From myth to urban reality

Our passion for paint was proudly displayed as a key part of one of the world’s largest ever urban art projects, which was staged in Sweden.

Artscape Saga covered 12 municipalities throughout the Gothenburg area and involved artists from all over the world creating large-scale outdoor murals, with each piece interpreting a classic folk tale.

Around 400 liters of our Nordsjö paint brand was used to create the stunning designs. It was supplied to all 26 artists, who transformed various buildings of all shapes and sizes. Using contemporary street art to bring myths and folklore to life not only helped to brighten up scores of local neighborhoods, it also met with a hugely enthusiastic response.

www.nordsjo.dk
www.nordsjo.no
www.nordsjo.se
OUR BOARD OF MANAGEMENT
AND EXECUTIVE COMMITTEE

Thierry Vanlancker
CEO and Chairman of the Board of Management and Executive Committee
(1964, Belgian)
Thierry Vanlancker joined AkzoNobel in 2016, bringing more than 28 years of experience in the chemicals industry. He led operations in polymers, performance coatings and chemicals at DuPont and was President of Fluoroproducts at Chemours. Thierry has lived and worked in Switzerland, the US, Germany, France and Belgium. He holds a degree in Chemical Engineering from the University of Ghent. In April 2019, Thierry became a non-executive member of the Board of Directors of Sika AG.

Maarten de Vries
CFO and member of the Board of Management and Executive Committee
(1962, Dutch)
Maarten de Vries joined AkzoNobel in January 2018. He spent the previous three years as CFO at Intertrust Group and TNT Express. He was a member of the Management Board of Intertrust Group and the Executive Board of TNT Express. From 2011 to 2014, Maarten was CEO of TP Vision. Prior to this, he held various senior positions at Royal Philips Electronics, including Chief Information Officer and Chief Purchasing Officer at Group Management Committee level.

Isabelle Deschamps
General Counsel and member of the Executive Committee
(1970, Canadian and British)
Isabelle Deschamps joined AkzoNobel in 2018. Before joining the company, she was responsible for legal and compliance at Unilever’s European businesses and its Food and Refreshment division worldwide, and previously Personal Care and Intellectual Property at Nestlé. She started her career at a Canadian law firm after finishing a Master’s degree in Law at the University of Montreal. Isabelle is admitted to the England and Wales Law Society and to the Quebec (Canada) Bar, and completed an Executive Business program at the London Business School.

Marten Booisma
Chief Human Resources Officer and member of the Executive Committee
(1966, Dutch)
Marten Booisma joined AkzoNobel as Chief Human Resources Officer in 2013. He spent the previous six years in a similar position at Royal Ahold. Having graduated from the University of Amsterdam with a Master of Science in Politics, he started his career in HR at Shell and Unilever. He then moved on to assume various senior management positions at Ahold. Marten will be succeeded by Joëlle Boxus as of March 9, 2020.

Ruud Joosten
Chief Operating Officer and member of the Executive Committee
(1964, Dutch)
Ruud Joosten joined AkzoNobel in 1996 as International Marketing Manager for Decorative Paints, having graduated from the Vrije Universiteit in Amsterdam with a Master’s in Economics. Since then, he has held various management positions within Decorative Paints and our former Specialty Chemicals business, including Manager of the Decorative Paints North and East Europe business and Managing Director of Pulp and Performance Chemicals.

David Prinselaar
Chief Supply Chain Officer and Member of the Executive Committee
(1974, French)
David Prinselaar joined AkzoNobel in 2015, taking responsibility for the Performance Coatings operations and then manufacturing for AkzoNobel as a whole from January 2018. In March 2019, David took over the role of Chief Supply Chain Officer and became a member of the Executive Committee. Before joining AkzoNobel, David worked for more than ten years for Reckitt Benckiser after acting as a management consultant for five years.

Artworks by:
Robert Zandvliet, Untitled, 1994, egg tempera on linen, 225 x 412 cm; Han Schuil, Untitled, 1996-1998, alkyd on casted aluminum, 30 x 24 cm; Prudencio Irazábal, Untitled, nr. 883, 1995, acrylic paint on canvas, 91 x 91 cm. Courtesy of the AkzoNobel Art Foundation.
The Board of Management’s statement on the financial statements, the management report and internal controls.

We have prepared the Report 2019, and the undertakings included in the consolidation taken as a whole, in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU and additional Dutch disclosure requirements for annual reports.

To the best of our knowledge:
- The financial statements in this Report 2019 give a true and fair view of our assets and liabilities; our financial position at December 31, 2019; and the result of our consolidated operations for the financial year 2019.
- The management report in this Report 2019 includes a fair review of the development and performance of our businesses and the position of AkzoNobel, as well as the undertakings included in the consolidation taken as a whole, and describes our principal risks and uncertainties.

The Board of Management is responsible for the establishment and adequate functioning of a system of governance, risk management and internal controls in our company. Consequently, the Board of Management has implemented a broad range of processes and procedures designed to provide control by the Board of Management over the company’s operations.

These processes and procedures include measures regarding the general control environment, such as a Code of Conduct – including business principles and a corporate complaints procedure (SpeakUp!) – corporate directives and authority schedules, as well as specific measures, such as a risk management system, a system of controls and a system of letters of financial representation by responsible management at various levels within our company.

All these processes and procedures are aimed at providing a reasonable level of assurance that we have identified and managed the significant risks of our company, and that we meet our operational and financial objectives in compliance with applicable laws and regulations. The individual components of the above set of internal controls are based on the COSO Enterprise Risk Management 2017 Framework.

