Russian artistry gets vote of approval

Moscow’s new Rhythmic Gymnastics Center has a fluttering ribbon as its roof. Genius. We were delighted to supply products for the eye-catching building, which features 7,000 liters of our decorative paints, as well as Interpon products from our Powder Coatings business.

Only a few summersaults away is the futuristic, pyramid-shaped Matrex, which won a prestigious Architizer A+ Award from the global architectural community during 2019.

The unique structure is coated in Black Onyx from Interpon’s D2525 Eco portfolio, a range of heat-reflective coatings which can bounce the sun’s rays back off the exterior of a building. It’s one of many iconic green buildings around the world that benefit from our extensive range of world class powder coatings.
OUR APPROACH TO SUSTAINABILITY

At AkzoNobel, sustainability is one of our core principles. That’s why we take action every day by empowering our people, reducing our impact on the planet and consistently innovating to deliver sustainable solutions to our customers. It’s about focusing on the things we can truly influence. We call it People. Planet. Paint.

It’s our new down-to-earth approach to sustainability, which will help us deliver tangible benefits for our customers, society, the environment and our business. It’s how we’re making sustainability a daily priority, which we believe is the best commitment we can make if we’re serious about being sustainable in the long term. And every step we take to create a positive impact on the world enables us to enhance our position as the leader, when it comes to sustainability in the paints and coatings industry.

Building on our strong legacy, we have further developed our all inclusive, holistic sustainability approach. It highlights how sustainability is reflected in our product innovations with customer benefits, our supply chain, the way we operate and how we behave as an employer and member of society.

Our challenging ambitions are realistic and deliverable, having been developed collaboratively with our businesses and functions. They’re also designed to contribute to the global sustainability agenda represented by the United Nations Sustainable Development Goals (SDGs). We focus on the SDGs where we can have the biggest impact through our products, processes and partnerships. By turning ambitions into actions, by innovating and creating a better world for future generations, AkzoNobel will remain at the forefront of sustainability in the paints and coatings industry.

More details will be announced during the course of 2020. Currently, our ambitions include the following:

**People:** Inspire and empower people and communities through our passion for paint. We positively impacted 40 million people between 2015 and 2019.

**Planet:** Reducing waste, energy and greenhouse gas emissions are the main environmental indicators we’re focusing on, which includes zero waste to landfill by 2020. We also aim to use 100% renewable energy by 2050 and become carbon neutral, also by 2050.

**Paint:** Continue to maintain at least 20% of our sales from eco-premium solutions by 2020. Together with our eco-performers, we’re aiming to have more than 40% of revenue from sustainable solutions that bring benefits to our customers.

The future of sustainability at AkzoNobel is about further integrating and enhancing the quality of our sustainable solutions to ensure they have a positive impact on society and the environment. It’s about taking both big and small steps that truly make a difference.
PEOPLE. PLANET. PAINT.

INNOVATING TO SUPPLY SUSTAINABLE, IMPACTFUL SOLUTIONS

More than 40% of our revenue comes from products with a sustainability benefit, and 22% of those are made up of eco-premium solutions. We intend to use our innovation strength and maintain our leadership position to further grow these percentages. Eco-premium solutions deliver clear benefits for our customers in terms of economic, environmental and social performance, as well as keeping us ahead of the competition.

Our product innovation is driven by sustainability. That means many of the new products we bring to market have sustainability benefits for the environment and society, as well as our customers. By choosing AkzoNobel, our customers are empowered to strengthen their own sustainability agenda.

We are leading an exciting transformation of the paints and coatings industry with our call for collaborative innovation through our Paint the Future innovation ecosystem. We believe the only way to safeguard our planet beyond generations is by developing cross-industry solutions.

SUSTAINABLE SOLUTIONS

We take great pride in ensuring that our innovation creates value for our customers and society and will result in more effective and sustainable solutions. That’s why we’re always looking for ways to develop more sustainable products that deliver clear benefits in terms of economic, environmental and social performance. It’s an approach which keeps us competitive and at the forefront of our industry amid a changing world of legislation and societal concern. Our sustainable solutions add value for our customers, often show faster growth rates and command higher margins than more traditional products.

Our portfolio approach promotes the use of safer and more sustainable products in all stages of the value chain. We take action to manage the use of harmful substances in advance of legislation, future-proofing our products against changes in regulations and public concerns. We also constantly review our existing offer in close alignment with our strategic focus and our customers’ needs. This helps to ensure the delivery of sustainable products and solutions that are fit-for-purpose in our key markets.

SUSTAINABLE PRODUCT PORTFOLIO ASSESSMENT

We have measured the eco-premium part of our product portfolio for seven years. These are solutions with clear sustainability benefits that outperform the market and are best-in-class.

Eco-premium solutions present a moving target, since we measure our performance against the market reference, which is continuously evolving. Since 2016, revenues from eco-premium products have been in excess of 20%. In 2019, sales for this segment totaled 22% of our revenue. By constantly innovating, our aim is to maintain

This is the Varsa Tower in Warsaw, Poland – soon to be Europe’s tallest building – which is being protected by our Interpon products. Standing 310 meters tall, the office building’s sleek black exterior has been created using Interpon D2525 super-durable topcoat on the cladding and profiles, while Interpon 100 primer provides a super tough core. The system will help the tower to withstand harsh conditions such as bright sunshine, fierce winds and driving rain.

Note 1

<table>
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<th>Year</th>
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Data covers November 1, 2018, until October 31, 2019 sales data.
eco-premium solutions at a sustainable 20% of revenue, which underlines our sustainability leadership position.

Another significant portion of our portfolio fits into the Eco-performer category. These solutions also offer clear sustainability benefits, similar to others available on the market. Our initial assessment indicates eco-performers represent approximately 20% of sales, making our total sales of sustainable solutions more than 40%.

