The Nomination Committee is formed by Mr. P. Bouw and Mr. M.P.M. de Raad.

The Nomination Committee met four times in 2010 and discussed the composition of and changes in the Supervisory Board, the composition of the Board of Management, the reappointment of Mr. N.J.M. Kramer, CFO. The Nomination Committee also discusses with Management the functioning of CSM senior management (direct reports of the CSM Board of Management) and the changes in the divisional management teams. Besides it discusses the talent management review.

Remuneration for the Supervisory Board

The Supervisory Board members receive a remuneration not dependent on the profit of CSM and determined by the General Shareholders Meeting.

The remuneration policy is set out in the Section “Remuneration Policy” in the Annual Report. A full remuneration report is published on the CSM website.

No loans or advance payments or any guarantees to that effect have been granted to the members of the Supervisory Board. None of the members of the Supervisory Board has shares in the company or any option rights relating thereto (as at 22 February 2011).

VI. Required information Article 10 Directive 2004/25

With regard to the information referred to in the Resolution of article 10 of the EU Directive pertaining to a takeover bid which is required to be provided according to Dutch law, the following can be reported:



The capital structure of the company

CSM nv is an international holding company as understood by Section 153, subsection 3 paragraph b, of Book 2 of the Dutch Civil Code. The “large company” regime therefore does not apply at the level of CSM nv.

Common shares in CSM are listed on Euronext Amsterdam. The financing preference shares are not listed. No restrictions apply for the transfer of shares. If a shareholder or group of shareholders acquires 30% or more of the share capital, the said shareholder or group of shareholders is required by law to make an offer for the entire outstanding capital.

As at 31 December 2010 65,998,134 common shares of €0.25 each and 2,983,794 financing preference shares of €0.25 each had been issued, including 124,331 common shares held by CSM.

There are no special statutory rights related to the shares of the Company with the understanding that regarding dividends, if possible, a dividend shall first be paid from the profit recorded in the adopted financial statements on each cumulative financing preference share in a specific series. This dividend shall be equal to a percentage calculated on the basis of the amount paid on the cumulative financing preference shares. If the profit is insufficient the dividend on the cumulative financing preference shares shall be paid from the company reserves, with the exception of the reserves which were formed as share premium reserve upon the issue of the cumulative financing preference shares. If the dividend cannot be paid from the company reserves, it shall be paid in arrear in the subsequent financial years.

Major Holdings

Under the Listed Companies Disclosure Act of 2006, the following notifications of capital interest in CSM as at 31 December 2010 had been reported:

▪ ASR Nederland N.V.	6.68%
▪ ING Groep N.V.	5.37%
▪ Lansdowne Partners Limited	8.74%

As at 22 February 2011 CSM nv has a capital interest of 0.18%.

Restrictions on the transfer of securities and on voting rights

Common shares in CSM are listed on NYSE Euronext Amsterdam. The financing preference shares are not listed. No restrictions apply for the transfer of shares.

There are no restrictions on the voting rights on the Company’s shares.

Shareholders have voting rights in proportion to the number of shares held and there are no restrictions on the voting rights on the company’s shares. When convening a General Meeting of Shareholders the Board of Management is entitled to determine a registration date in accordance with the relevant provisions of the Dutch law.

The rules governing the appointment and dismissal of Board members and the amendment of the Articles of Association

The members of the Board of Management and the Supervisory Board will be appointed by the General Shareholders Meeting on the basis of nominations by the Supervisory Board. The General Shareholders Meeting can reject the nominations by an absolute majority of votes, provided this majority represents at least 1/3 of the issued capital. Members of the Board of Management are appointed, suspended and dismissed by the Supervisory Board.

Resolutions to amend the provisions in the Articles of Association and to wind up the Company may be passed only by a General Shareholders Meeting at which at least two-thirds of the issued capital is represented and by a majority of at least three-quarters of the votes cast. If however a proposal for a resolution as referred to in the preceding sentence is made jointly by all the members of the Board of Management in office and if such proposal is put to the General Shareholders Meeting with the joint approval of all the Supervisory Board members in office, the said resolution may be passed by an absolute majority of the votes cast, irrespective of the capital represented. When a proposal to amend the Articles of Association is made, such proposal must always be mentioned in the notice convening the General Shareholders Meeting; a copy of the proposal, containing the exact wording of the amendment(s), must be deposited for perusal by any holder of participation rights at the Company's office from the time of the convening of the meeting until the time of the end of the meeting, and a free copy of the said proposal must be obtainable by any holder of participation rights at the Company's office; mention must be made of such deposit in the notice convening the meeting.

Amendments to the Articles of Association that entail changes to the rights granted to the holders of financing preference shares from one or more specific series must first be approved by the meeting of holders of such series (whether one or more) of financing preference shares.

The rules on the issuing and the repurchasing of shares by the Company; significant agreements to which the Company is a party and which contain change of control rights except where their nature is such that their disclosure would be seriously prejudicial to the Company)

The powers of the Board of Management relating to the issue of shares of the Company and those relating to the acquisition by the Company of shares in its own capital are set out in article 5 of the Articles of Association.

CSM has two credit facilities. These facilities are described in the Financial Statements. The terms of the credit facilities include a "change of control" clause. Change of control means (1) the holding by a third party of more than half of the issued share capital or (2) "acting in concert" meaning a group of persons who, pursuant to an agreement, or understanding (whether formal or informal), actively co-operate, through the acquisition by any of them, either directly or indirectly, of shares, to obtain or consolidate control of CSM.

In case of such a "change of control" the lenders are entitled to demand immediate repayment of the loans.



Agreements between the Company and its Board members or employees providing for a "golden parachute"

CSM has no agreements with its Board members or employees providing for a "golden parachute".

22 February 2011