With respect to supporting and monitoring of compliance with laws and regulations – including our Code of Conduct – a Compliance Committee has been established. The Compliance function makes rules available through the Directive Portal, manages the online and face-to-face compliance training program, provides legal expert support and manages the investigation of the SpeakUp! process.

The Internal Control function maintains AkzoNobel’s Internal Control Framework, monitors the compliance and includes updates regarding the emergence of new risks. They support the annual review of the effectiveness of the system of governance, risk management and internal controls of the Board of Management. Internal Audit provides comfort to the Board of Management, as well as the Supervisory Board, that our system of risk management and internal controls – as designed and represented by management – are adequate and effective.

While we routinely work towards continuous improvement of our processes and procedures regarding financial reporting, the Board of Management is of the opinion that:
- The report provides insights into failings of the internal risk management and control systems in as far as such failings occur and are considered to have a material impact on the financial statements.
- These systems provide reasonable assurance that the financial reporting does not contain material inaccuracies.
- Based on the current state of affairs, it is justified that the financial reporting is prepared on a going concern basis.
- The report states those material risks and uncertainties that are relevant to the expectation of the company's continuity for the period of 12 months after report preparation.

For a detailed description of the risk management system and the principal risks identified, reference is made to the Risk management and Integrity and compliance management chapters in the Governance and compliance section.

We have discussed the above opinion and conclusions with the Audit committee, the Supervisory Board and the external auditor.

Amsterdam, February 11, 2020

The Board of Management
In 2019, AkzoNobel continued to make progress on its transformation as a focused paints and coatings company and remains fully committed to further strengthening its position as a global leader in our industry.

The company’s Winning together: 15 by 20 strategy – with its ambitious target – gathered solid momentum. The focus on value over volume played a key role in driving progress. Significant effort is being put into strengthening company systems and processes, as well as working on operational excellence in the supply chain organization and reinforcing our customer intimacy. We are mid-journey, although there are clear signs that the reorganization and focus on cost savings are starting to have an impact, and this should gather momentum during 2020. The Supervisory Board has been impressed by the progress made, with clear improvements in profitability achieved in every quarter during 2019.

We are closely monitoring the ongoing transformation and focus on encouraging management to seek the right balance between delivering short-term results and long-term sustainability. It’s reassuring to see that management’s strategic priorities address both the underlying challenges and drive the necessary immediate changes. This should deliver the simplification and operational excellence required to build long-term competitiveness. We are also pleased to see that the company continues to pay close attention to its core principles of safety, integrity and sustainability, despite the pressures being put on the organization by its transformation.

During the business reviews and visits to various sites, I have been excited to see the employees’ pride for AkzoNobel and their passion for paint as they continue to contribute to the company’s ambitious targets. During these transformative years, employee engagement remains a key focus area, together with further strengthening collaboration throughout the organization.

As part of building passion for paint inside and around the company, we were particularly pleased with the success of Paint the Future. Innovation is fundamental to AkzoNobel’s future success and great strides forward are being made in terms of working with partners who share the same pioneering vision. Strongly linked to sustainability, innovation helps to ensure that the company will continue to offer customers the best performing portfolio of products and services.

Throughout the year, the leadership team – led by Thierry Vanlancker – displayed admirable drive and ambition, constantly focused on the improvement plans. The challenges ahead remain substantial and will require a determined effort by the whole organization. During the coming year, the Supervisory Board’s focus will be to work with the management team on the company strategy beyond 2020. As we deliver on our margin improvement strategy, we can raise our ambition level and lay out plans for a compelling vision to show how AkzoNobel, together with its employees and partners, will become a true global leader in our industry.

During 2019, we welcomed Jolanda Poots-Bijl to the Supervisory Board, following approval at the Annual General Meeting held in April. She is a recognized expert in finance and brings a wealth of experience with her. Jolanda succeeded Peggy Bruzelius, who retired after serving for a maximum of 12 years. Peggy brought significant experience to the Supervisory Board and the Audit Committee and we thank her for her excellent contribution.

Finally, I would like to thank the entire Supervisory Board, the Board of Management, the Executive Committee and all AkzoNobel employees around the world for their hard work and commitment during another busy year for the company.

Amsterdam, February 11, 2020
Nils Smedegaard Andersen
Chairman of the Supervisory Board
OUR SUPERVISORY BOARD

Nils Smedegaard Andersen  
(1958, Danish) Chairman  
Initial appointment: 2018  
Current term of office: 2018-2022  
Chairman of the Board of Directors of Unilever N.V. and Unilever plc.; and member of the Board of Directors of BP plc. (until March 18, 2020); Former CEO of A.P. Moller-Maersk A/S; Former CEO and President of Carlsberg A/S.

Sue Clark  
(1964, British)  
Initial appointment: 2017  
Current term of office: 2017-2021  
Non-executive Director of Britvic plc., Bakktovar Group plc., Tullian Communications LLP and Imperial Brands plc.; Former Managing Director Europe SABMiller plc.; Former Director of Corporate Affairs Railtrack plc. and Scottish Power plc.

Byron E. Grote  
(1948, American and British) Vice-Chairman  
Initial appointment: 2014  
Current term of office: 2018-2022  
Non-executive Director of Anglo-American plc., Standard Chartered plc. and Tesco plc.; Former non-executive Director of Unilever N.V. and Unilever plc.; Former Board member BP plc.