Having become the first paints and coatings company to launch a full Sustainable Product Portfolio Assessment (SPPA), we continue our studies and intend to complete our company-wide analysis in 2020. SPPA takes a holistic view on the sustainability of our product portfolio, dividing products into one of five categories, depending on their attributes (as shown above). The priority substance program (see Note 6) plays a key role in helping us to categorize products as Priority or Transitioner, depending on the priority substance status of their ingredients. By painting such a comprehensive picture of our portfolio, we'll be able to further increase our share of sustainable solutions and proactively manage those products in the Priority and Transitioner categories.

VOC IN PRODUCTS

Reducing VOC (volatile organic compound) emissions helps us to improve air quality and human health, while lessening the impact our products have on the environment. It also enables us to stay ahead of legislation. Our ambition to move towards zero VOCs in our products remains unchanged, and while this is currently not possible for all products, we continue to focus on developing solutions with significantly reduced VOC content.

One example of the progress we’re making is “Waterway”, a multi-year strategic program designed to lead the decorative paints market towards using more water-based trim and woodcare product ranges. These two segments were selected as they represent more than half of the VOC emissions in our decorative paints portfolio. In 2019, the initiative gained further momentum. The distinctive benefits of water-based products have been successfully included in several marketing campaigns. We also have innovation plans in place that provide a solid foundation for us to lower our VOC emissions year-on-year.

CUSTOMER VALUE

We work closely with customers to deliver products and solutions that make their businesses more sustainable, while delivering economic value to all parties in the value chain.

By focusing on the benefits we can offer, we continue to have a major influence on the growing acceptance of more sustainable solutions in our various market segments.

This accelerated market penetration also contributes to driving margin growth, which in turn supports our Winning together: 15 by 20 ambition.

To support the commercial success of our sustainable solutions, we translated the contribution of our eco-premium and eco-performer solutions into clear customer benefits. For example, we have developed the following framework for our decorative paints markets:

- Doing good – products that promote health and well-being, are longer lasting and have a positive impact on society
- We care – products with reduced carbon and waste, and that use materials more efficiently

This framework helps to indicate the specific contribution of each product to our customers. Nearly half our decorative paints portfolio can be linked to one of the above-mentioned product-related sustainability benefits.
COLLABORATIVE INNOVATION

We’re using collaborative innovation to push the boundaries of the paints and coatings industry. Almost everything we touch is painted or coated, so there are huge opportunities to share our expertise and develop products and solutions for customers that go beyond expectation, imagination and generations.

Beyond expectation refers to the advanced functionalities offered by our products, in addition to the color and protection they provide. Beyond imagination is all about our digital innovations, which are making increasing use of robots, big data and artificial intelligence. Beyond generations focuses on developing sustainable solutions to safeguard our planet and create a circular value chain.

We know collaboration will help us innovate faster and better. That’s why we have created a collaborative innovation ecosystem: Paint the Future. It will enable us to explore new opportunities with others, deliver impact at scale and ensure a more sustainable future – together.

In 2019, Paint the Future launched a highly successful global startup challenge – an industry first. Suppliers, academia and customers are also joining the expanding ecosystem (see page 22). Through our platform and a variety of related programs, innovators now have access to resources that can help them commercialize their solutions.

Our work with Alucha – a 2019 startup challenge winner in the circular solutions category – is a great example of how innovative collaboration could help to create a more sustainable future. We are investigating the development of recycling solutions for complex waste streams. The technology has the potential to turn the paper industry’s biggest waste stream – paper sludge – into bio-oils and minerals used in paint. These minerals will be unique, as they’ll be circular and not mined from non-renewable sources, potentially replacing the linear minerals currently used by the paint industry.

Residents of the Sanga Funda neighborhood in Cascavel, Brazil, had their lives transformed through the power of paint thanks to a project developed by the Beyond Art association and our Coral brand. Around 25 visual and graffiti artists from different areas of the country helped to create an open art gallery on the walls of various houses.
HOW WE LOOK AFTER THE ENVIRONMENT

Doing more with less remains one of the most pressing societal challenges. At AkzoNobel, we continue to create more value from fewer resources, minimizing our environmental impact across the value chain.

We strive to achieve leading performance in our operations and manage the environmental impact of our sites through our Resource Productivity program.

More than 98% of our value chain carbon footprint comes from our suppliers and the use of our products by customers. We have improved the measurement of our Scope 3 value chain emissions – and tailored it to a focused paints and coatings company. This provided us with a new baseline for 2018. Our 2019 value chain emissions (Scope 1, 2 and 3) were 14.6 million tons of CO₂(e) in 2019, 3% lower than the previous year.

We continue to work with our suppliers to minimize the environmental impact of raw materials we source. Environmental protection is one of the four innovation priorities of our Paint the Future ecosystem, which was launched in the first half of 2019 and was followed a few months later by a dedicated supplier event.

Many of our sustainable solutions (see Note 1) deliver customer benefits while having a positive impact on the environment, such as water-based products with no VOC emissions, paint that makes buildings more energy efficient and coatings that can reduce a ship’s fuel consumption.

In addition, focusing across the value chain offers many opportunities to optimize material use and limit environmental impact. Circularity is more than only promoting the recycling of paints and coatings. It means finding alternative sources for our raw materials, as well as extending the functionality of the materials in paints and coatings after their use. One of the focus areas of our Paint the Future initiative is circular solutions, allowing us to benefit from the innovative ideas of startups to further our ambitions towards a circular economy.