Michiel Jaski  
(1959, Dutch)  
Initial appointment: 2017  
Current term of office: 2017-2021  
Chairman of the Supervisory Boards of UNICA Group B.V., Faber Halbertama Group B.V. and Phoon, Pendrecht & Cortgiene B.V.; Former CEO of OFFICEFIRST Immobilen A.G. and Grontrij N.V.; Former member of the Executive Board of ARCADIS N.V.

Pamela Kirby  
(1953, British)  
Initial appointment: 2016  
Current term of office: 2016-2020  
Non-executive Director at Reckitt Benckiser plc., Hikma Pharmaceuticals plc. and DCC plc.; Senior Independent Director at Victrex plc. (until February 2020); Former CEO of Quintiles Transnational Corp.; Former senior executive at Astra Zeneca plc and F. Hoffman-La Roche.

Dick Sluimers  
(1953, Dutch)  
Initial appointment: 2015  
Current term of office: 2019-2023  
Member of the Supervisory Boards of NIBC Bank N.V. and Euronext N.V.; Member of the Board of Directors of FWZ Group Limited; Trustee of the Erasmus University Trust; Member of the Board of Governors of the State Academy of Finance and Economics; Former CEO of APG Group; Former member of the Supervisory Board of Atradius N.V.

Patrick Thomas  
(1957, British)  
Initial appointment: 2017  
Current term of office: 2017-2021  
Chairman of Johnson Matthey plc.; Non-executive Director Aklatex S.A.; Former Chairman and CEO of Covestro A.G. and Bayer MaterialScience A.G.; Former non-executive Director of BG Group plc.; Former President of Specialties, Huntsman International LLC; Former CEO Polyurethanes division of ICI plc.

Ben Verwaayen  
(1952, Dutch)  
Initial appointment: 2012  
Current term of office: 2016-2020  
Non-executive Director of Ofcom; Former CEO of Alcatel-Lucent; Former Chief Executive/Chairman of the Board’s Operating Committee of BT Group; Former member of the Board of Directors of Bharti Airtel Ltd.

Jolanda Poots-Bijl  
(1969, Dutch)  
Initial appointment: 2019  
Current term of office: 2019-2023  
CFO of Royal van Oord; Member of the Supervisory Board of Pion Holdings B.V.; Former member of the Supervisory Board of N.V. Nederlandse Gasunie; Former member of the Supervisory Board of Blokker Holding B.V.

Sue Clark  
(1964, British)  
Initial appointment: 2017  
Current term of office: 2017-2021  
Non-executive Director of Britvic plc., Bakktovar Group plc., Tullian Communications LLP and Imperial Brands plc.; Former Managing Director Europe SABMiller plc.; Former Director of Corporate Affairs Railtrack plc. and Scottish Power plc.

Byron E. Grote  
(1948, American and British) Vice-Chairman  
Initial appointment: 2014  
Current term of office: 2018-2022  
Non-executive Director of Anglo-American plc., Standard Chartered plc. and Tesco plc.; Former non-executive Director of Unilever N.V. and Unilever plc.; Former Board member BP plc.

Michiel Jaski  
(1959, Dutch)  
Initial appointment: 2017  
Current term of office: 2017-2021  
Chairman of the Supervisory Boards of UNICA Group B.V., Faber Halbertama Group B.V. and Phoon, Pendrecht & Cortgiene B.V.; Former CEO of OFFICEFIRST Immobilen A.G. and Grontrij N.V.; Former member of the Executive Board of ARCADIS N.V.
REPORT OF THE SUPERVISORY BOARD

MEETINGS AND ATTENDANCE

During 2019, the Supervisory Board held eight regular, scheduled meetings and two additional meetings. The additional meetings were required to ensure the Supervisory Board was sufficiently informed and could make considered decisions regarding transactions such as the acquisition of French aerospace coatings manufacturer Mapaero.

The table on the left provides an overview of the attendance record of the individual members of the Supervisory Board.

The Supervisory Board attaches great value to the attendance of its meetings by all members. However, if Supervisory Board members are unable to attend a Supervisory Board or committee meeting, they inform the relevant Chairman of the reason. At all times, Supervisory Board members receive the materials for the specific meeting, enabling them to provide input and have the opportunity to discuss any agenda items with the relevant Chairman and provide a proxy to act on their behalf. They also have the opportunity to discuss any agenda items with the relevant Chairman prior to the meeting. The Board of Management attended all regular meetings. The CEO attended all additional meetings, while the CFO attended one of them. The Executive Committee attended the majority of the meetings. Almost all plenary sessions of the Supervisory Board were preceded or succeeded by executive sessions of the Supervisory Board, with or without the CEO in attendance.

Strategy reviews

During 2019, the Supervisory Board continued to allocate adequate time to discuss strategic activities, including detailed business analyses and portfolio reviews. In light of the continuous implementation of the Winning together: 15 by 20 ambition – and forward planning beyond 2020 – along with the related transformation program, the company renewed its efforts to achieve efficiencies in operational and functional excellence. The implementation of Integrated Business Planning (IBP) and an integrated Global Process Organization (GPO) were considered key enablers for future performance improvement. In addition, functional updates were reviewed and discussed, including Finance, Information Management, Integrated

Supervisory Board attendance record

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<tr>
<th></th>
<th>SB</th>
<th>AC</th>
<th>RC</th>
<th>NC</th>
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<tbody>
<tr>
<td>Nils Smedegaard Andersen</td>
<td>10/10</td>
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<td>5/6</td>
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<tr>
<td>Jolanda Poots-Bijl</td>
<td>5/7</td>
<td>4/5</td>
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<td>Peggy Bruzelius</td>
<td>3/3</td>
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<tr>
<td>Sue Clark</td>
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<td>Byron Grote</td>
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<td>Michiel Jaski</td>
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<td>5/6</td>
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</tbody>
</table>

The table indicates the meeting attendance for the Supervisory Board (SB), the Audit Committee (AC), the Remuneration Committee (RC) and the Nomination Committee (NC) for regular and additional meetings.

The attendance record shows the eight regular scheduled meetings and the two additional meetings of the Supervisory Board. Additional meetings are scheduled ad hoc when needed.

1 Appointed at the AGM on April 25, 2019. Also appointed as an Audit Committee member on the same date.

2 Stepped down on April 25, 2019, after completing a 12-year term.

The table provides an overview of relevant topics discussed and reviewed in Supervisory Board meetings in 2019.

Supervisory Board activities 2019

Q1

- Review of Q4 2018 financials and performance
- 2018 financial statements and profit allocation
- Final 2018 dividend
- HR strategy update
- M&A strategy update
- Transformation Office update
- Risk Management: Risk session outcomes
- HSE full-year report
- 2018 external audit report

Q2

- Review Q1 2019 financials and performance
- Investor Relations update
- Review Winning together: 15 by 20 ambition
- Business updates
- Transformation Office update
- Nomination of Jolanda Poots-Bijl as a Supervisory Board member
- M&A strategy update
- Acquisition of French aerospace coatings manufacturer Mapaero
- ISC 2025
- Innovation strategy update
- HR strategy update

Q3

- Review Q2 2019 financials and performance
- Investor Relations update
- Business updates
- Transformation Office update
- HR strategy update
- Enterprise Risk Management update
- Functional and business strategy review
- Raw materials strategy update
- Operational excellence
- Innovation strategy update
- M&A strategy update

Q4

- Review Q3 2019 financials and performance
- Interim dividend 2019
- Share buyback program
- M&A strategy update
- Information Management update
- Transformation Office update
- Company strategy update
- Operational excellence
- HR strategy update
- Budget 2020
- Investor Relations update

The table provides an overview of relevant topics discussed and reviewed in Supervisory Board meetings in 2019.
Supply Chain, Procurement, Human Resources and Innovation.

The Supervisory Board received comprehensive market updates and advised, reviewed and approved the next phase of the company’s transformation through regular updates from the Transformation Office.

Strategy beyond 2020
The Winning together: 15 by 20 strategy, with its ambitious targets (set in 2017) and a focus on achieving 15% ROS, has been successful in focusing on a step-change in profitability. Going forward, beyond 2020 AkzoNobel will rebalance growth and margins.

Proceeds Specialty Chemicals separation
Following the implementation of the sale of the Specialty Chemicals business, a special cash dividend of €1 billion was paid in December 2017 as advance proceeds. The additional €5.5 billion in proceeds have been returned using different distribution methods. A capital repayment and share consolidation of €2 billion was completed in January 2019; a special cash dividend of €1 billion was paid on February 25, 2019; and a share buyback of €2.5 billion was completed in December 2019. The capital repayment and share consolidation was approved by shareholders at the EGM in November 2018.

Sustainability
Sustainability is a core principle and is integral to the company’s strategy, which means delivering both short-term and long-term value for shareholders and other stakeholders, because today’s profits are essential to invest in tomorrow. Our “People. Planet. Paint.” approach to sustainability is an investment in the future success of the company. Having sustainability as a core principle motivates employees, is a source of pride and helps to define what the company is and what it stands for. The Supervisory Board views sustainability as an intrinsic value driver in the work of all businesses and all functions.

During 2019, the Supervisory Board also assessed sustainability as part of strategy and targets. The Supervisory Board is confident that by making sustainability an explicit differentiator – part of the company’s brand – AkzoNobel has enhanced its value proposition for stakeholders, including employees and business partners. The company also continues to develop business opportunities in alignment with relevant UN Sustainable Development Goals (SDGs).

Performance and management planning
Individual Board of Management and Executive Committee performance was addressed in Supervisory Board meetings, following recommendations from the Remuneration Committee. For more details, see the report of the Remuneration Committee on page 41.

Discussions on corporate performance were held at each regular Supervisory Board meeting and included business reviews and performance updates from corporate functions. Forward-looking targets were also addressed in light of these reviews, and both the proposed budget and operating plan for 2020 were diligently reviewed by the Supervisory Board in Q4, taking into account prevailing market conditions. Following this assessment, the Supervisory Board has approved the proposed budget and operating plan for 2020.

During the year, the Supervisory Board was pleased to see the company continuing to benefit from management’s strategic initiatives, including cost savings. The nature of this performance provided a basis for the Supervisory Board’s approval of the dividend proposal (further details on the 2019 dividend proposal can be found in the Consolidated financial statements and Profit allocation paragraph).

Risk management
The Supervisory Board views risk management as an essential mechanism for safeguarding the business and assets of the company, as well as securing long-term performance and value creation. Risk management updates were received during the year as the Supervisory Board sought to assure itself of the robustness of the company’s risk mitigation and internal controls.

The Board of Management and Executive Committee maintain the risk management framework and system of internal controls. Implementation of risk mitigating measures for the key risks, as identified by the Board of Management and the Executive Committee, is monitored by...
the Supervisory Board and the Audit Committee during the year by means of risk updates and reviews. Further details are included in the Risk management chapter in the Governance and compliance section.