We’re aware that climate change may have a future impact on our business, as it may lead to more frequent and extreme weather events, resulting in supply chain disruption and changing market dynamics. In addition, it may also result in a global price on carbon and increased prices for raw materials. We’re already taking steps to address this, for example by adopting an internal carbon price for large investment decisions, introducing sustainable portfolio management to develop low-carbon and more circular solutions and making the circular economy a key element of our Paint the Future startup challenge.

Paint the Future initiative is circular solutions, allowing us to benefit from the innovative ideas of startups to further our ambitions towards a circular economy.

We continue to monitor risks and opportunities related to climate change and the transition towards a circular economy, as recommended by the Taskforce for Climate-related Financial Disclosures (TCFD). We partnered with industry peers and the World Business Council for Sustainable Development (WBCSD) to develop guidelines for TCFD implementation as they relate to our sector. To clarify our adoption of these recommendations, we provide an index table of the TCFD recommendations on our website.
RESOURCES PRODUCTIVITY

We launched our resource productivity program three years ago as a key accelerator to deliver on our sustainability objectives and contribute to the company’s Winning together: 15 by 20 ambition.

The program aims to maximize raw material and process efficiency, eliminate waste and drive reduced energy, carbon footprint and VOCs (volatile organic compounds) across the whole integrated supply chain (ISC).

We use our company-wide continuous improvement program ALPS (AkzoNobel Leading Performance System) to drive the resource productivity agenda. We continuously measure and report our performance on a range of environmental and financial indicators. The four key indicators are: waste, energy use, water use and VOC emissions, for which clear targets are set.

Over the last few years, we’ve delivered on our targets thanks to a wide range of improvement projects introduced as part of the resource productivity program. These projects (currently more than 500), at global, regional and site levels, are monitored monthly to assess progress with regard to environmental impact and financial benefits. The savings from projects directly related to waste and energy reduction alone totaled more than €9 million in 2019.

As well as reducing the environmental footprint of our activities, resource productivity contributes to business performance by driving continuous improvement and reducing operating costs.

We’ve increased our focus on material efficiency and are maximizing the conversion of raw materials into final product by optimizing raw material use and solving the root cause of material losses. This helps to cut down the amount of waste and waste water generated, as well as reducing the carbon footprint. It also contributes to lower manufacturing costs.

REDUCING WASTE

Waste reduction has been a focus area since 2010 and many improvements have been made at our sites which have led to significant achievements. Since 2011, we have successfully reduced our waste per ton of product by nearly 40%.

Waste reduction is one of our main environmental indicators, with zero waste to landfill being one of our key ambitions for 2020. In 2019, total waste volume and waste per ton of production generated were down by 0.9% and up by 0.1% respectively. Recent acquisitions had a detrimental effect of 1%.

Note 4

Waste means any substance or object arising from our routine operations which we discard or intend to discard, or we are required to discard.
Hazardous waste is waste that is classified and regulated as such, according to the national, state or local legislation in place.

Our objective is to have zero hazardous waste to landfill at our locations in 2020.

Hazardous waste per ton of production decreased by 0.7% in 2019. The majority of our locations worldwide contributed to the reduction in waste generation. Examples of waste reduction projects include solvent recovery, reducing packaging waste by moving from smaller paper bags or metal drums to bulk deliveries of raw materials, and reworking obsolete finished goods. To increase our contribution to the circular economy, new outlets were identified for materials which otherwise would have been disposed of, resulting in over 6 ktons less waste. In total, 34 ktons of our waste in 2019 was reusable, making our contribution to the circular economy 40 ktons.

**REDUCING ENERGY AND GREENHOUSE GAS EMISSIONS**

Energy use is another key environmental indicator included in our Resource Productivity program.

In 2019, our energy consumption per ton of production, as well as absolute energy consumption, were down 3% (absolute) and 2% (relative) compared with 2018. The improvement was negatively impacted by product mix and our value over volume strategy. Our total share of renewable energy use is 31%, with 33 of our locations now using 100% renewable electricity.

**DECREASING VOLATILE ORGANIC COMPOUNDS (VOC)**

Air emissions generated from our operations are primarily volatile organic compounds (VOC). In 2019, we exceeded our target by decreasing both our total VOC emissions, and our VOC emissions per ton of product, by 24% (target: 10%). This reduction was delivered via product design, improved VOC modelling, driven by research and development (see Note 1), good management practices.
and environmental controls at our manufacturing sites. In China, significant investments were made on new VOC abatement systems at two sites, resulting in a reduction of more than 100 tons of VOC emissions in 2019.

WATER AND WASTE WATER MANAGEMENT

Sustainable water supply is essential to life and our business. We rely on water for, among others, raw material production, product formulation and manufacturing, cooling, cleaning and transportation. Currently, 63% of our fresh water intake is from surface water, from which 74% is used for cooling purposes.

Our water use, excluding cooling water, decreased by 16% in 2019. We introduced recycling of wash water at 11 sites to reduce waste water and recover the paint included. Meanwhile, a significant improvement in cooling water use was achieved at our Kristinehamn site in Sweden.

SOIL AND GROUNDWATER REMEDIATION

Mandatory annual environmental liability reviews are conducted to evaluate risks associated with historical soil and groundwater contamination. We monitor progress in resolving liabilities and assess changes in company exposure. A group of legal and environmental experts assess, manage and resolve environmental liabilities. In line with IFRS accounting rules, we make provisions for environmental remediation costs when it’s probable that a liability will materialize and the cost can be reasonably estimated. We have set aside €75 million, which we believe is sufficient for the sites where we have ownership or responsibility (see Note 19 of the Consolidated financial statements).
NEW LIFE FOR OLD PAINT

We’re always looking to push the boundaries of what paint can be and what it can do. Innovation is in our DNA – it goes hand-in-hand with our unwavering commitment to sustainability.