Corporate governance
The Supervisory Board continuously reviews the company’s corporate governance and its compliance with the Dutch Corporate Governance Code.

Talent management and succession planning
In 2019, the Supervisory Board, after discussing its own composition and succession plans, nominated Jolanda Poots-Bijl and re-appointed Dick Sluimers as members of the Supervisory Board. The appointment and re-appointment were approved at the AGM held on April 25, 2019. More information on the nomination process and the induction training of Supervisory Board members can be found in the Corporate governance statement.

During 2019, the Supervisory Board also discussed and supported changes to the composition of the Executive Committee. This included the appointment of David Prinselaar as Chief Supply Chain Officer (after David Allen stepped down). With Malélys Castella stepping down as Chief Corporate Development Officer, her responsibilities were divided between the CEO and the General Counsel. The Supervisory Board also discussed the succession of Marten Booisma as Chief Human Resources Officer by Joëlle Boxus as per March 9, 2020. The requirements of the Dutch Corporate Governance Code and the skills matrix, updated further upon recommendation by the Nomination Committee, were considered throughout the process. The updated matrix can be found later in this section.

Independence of the Supervisory Board
Supervisory Board members are required to act critically and independently of one another, the Board of Management, the Executive Committee and the company’s stakeholders.

Each member of the Supervisory Board meets the independence requirements as stated in the Code and has completed the annual independence questionnaire addressing the relevant requirements for independence. To this end, both the Supervisory Board and the company take steps to verify that:

- No cross ties exist between Supervisory Board members and members of the Board of Management
- No employment relationships were in place between Supervisory Board members and AkzoNobel during the five years preceding their last appointment
- No personal financial compensation has been paid, other than in relation to work as a Supervisory Board member
- No Supervisory Board member has had important business relationships with the company in the year prior to their last appointment
- There are no significant shareholding ties (amounting to more than 10% of the share capital of the company) between Supervisory Board members, or their closely associated persons, and the company

Supervisory Board evaluation
To assess its effectiveness, the Supervisory Board carried out an internal performance evaluation of itself, its individual members, its Audit Committee, Remuneration Committee and Nomination Committee, the Chairman and the chairmen of these committees, as well as its relationship with the Board of Management and the Executive Committee. The process consisted of Supervisory Board members completing a confidential questionnaire.

In a separate meeting without the Board of Management, the full Supervisory Board discussed the results of the evaluation questionnaires. The Supervisory Board also discussed the functioning of the Board of Management and the performance of its individual members. The Chairman had one-on-one calls with all Supervisory Board members to discuss individual impressions on the functioning of the Supervisory Board and items covered in 2019.

During 2020, the Supervisory Board agreed to focus on an effective division of responsibilities between the different committees. Other focus areas include the governance and process on succession planning and talent management. Additional time will be spent on contributing to the development of the company strategy beyond 2020. Items addressed were overall performance and composition of the Supervisory Board, the Audit Committee and the other committees, strategic issues and key areas for 2020. Other points discussed were the nature and impact of the discussions, strategy oversight, risk management and internal control and succession planning.

We are pleased to confirm our internal evaluation concluded that the Supervisory Board and its committees continue to operate proficiently. There is a dynamic and open atmosphere between the Supervisory Board and the Board of Management – as well as the other members of the Executive Committee – offering support and constructive challenge. It was agreed that more time will be spent on business deep dives, as well as focusing more on succession planning and company talent.

Financial statements and profit allocation
The Board of Management submitted the report and financial statements, including the report of the Board of Management, to the Supervisory Board for review and approval. The financial statements of Akzo Nobel N.V. for the financial year 2019 were audited by PricewaterhouseCoopers Accountants N.V.

The financial statements, the report and management letter of the external auditors were extensively discussed by the Audit Committee with the external auditors, in the presence of the CFO, and by the full Supervisory Board with the Board of Management and the Executive
Committee. Based on these discussions, the Supervisory Board is of the opinion that the 2019 financial statements of Akzo Nobel N.V. form an adequate basis to account for the supervision provided (see the Consolidated financial statements). The Audit Committee monitors the follow-up by management on the recommendations made by the external auditors.

The Supervisory Board recommends that the AGM adopts the financial statements as presented in this Report 2019 and, as proposed by the Board of Management, the proposed total dividend for 2019 of €1.90 (2018: €1.80), including a final dividend of €1.49 per share. An interim dividend of €0.41 (2018: €0.37) per share was paid in November 2019. This reflects the continued commitment to providing a stable to rising dividend. The dividend will be paid in cash.

In addition, it is requested that the AGM discharges the members of the Board of Management from their responsibility for the conduct of business in 2019 and the members of the Supervisory Board for their supervision in 2019.

AUDIT COMMITTEE

Byron Grote has been Chairman of the Audit Committee since his appointment in 2015. The other members of the Audit Committee in 2019 were Peggy Bruzelius1, Michiel Jaski, Dick Sluimers, Patrick Thomas and Jolanda Poots-Bijf. All members of the Audit Committee have extensive accounting and financial management expertise. The Audit Committee held seven meetings during 2019. The attendance record of the members can be seen in the attendance chart on page 37. Issues discussed in Audit Committee meetings were reported back to the full Supervisory Board in subsequent meetings.