It’s a powerful combination, one which saw us become the first major manufacturer to launch recycled paint, thanks to a groundbreaking partnership in the UK with resource management experts Veolia.

Developed by our Dulux Trade brand, Evolve is a revolutionary matt emulsion which contains 35% recycled paint. It’s made from leftovers which would otherwise most likely be destined for landfill.

Once the unused white paint has been reclaimed, it’s sorted, filtered and refined by Veolia. It’s then re-engineered with new paint by AkzoNobel and tested extensively to make sure that every tin meets the high standards expected from Dulux Trade.

“We’re always looking for new ways to drive sustainable innovation, cut down on waste and create a circular economy for paint – while offering our customers fresh solutions that don’t compromise on quality,” explains AkzoNobel’s Chief Operating Officer, Ruud Joosten. “By introducing Evolve, we will reduce the carbon footprint of our Dulux Trade products, and help our customers reach their own sustainability goals.”

Adds the company’s Director of Sustainability, Rinske van Heiningen: “Sustainability is at the heart of our business. That’s why we focus on developing products and technologies with the biggest positive impact.

We’re also well aware that people expect more than just a product from a brand, so we’re constantly striving to deliver the most sustainable – and impactful – solutions.”

Evolve was created after years of investment, hard work and commitment to improve our sustainable offering. A particular achievement was reducing the carbon footprint of each liter of Evolve paint produced by more than 10% (compared with standard vinyl matt). It’s another example of how we’re setting the pace as the leader when it comes to sustainability in the paints and coatings industry.

“We’re constantly striving to deliver the most sustainable and impactful solutions”

Rinske van Heiningen
AkzoNobel Director of Sustainability

watch video on akzo.no/Evolve2019

Aligned with SDG 12 and 17 (see page 149)
SUPPLIER SUSTAINABILITY

We work closely with our suppliers to identify and minimize supply chain risks, create value through continuous improvement and seek out collaboration and joint development opportunities in order to ensure a secure and sustainable supply of our products.

Business Partner Code of Conduct
Our business partners are expected to follow the company’s core principles of safety, integrity and sustainability, as specified by our Business Partner Code of Conduct (CoC). Suppliers sign the code to confirm their compliance with environmental, social, human rights and governance requirements. Signatories cover 98% of the product related (PR) spend and 84% of the non-product related (NPR) spend.

Supplier risk management
As a member of Together for Sustainability (TfS) we have been proactively managing the sustainability performance and risk management of our suppliers for six years.

TfS, which now has 22 members, is a chemicals sector initiative which aims to assess and improve the sustainability practices in its members’ global supply chains. We request our suppliers to perform online assessments, which are conducted by TfS partner EcoVadis, and TfS on-site audits.

Through this program, suppliers are assessed on the overall score in their EcoVadis online assessment, as well as their score on labor and human rights. To meet our expectations, suppliers need to achieve an overall EcoVadis score of at least 45 and a labor and human rights score of at least 50. Suppliers not meeting our expectations are requested to improve through annual re-assessments.

Depending on a supplier’s maturity level when joining our program, it can take several years of improvement to reach our threshold. We also verify our own activities against industry best practices and achieved the EcoVadis Gold rating in 2019 for the fifth time, with an overall score of 75.

To bring this program to the next level, we started a multi-year program in 2019 and have lowered our spend threshold from €1 million to €250,000. By lowering the threshold and looking at the suppliers’ country and industry risk level, we have now identified around 1,000 suppliers who are expected to participate in the program. We focus our efforts by taking a risk-based approach. A supplier’s risk level is determined by the spend, country and industry, among other factors.

Close to 60% of the identified suppliers already participated in the 2018 EcoVadis assessments. In 2019, we increased this to 65% by adding suppliers prioritized by risk. In the coming years, we aim to further increase the number of suppliers in the program. Currently 460 (47%) suppliers meet our expectations. In 2020, we aim to accelerate our program by continuing to request improvements and inviting additional suppliers to take part in the assessment.

Supplier performance management
Our supplier performance management process includes suppliers who have a contractual relationship with us and/or have an impact on our resource productivity agenda. The sustainability performance of suppliers in this group is measured using our Supplier Sustainability Balanced Scorecard (SSBS). The SSBS is designed to measure and improve our suppliers’ performance, focusing on those topics most material for our agenda.
High risk raw materials
We further accelerated our due diligence program of several high risk raw materials. Initiated in 2017, these raw materials were identified as possibly impacting human rights in our supply chain, in particular regarding health and safety, working conditions and modern slavery. After analysis and prioritization, materials in scope are cobalt, mica minerals and tin, which are used in the manufacture of some additives, pigments, resins and tin packaging material that we source. In 2019, we published a conflict mineral statement. Visit our website for more information.

With regard to mica minerals, we collaborated with our suppliers to map their entire supply chain back to the mines of origin. For cobalt and tin, we have surveyed all 188 identified suppliers, using templates supplied by the Responsible Minerals Initiative. Of those suppliers who confirmed using high risk materials necessary to the functionality of the product, 83% disclosed their smelters. A total of 38% of these smelters are conformant with the Responsible Mineral Assurance Process (RMAP) standard, or an equivalent standard. Suppliers with a “conflict free statement”, but who did not disclose the smelters in their supply chain, were not regarded as being conformant, since our due diligence is based on the Organization for Economic Cooperation and Development (OECD) Guidance for Responsible Mineral Supply Chains. In 2020, we will continue our due diligence process to ensure our suppliers steer their supply chains towards using only smelters validated via RMAP (or equivalent).