1 Until April 2019.
2 Appointed to the Audit Committee as of April 25, 2019.

External audit
PricewaterhouseCoopers Accountants N.V., AkzoNobel’s external auditors, reported in-depth to the Audit Committee on the scope and outcome of the annual audit of the financial statements, including the consolidated financial statements and the company financial statements and report. The Audit Committee held independent meetings with the external auditors and critically reviewed and constructively challenged their audit approach, fees, risk assessment and audit plan for the year ahead.

Other topics discussed included:
• The “hard close”, which was discussed with the intention of continuing the improvement in the efficiency of the year-end process and to highlight important issues for the annual financial statements. AkzoNobel performed a “hard close” as of October 31, 2019
• Quality of the external audit
• Impact of new accounting rules
• Transformation of the Finance function

The Audit Committee performed an annual review of the services of the external auditor, and at each meeting it considered and assessed the status of the auditor’s independence. Further details on the external auditors can be found in the Governance and compliance section.

Risk management and internal control systems
The Audit Committee reviewed AkzoNobel’s overall approach to governance, risk management and internal controls, its processes, outcomes, financial reporting and disclosures. Regular updates were received from auditors and functions in this regard, and the Audit Committee was provided with comprehensive risk and internal

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<tr>
<th>Audit Committee activities 2019</th>
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<tbody>
<tr>
<td><strong>Q1</strong></td>
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<tr>
<td>• Review Q4 2018 financial statements and annual results</td>
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<tr>
<td>• Review 2018 annual report and accounts</td>
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<tr>
<td>• External audit report</td>
</tr>
<tr>
<td>• Review risk management and internal control</td>
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<tr>
<td>• Auditors’ management letter</td>
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<tr>
<td>• Final dividend 2018</td>
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<tr>
<td>• HSE audit findings</td>
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<tr>
<td>• Review full-year compliance report</td>
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<tr>
<td>• Pension funds update</td>
</tr>
<tr>
<td>• Finance transformation update</td>
</tr>
<tr>
<td>• Review accounting for Specialty Chemicals separation</td>
</tr>
<tr>
<td>• Review transition from accounting standard IAS 17-Leases to IFRS 16-Leases</td>
</tr>
<tr>
<td>• Transformation to deliver towards the 15 by 20 ambition</td>
</tr>
<tr>
<td><strong>Q2</strong></td>
</tr>
<tr>
<td>• Review Q1 2019 financial statements</td>
</tr>
<tr>
<td>• Review year-to-date audit findings</td>
</tr>
<tr>
<td>• Compliance and integrity update</td>
</tr>
<tr>
<td>• Follow-up on audit scope and fee 2019</td>
</tr>
<tr>
<td>• Review evaluation external auditor</td>
</tr>
<tr>
<td>• Treasury update</td>
</tr>
<tr>
<td>• Review and approval PWC audit plan</td>
</tr>
<tr>
<td>• Valuation of post-retirement benefit provisions</td>
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<tr>
<td>• Transformation to deliver towards the 15 by 20 ambition</td>
</tr>
<tr>
<td><strong>Q3</strong></td>
</tr>
<tr>
<td>• Review Q2 2019 financial statements</td>
</tr>
<tr>
<td>• Review external auditor performance evaluation FY 2018</td>
</tr>
<tr>
<td>• Transformation to deliver towards the 15 by 20 ambition</td>
</tr>
<tr>
<td><strong>Q4</strong></td>
</tr>
<tr>
<td>• Review Q3 2019 financial statements</td>
</tr>
<tr>
<td>• Recommendation on interim dividend 2019</td>
</tr>
<tr>
<td>• Share buyback program</td>
</tr>
<tr>
<td>• Compliance and integrity update</td>
</tr>
<tr>
<td>• Tax strategy review</td>
</tr>
<tr>
<td>• Review budget 2020 and outlook</td>
</tr>
<tr>
<td>• Review audit findings year-to-date</td>
</tr>
<tr>
<td>• Hard close audit report</td>
</tr>
<tr>
<td>• Review evaluation FY 2018</td>
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<tr>
<td>• Transformation to deliver towards the 15 by 20 ambition</td>
</tr>
<tr>
<td>Update to the PWC audit plan</td>
</tr>
<tr>
<td>• Valuation of deferred tax assessment and uncertain tax position</td>
</tr>
<tr>
<td>• Transformation to deliver towards the 15 by 20 ambition</td>
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</tbody>
</table>
control reports during the year. In addition, the Audit Committee reviewed the annual operating plan (including budget) and AkzoNobel’s dividend proposals. Upon fulfilling its oversight responsibilities in relation to governance, risk management and internal control systems, the Audit Committee met regularly with senior executives.

The General Counsel reported regularly to the Audit Committee on the company’s compliance framework and compliance matters and activities, and on major litigation, fraud and liability exposures. The Internal Auditor reported to the Audit Committee on their assessment of the status of the system of governance, risk management and internal controls throughout 2019.

**Business and function reviews**

In fulfilling its oversight responsibilities in relation to risk management and internal control systems, the Audit Committee received updates from functions throughout the year, informing its review of the annual operating plan, including budget. During the year, updates were provided from Finance, Treasury, Information Management and Tax. The Audit Committee continued to monitor functional initiatives, such as the progress on the transformation of the Finance function and the transformation of AkzoNobel into a focused paints and coatings company. The Audit Committee also met regularly with other senior executives.