Capability building
Having started in December 2018, we continued to train our procurement organization on our sustainability programs and human rights. In total, 96% of our buyers in scope have participated in the training.
HEALTH AND SAFETY

At AkzoNobel, we strive to achieve leading performance in health, safety, environment and security (HSE&S). Our vision is to deliver zero injuries and harm through operational excellence.

Our strategic HSE&S priorities are aligned with the company’s Winning together: 15 by 20 ambition and are focused on driving:

- Continuous improvement of HSE&S processes to achieve leading maturity levels
- The implementation of an integrated HSE&S management system to drive continuous improvement and maintain best-in-class performance
- A commitment-based HSE&S culture and embedding operational excellence to achieve our vision of zero injuries and harm

PEOPLE SAFETY

In 2019, the total reportable rate (TRR) was 0.24, an increase compared with 2018 (0.20). This is slightly above the target level set for 2020 (0.20). In total, 65% of our manufacturing locations have been reportable injury-free for more than a year.

The most frequent causes for reportable injuries remain “struck by/against” or “caught in between” objects, and “slips, trips and falls”. The most frequent injuries sustained are cuts/lacerations, fractures and strains/sprains.

Although the TRR was up in 2019, the severity of injuries has decreased. The lost time injury rate for employees was 0.08 (2018: 0.09).

Some of the most severe incidents, including a fatality, were related to off-site motorcycle incidents that occurred in India. This prompted us to create a region-wide motorcycle safety program. It aims to reduce the use of motorcycles for company business and ensure that relevant safety measures, including training, are in place.

Investing in visible safety leadership and employee involvement initiatives is critical to strengthen our safety culture and deliver continuous improvement in safety performance.

Additional measures are also being introduced. These include the implementation of Life Critical Procedures, forklift safety and machine safety “calls to action” (including cross-site validation audits). The continued embedding of injury and illness case management should also help to further prevent injuries or reduce their severity. The objective of the latter is to proactively manage injury cases at an early stage, contribute to reducing the impact for the injured employee, promote return to work programs and, as a result, further reduce the lost time injury rate.

The number of contractor reportable injuries increased slightly compared with 2018, leading to a reportable injury rate of 0.19 (2018: 0.18). The contractors lost time injury rate also went up from 0.07 in 2018 to 0.09 in 2019.

Analysis revealed that inadequate/poor adherence to procedures were the main cause of contractor incidents. To help counter this trend, a contractor safety procedure and self-assessment process were introduced to target the quality of (and adherence to) key procedures, with benefits for our own employees, as well as contractors.
PROCESS SAFETY

We have developed and implemented a process safety management (PSM) framework for all our operations, which follows industry standards and best practices. A new management of change (MOC) procedure has also been introduced globally. This process has now been digitized to allow an efficient, comprehensive approach.

Process safety performance indicators are aligned with international best practice. Loss of primary containment (LoPC) is the main process safety indicator at manufacturing sites, distinguishing between two levels of severity. As a leading indicator, sites also measure process safety events (PSEs), which are minor leaks or occurrences that could lead to more severe events.

Following the sale of our Specialty Chemicals business, resin manufacturing represents the highest remaining PSM risk in the company. To ensure these risks are properly managed and mitigated to acceptable levels across the company, a special project has been launched. It’s designed to review the reliability and integrity of all safety layers of protection and develop standards for minimum layers of protection, in particular for all our resin plants.

In 2019, the number of LoPC Level 1 incidents (highest severity) decreased to 3 (2018: 6). Reporting discipline for PSE Level 3 incidents (minor spills and leaks, which are readily controlled on site and have no regulatory notification requirement) remained at a high level, clearly illustrating the drive for improvement at our manufacturing sites. All incidents are investigated to increase our focus on learning and continuous improvement.

PRODUCT STEWARDSHIP

Product stewardship is our approach to ensuring that product safety and sustainability are considered throughout the value chain – from raw material extraction, R&D, manufacturing, transport, marketing and application, all the way through to end-of-life. We aim to deliver value to AkzoNobel and our customers by ensuring regulatory compliance in every region where we operate. We’re also committed to continually developing safer and more sustainable solutions for the market while staying ahead of legislation through our proactive approach.

Continuous improvement

We use our Product Stewardship Continuous Improvement Tool (PSCIT) to drive continuous improvement in product stewardship through collaboration at all levels.

A research project which aims to harness the wasted solar energy absorbed by buildings was launched in 2019 by a consortium of 13 partners – including AkzoNobel. The ENVISION initiative is attempting to harvest energy from all building surfaces, both transparent and opaque. A solution for absorbing near infrared light (NIR) via special panels already exists, but these panels are only available in one color – black. So our coatings experts are developing technology which can capture heat using lighter and brighter colors.

After realigning the PSCIT to better meet the needs of a focused paints and coatings organization, a new benchmark was introduced. It measures the maturity of how product stewardship has been incorporated into each of our businesses, and within AkzoNobel as a whole. As expected, the results show that most businesses and departments are continuously improving on the key areas.

Priority substance management

Our industry-leading and multiple award-winning priority substance program is a proactive approach to the review and management of hazardous substances in our products and processes. The program continues to review substances as the regulatory status of substances change, while processes are in place to prevent the introduction of hazardous substances in our businesses. A further five substances were (re)assessed in 2019, and the program has been embedded into a new Sustainable Product Portfolio Assessment process (See Note 1).
HEALTH

At AkzoNobel, we’re committed to providing a safe working environment and healthy work conditions for all our employees. Health and well-being are part of our occupational health strategy and we actively manage illness-related absenteeism. A new, company-wide Industrial Hygiene (IH) framework was established in 2018. Based on this framework, we launched an IH baseline survey during the first quarter of 2019 at 144 locations. It aims to inventory the current status of IH program implementation at our workplaces. The established baseline will be the basis for further improvement.

We continue to build the IH competencies of our HSE&S professionals at local and regional level through online training courses. In 2019, online training on chemical exposure assessments and ergonomic assessments were developed and delivered.

SECURITY

Security at AkzoNobel is focused on securing people, information, assets and critical business processes against willful security risks on-site and while traveling. The level of standardization of procedures, processes and training for employees dealing with security at all our facilities will continue to increase.

A central security committee with functional representatives coordinates the main pillars of security: personnel security, facilities, information management security, travel security and intellectual property. The readiness of our security processes is assured via internal assessments, internal audits and security drills. In 2019, 184 security incidents were reported globally, broadly in line with 2018 (177). Theft and vandalism at our stores represented the highest event sub-type (similar to normal society). Based on the incident trends and security assessment analysis, the top three security priorities to be resolved are: lone working arrangements; use of CCTV; and training on how to deal with aggressive members of the public.

HSE&S MANAGEMENT

Our leading HSE&S management system drives continuous improvement through operational excellence in all aspects of HSE&S management. This includes procedures, regular performance reviews, training, self-assessments, annual improvement planning, independent internal audit and root cause analyses of incidents. It also incorporates promoting learning across the organization, including best practice sharing. Our common processes require each site and business unit to develop their own safety improvement plan annually. Sites that are lagging in performance receive additional support from the central HSE&S organization through a road map process.

During 2019, our state-of-the-art digitized platform for supporting core HSE&S processes (known as the HSE&S suite), was further developed and embedded. Our corporate HSE&S management system was also globally certified to ISO 14001 and OHSAS 18001 standards.

Employee health occupational illness rate

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Occupational illness frequency rate (OIFR) is the total number of reportable occupational illness cases for the reporting period, per 1,000,000 hours worked. This parameter is reportable for employees and temporary workers.

Our Powder Coatings business extended its range of Interpon Low-E products during 2019. Having first introduced a selection of coarse texture products in 2018, a complete range of smooth finishes in Interpon 610 was added to the Low-E portfolio. Specially engineered for curing at temperatures lower than the current standard of 180-190°C, the new offering can save energy and help customers to improve their efficiency.
HOW WE TREAT OUR PEOPLE AND INSPIRE AND EMPOWER COMMUNITIES

Our focus on people covers many different aspects. It’s about ensuring a safe work environment, developing our talented workforce, embracing our principles and our approach to human rights and diversity. It also includes the numerous local projects we carry out that bring significant benefits to people and communities around the world.

That’s why we’re committed to making and selling paint that positively impacts the lives of our employees, customers and communities. It’s an approach which also attracts talented and like-minded employees to work for – and remain with – the company.

EMPLOYEES

By focusing on the success and sustainability of our business, we’re able to attract, retain and motivate our employees. Sustainability is one of our core principles, it helps to define who we are and what we stand for.

Our talent and development programs are a vital investment in our human capital – the skills and knowledge of our employees. They’re key to ensuring that we’re equipped to drive the company’s growth and profitability.

CULTURAL SHIFT AND SUPPORTING INITIATIVES

In 2019, we continued the roll-out of our people agenda and HR annual operating planning process across all businesses and functions. As part of this process, we introduced a set of strategic performance indicators for the HR function which allows us to measure the progress and impact of our key strategic initiatives.

We also implemented a new core HR system to deliver an employee experience that is more simple, reliable, engaging and empowering. In addition, to support our HR practices across the globe, we rolled out a workforce analytics tool which allows us to make better informed decisions about AkzoNobel and its people. With this foundation in place, we intend to build a data-driven culture during the coming years.

ATTRACTING, DEVELOPING AND RETAINING TALENT

Our renewed employer branding campaign on social media, along with our efforts to create an outstanding candidate experience, resulted in continued recognition as a leading employer in many of our key countries, including Brazil, China, France, the Netherlands, Poland, Sweden, the UK and the US.

As part of our transition to growth-based talent management, we put significant effort into creating a sustainable leadership pipeline for critical positions to ensure business continuity. This resulted in a balanced approach to promote our future senior leaders from within the organization, while continuously enriching our pipeline from external markets. The outcome was that we filled 53% of our executive roles internally.

In 2019, overall employee turnover was 14% (2018: 14%), while the voluntary turnover was 7% (2018: 8%). The difference between our overall and voluntary turnover was mainly caused by our continued transformation journey and resulting restructuring. High potential employee turnover totaled 4% (2018: 8%), a decrease from previous years, as we expected.

CAPABILITY BUILDING TO DRIVE OUR 2020 AMBITIONS

We’re focused on building the capabilities of our people in order to meet our strategic ambitions and ensure we drive a performance culture where our people learn quickly, grow and proudly deliver on their commitments. In 2019, we continued to build capabilities in our key functions through Marketing Development Centers, Site Manager Development Centers, our Emerging Leader Program and a Top Leadership Development Program.

Our people managers play a pivotal role in building a high-performance culture through effective onboarding, continuous feedback, recognition and engagement of their teams. We therefore continued our Manager Development Program to provide them with the right tools to build high-performing teams.

During a visit to the US, CEO Thierry Vanlancker congratulated US employee Archie Cotcher on achieving an incredible 67 years of service with the company. Archie – who joined in 1952 – now works in Troy, Michigan, as a Senior Technician in our vehicle refinishes product development lab.

Note 7
To ensure our entire workforce is fit for the future, we continued to update our competency frameworks for research and development, information management, sales and marketing, business services and finance, and offer access to online programs across the organization.

INCREASED AWARENESS OF DIVERSITY AND INCLUSION

We are developing an increasingly engaged, diverse and capable workforce to deliver our strategy. We believe it’s also important that our management teams reflect the diversity of our overall workforce, because inclusive and diverse teams are better able to understand customer needs and innovate to meet their requirements.