**Internal Audit**

The Internal Auditor presented all main audit findings to the Audit Committee and discussed the progress of the audit plan. During the year, the Audit Committee approved Internal Audit’s plan and strategy, and also agreed on the budget and resource requirements for the function. The Audit Committee also met separately with the Internal Auditor during the year to discuss the results of the audits performed and the status of the follow-up on action plans identified. In 2019, the Audit Committee was satisfied with the effectiveness of the Internal Audit function. As the Corporate Director of Internal Audit left AkzoNobel as per January 1, 2020, the Audit Committee agreed on the appointment of the new Corporate Director of Internal Audit, who starts on March 1, 2020. The appointment of the new Corporate Director of Internal Audit was approved by the Supervisory Board.

**Results and financial statements**

Before each publication of the quarterly results and the financial statements, the Audit Committee reviewed the financial results. In addition, the Audit Committee reviewed and commented on the interim and final dividend proposals and on reports and press releases to be published. This was in addition to the work undertaken by the company’s Disclosure Committee in reviewing the company’s disclosure of potentially price sensitive information. Based on these discussions, advice was provided by the Audit Committee to the Supervisory Board with regard to the publications and disclosures, and to the interim and final dividends. All quarterly or annual releases of financial results, and any potentially price sensitive public disclosures, were approved by the full Supervisory Board prior to publication and release.

In order to ensure its effectiveness and expertise, the Audit Committee was provided with regular updates on IFRS developments and the anticipated impact of these developments on the financial statements. In addition, the Audit Committee reviewed and assessed management assertions made in regard to relevant accounting treatments.

**Audit Committee evaluation**

The Audit Committee carried out a self-assessment of its performance and concluded that it is performing effectively. Reference is made to the paragraph on the evaluation of the Supervisory Board in this chapter.

**REMUNERATION COMMITTEE**

The Remuneration Committee consists of five members: Dick Sluimers (Chairman), Sue Clark, Ben Verwaayen, Pamela Kirby and Nils Smedegaard Andersen.
Remuneration Committee main 2019 activities

<table>
<thead>
<tr>
<th>Q1</th>
<th>Q2 &amp; Q3</th>
<th>Q4</th>
</tr>
</thead>
</table>
| • Review of management performance 2018  
• Target setting 2019  
• Review of management base salaries for 2019  
• 2018 Remuneration report | • Remuneration Policy review  
• Review STI targets  
• Implementation of Shareholder Rights Directive II | • Forward-looking 2020 target-setting  
• 2019 STI and LTI performance review  
• Review of the remuneration policies for the Board of Management and Supervisory Board in connection with the implementation of Shareholder Rights Directive II  
• Review of management base salaries for 2020 |

The Remuneration Committee held six meetings in 2019. The attendance record of the members can be seen in the Supervisory Board attendance chart on page 37.

Management performance review
The work of the Remuneration Committee during the first quarter focused on performance for the year 2019, the individual performance reviews of the Board of Management members and of the Executive Committee. The Remuneration Committee also assessed the adequacy of the peer group used for benchmarking purposes.

Remuneration Policy review
In 2019, the Remuneration Committee reviewed the Remuneration Policy for the Board of Management, to assess whether it was still in line with the company’s strategy and financial targets. The Remuneration Committee also considered the alignment of the Remuneration Policy for the Board of Management and the Remuneration Policy of the Supervisory Board in anticipation of the implementation of the Shareholder Rights Directive II. For further details, reference is made to the Remuneration report.

Management salary review
The Remuneration Committee reviewed the base salaries and the establishment of relevant forward-looking target ranges for variable remuneration of Board of Management members and other members of the Executive Committee. The base salaries will continue to be assessed in light of market conditions, the reward structures of peer group companies and performance. The Remuneration Committee considered the pay ratios within the company and how these compare with peer group companies.

Forward-looking target ranges for variable remuneration of the Board of Management were discussed and proposals for the remuneration of other Executive Committee members were reviewed and discussed with the CEO.

For further details, reference is made to the Remuneration report and Note 25 of the Consolidated financial statements.

Remuneration Committee evaluation
The Remuneration Committee’s evaluation of performance and effectiveness formed part of the overall Supervisory Board evaluation undertaken during 2019, as explained earlier in this section.

Nomination Committee main 2019 activities

<table>
<thead>
<tr>
<th>Q1</th>
<th>Q2, Q3 and Q4</th>
</tr>
</thead>
</table>
| • Review (re)appointment scheme  
• Supervisory Board succession planning  
• Nomination Jolanda Poots-Bijl | • Supervisory Board succession planning  
• Board of Management and Executive Committee succession planning  
• Update skills matrix |
### Supervisory Board skills and profiles

<table>
<thead>
<tr>
<th>Supervisory Board skill</th>
<th>N.S. Andersen</th>
<th>J. Poots-Bijl</th>
<th>S. Clark</th>
<th>B. Grote</th>
<th>M. Jaski</th>
<th>P. Kirby</th>
<th>D. Sluimers</th>
<th>P. Thomas</th>
<th>B. Verwaayen</th>
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</thead>
<tbody>
<tr>
<td>Independent</td>
<td>●</td>
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<td>Consumer goods end-user segment</td>
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<td>Scientific/information technology experience</td>
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<td>Public sector experience</td>
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<td>Management experience</td>
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<td>Investor relations</td>
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<td>Manufacturing experience</td>
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<td>Supply chain/logistics experience</td>
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<td>Social, environmental or sustainability experience</td>
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<td>Four or less external directorships</td>
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<tr>
<td>Non-EU national</td>
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<tr>
<td>Pensions experience</td>
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<td>R&amp;D experience</td>
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<td>Legal experience</td>
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<td>Industrial/employment relations</td>
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<td>Risk management</td>
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<tr>
<td>Consulting</td>
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The Supervisory Board has updated its skills matrix, as shown opposite. The skills matrix, full details of the current Supervisory Board composition, the schedule of Supervisory Board succession and the profiles of the Supervisory Board members can also be found on our website: www.akzonobel.com