In 2019, we established the Diversity and Inclusion (D&I) Sounding Board, with regional teams designed to address local needs. It provides thought leadership and recommendations on significant D&I issues and ensures D&I priorities and actions support – and are aligned with – the company’s overall strategy and values.

In order to create strong and diverse high-performing teams across the company, we implemented a global recruitment guideline for an inclusive and unbiased hiring practice of internal and external candidates.

This year, we also rolled out a global mentoring platform; a virtual place for mentors and mentees to connect and build professional relationships to advance talent in our organization.

CHANGE MANAGEMENT IS KEY TO A HEALTHY ORGANIZATION

The ambitious transformation journey we have embarked on is well underway. The cultural shift we aspire to – one that will make us the reference in our industry – is substantial. The right balance between performance and organizational health is an instrumental part of that journey to ensure our transformation has a lasting impact. We therefore continued to survey our organizational health in 2019 by asking all employees for their input on a quarterly basis, resulting in an OHI score of 61 (2018: 58).

In total, 85% of our employees indicated they really care about the company, while 88% are willing to put in a great deal of effort – beyond what’s normally expected – in order to help AkzoNobel be successful.

Based on insights from last year’s survey results, we developed a program for our leadership teams to support them in their transformation journey to make AkzoNobel a high-performing organization. This, along with other initiatives, has led to an increased understanding among our top management (and their respective teams) of the direction the organization has taken, which is reflected in our increased organizational health scores. We also notice a positive relation between leaders who are new in their position and the health scores in their teams – the teams of newly appointed leaders show higher health scores. The insights gained from the survey also show a need for continued focus in four specific areas: employee involvement, inspirational leaders, rewards and recognition, and talent development.

As part of our transformation journey, we need to check our progress on a regular basis. It’s therefore vital that we continue the organizational health checks. The outcomes are reflected in action plans (overall, per business and per function), and help us steer our culture and organizational change management agenda. The culture and transformation teams – supported by a network of colleagues around the world who facilitate and drive our culture and change programs in their respective areas – will assist in the roll-out of the agenda.
HUMAN RIGHTS

As an employer, manufacturer, business partner and member of many communities, we recognize the responsibility we have to respect human rights of people in our value chain and the influence we have to contribute to making improvements.

As part of our core principles of safety, integrity and sustainability, we are committed to respecting human rights as set out in the International Bill of Human Rights, the International Labour Organization’s Declaration on Fundamental Principles and Rights at Work, and the OECD Guidelines for Multinational Enterprises.

We are also a member of UN Global Compact. Our Code of Conduct explains what we expect from our employees.

GOVERNANCE

The Executive Committee is responsible for our human rights program. It has delegated management of the program to a cross-function Human Rights Committee, while day-to-day work on the program is handled by the Integrity and Compliance function. Human rights-related rules and procedures are embedded in our policy framework and apply to all employees. Through our Business Partner Code of Conduct, we require our business partners to respect human rights in their operations for us.

SALIENT HUMAN RIGHTS ISSUES

While we respect and treat all human rights equally, we have prioritized certain activities based on risk. These priorities were established following internal and external stakeholder engagement. They are:

1. Health and safety in our value chain
   The health and safety of our people and those we work with, or offer our products to, is our first priority. We have a robust health and safety program, which is explained in Note 6. With our priority substance program, we screen thousands of raw materials. We have also initiated due diligence on the impact we have on the communities around our sites. That work will continue in 2020.

2. Working conditions for our employees
   We are committed to providing good working conditions for our employees and those working at, or visiting, our sites. We have conducted due diligence and issued company-wide standards for working hours. These are being implemented throughout the company. In addition, we have conducted due diligence on the compensation we offer to our employees versus international living wage standards for the ten high risk countries. The initial results have shown us that while we comply with legal requirements, there are certain gaps between our compensation and international living wage standards that merit further due diligence. This due diligence work is ongoing.

3. Discrimination and harassment
   We are committed to offering a working environment in which people feel treated with dignity and respect, and where we foster diversity and inclusion (see Note 7). We have clear rules in place and apply strict consequence management in case of violation of these rules. In 2019, we started the implementation of a global training program for all our employees on diversity and unconscious bias. In addition, we started the implementation of a global Trusted Person network, offering employees a person to go to if they have concerns about their work environment.

4. Modern slavery in our supply chain
   We have zero tolerance for modern slavery, such as child labor or forced labor. We have conducted due diligence into our supply chains, initially focusing on mica, cobalt and tin (for more details, see Note 5). As a result of this due diligence, we have greater visibility of the risks and areas for improvement. We strengthened the (EcoVadis) self-assessment process for our suppliers in this area, have provided support to certain suppliers on how to improve and have taken steps to phase-out certain suppliers where necessary. We have also introduced a balanced scorecard to monitor the performance of key suppliers, of which human rights is a component.

SPEAKUP! GRIEVANCE MECHANISM

SpeakUp! offers employees and people from outside the company a way of reporting any concerns they have relating to compliance with our Code of Conduct.

Reports are investigated objectively, confidentially and with a strict policy of non-retaliation. This helps us improve controls and processes and correct behavior where necessary.

For more details, visit akzo.no/SpeakUp

For full details and progress information on our human rights framework, please visit: www.akzonobel.com/humanrights
AKZONOBEL CARES

Caring for society and local communities is a vital part of our global activities. As a responsible company, we run various programs that show how highly we regard our role in society. As well as helping people and their surrounding neighborhoods, these programs also contribute to building employee pride and strengthening our reputation.

Our societal contribution is organized under the AkzoNobel Cares umbrella, which includes our Community Program, “Let’s Colour” initiative and long-established Education Fund.