The second term of Ben Verwaayen ends in 2020. The members of the Nomination Committee concluded that the required expertise is sufficiently reflected in the Supervisory Board. In connection with the current size of the company, it was deemed appropriate to reduce the number of Supervisory Board members to eight. Reducing the number of Supervisory Board members to eight following the retirement of Mr. Verwaayen was approved by the Supervisory Board.

**Nomination Committee evaluation**

As with the Remuneration Committee, the Nomination Committee’s evaluation of performance and effectiveness formed part of the overall Supervisory Board evaluation undertaken during 2019.

### ADDITIONAL REMARKS

All members of the Supervisory Board would like to express their appreciation to the Board of Management and Executive Committee, as well as to all employees, for their dedication and hard work during 2019.

Amsterdam, February 11, 2020

The Supervisory Board
From the start, 2019 was all about delivering a powerful performance to help propel the company towards its Winning together: 15 by 20 ambition. It was impressive to experience our internal momentum during the course of the year as we intensified our focus on dramatically stepping up our return on sales by 2020.

Right across the organization – from salespeople in Brazil, to operators in France and researchers in China – everyone has been fully focused on delivering for our customers, while helping the company to become the reference in paints and coatings.

We’re rightfully proud of our results, especially because we received little help from a sluggish growth environment and uncertain global economy. Our value over volume strategy helped us improve our bottom line performance, and we delivered on our promise to return the proceeds from the sale of Specialty Chemicals on time and in full within 2019. Together, we sent a strong message that our transformation is on track.

Behind the scenes, a tremendous amount of work has been going on. Integrated Business Planning is up and running and is now very much the way we run our business across the organization. The deployment of one common ERP (enterprise resource planning) system for all businesses is progressing very well and on schedule. We continue to roll out initiatives focused on standardizing global policies, increasing sales force effectiveness, and improving margin and portfolio management. At times, the company feels like a big construction site, although one where its future shape and form is becoming more visible every day.

Future growth remains very much on the agenda, be it investments or acquisitions. Hence our pride in November’s announcement that we had completed a deal to acquire French aerospace coatings manufacturer Mapaero, which will further strengthen our global position in aerospace coatings and enable us to provide our customers with a much wider portfolio of innovative and sustainable products. A month later, we announced our intention to acquire 100% of the shares of Mauvilac Industries – a leading paints and coatings company in Mauritius. Another key development was the kickstart of a €50 million investment at our North American wood coatings facility in High Point, North Carolina (see page 6). This will bring world class manufacturing capability to the site, as well as the construction of a new research lab and technical application center. It’s all about further strengthening our commitment to our customers in North America, where we’ve been part of the wood coatings industry for 100 years. Earlier in the year, we officially opened a new €13 million research and innovation hub at our Felling site in the UK. This brings the latest research capabilities for testing our marine and protective coatings in conditions similar to those they face in the world’s most extreme environments.

I’m particularly energized by the revolutionary, forward-thinking approach to product development which is also at the heart of our Paint the Future innovation ecosystem (see page 22). Originally introduced as a startup challenge, it quickly grew to incorporate suppliers and academia. The initiative brilliantly showcases the power of partnerships, enabling us to combine ground-breaking research happening...
Our value over volume strategy helped us improve our bottom line performance and our share price reached a record high outside the company with our own technologies and in-depth application knowledge.

We also refreshed our approach to sustainability, with a view to making it more relevant for a focused paints and coatings company. We captured this holistic, down-to-earth approach in what we call “People. Planet. Paint.” It’s all about reducing our impact and delivering benefits for our customers, society and the environment. It’s making sustainability an integral part of the way we do business and we’re excited and proud of the path we’re on.

Of course, the real driving force behind all the progress we’ve made has been our dedicated and diverse team of colleagues around the world. It remains deeply impressive to witness the can-do attitude and resilience of our teams during this transformation. Despite all the changes, they got on with the job and stuck to our core values of safety, integrity and sustainability. They deserve all the thanks and credit for getting us into a position where delivering our Winning together: 15 by 20 ambition is now in sight.

For myself and the Executive Committee, it continues to be a humbling privilege to be on this journey together with them.

Thierry Vanlancker, CEO and Chairman of the Board of Management and Executive Committee

LANDMARK INVESTMENT POINTS THE WAY

A milestone ground-breaking ceremony took place at our North American wood coatings facility in High Point, North Carolina, in November – officially kickstarting a €50 million investment which will transform the site’s manufacturing capability.

The extensive upgrade will include installing state-of-the-art production technology, as well as building a new raw materials warehouse, research lab and technical application center. The ceremony marked 100 years of our company being in the wood coatings industry in North America.

Known as the “Home Furnishings Capital of the World,” High Point has been home to AkzoNobel as a manufacturer of wood coatings since 1955. The facility currently covers 37 acres and employs more than 250 people. It produces wood coatings to serve the furniture, building products and flooring market segments, as well as our Chemcraft distributors.

Construction at the site is scheduled for completion in 2021, with rolling projects already underway.