Between 2015 and 2019, we positively impacted 40 million people by running over 900 projects in 120 countries and trained around 30,000 people.

Community Program
Connecting with the communities that are close to our workplaces and supporting their development has always been an essential part of who we are.

In 2019, we continued to demonstrate our passion for paint and empower our people to initiate Community Program projects all over the world. These projects create a positive impact for our communities, our employees and our brands.

During the year, 140 Community Program projects took place in 14 countries, benefiting 148,000 people. Around 4,300 AkzoNobel volunteers were involved.

Let’s Colour
The global “Let’s Colour” program highlights our belief that paint has the power to transform lives by revitalizing communities and making living spaces more liveable and inspiring. In 2019, we staged 83 “Let’s Colour” projects in 24 countries. Thanks to the involvement of 1,115 AkzoNobel volunteers and the donation of paint, we made a difference to countless neighborhoods and living spaces, benefiting more than 5.3 million people.

2019 also marked the third year of our global partnership with SOS Children’s Villages. As a member of the Global YouthCan! platform, we work together to advance the employability of youth at risk in 15 countries. Through our painter academies and by offering soft skills programs, mentoring and traineeships, we trained around 1,400 young people throughout the year. We also refreshed 12 SOS Children’s Villages with paint to help create happy homes. We intend to expand the partnership over the next few years. For more details, visit: www.letscolourproject.com

Education Fund
Together with partner Plan International Netherlands, we set up the Education Fund in 1994, so 2019 was its 25th anniversary. We aim to empower the next generation by improving education in developing countries and offering young people new skills, training and mentoring.

We’re proud of the tens of thousands of young people in countries such as Bolivia, Brazil, China, Ecuador, India, the Philippines and Vietnam who use our programs to build a brighter future for themselves and their communities. During 2019, the Education Fund started supporting STEM (Science, Technology, Engineering and Mathematics) training in China and continued to support youth economic empowerment and entrepreneurship training in India.
MANAGING SUSTAINABILITY

MANAGEMENT ACCOUNTABILITY

Our Executive Committee is responsible for incorporating the sustainability agenda into the company strategy and monitoring the performance of each business through the Operational Control Cycle. Given our focus on sustainability, overall ownership of sustainability is with the CEO.

The Sustainability Council advises and updates the Executive Committee on new developments, performance and the integration of sustainability into our management processes. The Council, which meets quarterly, consists of representative Business and Functional Directors, as well as the CEO. The Director of Sustainability reports to the Executive Committee on a regular basis.

MONITORING PROGRESS

We use key indicators to track our progress in delivering on our sustainable business imperatives and continue to drive continuous value improvement processes in every function, supported by external benchmarks.

During 2019, we continued to include our core principles – including sustainability – in the personal objectives and incentives of employees. This is tailored to each employee’s role in the organization and linked to our sustainability priorities. For employees in operations and supply chain management, objectives are linked to resource productivity. For those in innovation, marketing and sales, they are linked to product portfolios of more sustainable solutions.

MATERIALITY ASSESSMENT

Sustainability topics material to our company are reviewed based on input from internal and external stakeholders. We focus on topics that have the biggest impact in terms of accelerating our strategy of creating shared value.

This approach builds on our core principles of safety, integrity and sustainability including respect for human rights. The materiality assessment is based on key risks and opportunities for the company as they relate to the acceleration of our business agenda and our approach to sustainability. The key topics identified are validated annually and assessed on their relative importance.

STAKEHOLDER ENGAGEMENT

We engage and collaborate proactively with our stakeholders to identify opportunities to create shared value. Our key stakeholders are customers, employees, suppliers and communities (see previous Notes), as well as society, industry associations and investors (see opposite page).

### Materiality matrix

<table>
<thead>
<tr>
<th>Topic</th>
<th>Section of the report</th>
</tr>
</thead>
<tbody>
<tr>
<td>A Employee development</td>
<td>Note 7: Employees</td>
</tr>
<tr>
<td>B Integrity</td>
<td>Compliance and integrity management</td>
</tr>
<tr>
<td>C Human rights</td>
<td>Note 8: Human rights</td>
</tr>
<tr>
<td>D Community involvement</td>
<td>Note 9: AkzoNobel Cares</td>
</tr>
<tr>
<td>E Fair taxes</td>
<td>Financial information Note 8</td>
</tr>
<tr>
<td>F People/process safety</td>
<td>Note 6: Health and safety</td>
</tr>
<tr>
<td>G Circular economy</td>
<td>Planet</td>
</tr>
<tr>
<td>H Supplier sustainability</td>
<td>Note 5: Supplier sustainability</td>
</tr>
<tr>
<td>I Climate strategy</td>
<td>Planet</td>
</tr>
<tr>
<td>J Resource productivity</td>
<td>Note 4: Resource productivity</td>
</tr>
<tr>
<td>K Customer satisfaction</td>
<td>Note 2: Customer value</td>
</tr>
<tr>
<td>L Sustainable solutions</td>
<td>Note 1: Sustainable solutions</td>
</tr>
<tr>
<td>M Product safety</td>
<td>Note 6: Health and safety</td>
</tr>
</tbody>
</table>

**Heat map:**

- **Importance for stakeholders**
  - High
  - Medium
  - Low
- **Importance for AkzoNobel**
  - High
  - Medium
  - Low

**Legend:**
- People
- Planet
- Paint
Associations and councils
We continued our memberships in 2019, including our active membership of the World Business Council for Sustainable Development (WBCSD) and the World Green Building Council. We have been a signatory of the UN Global Compact since 2004 and annually disclose our communication of progress. We subscribe to the UN Universal Declaration of Human Rights, the key conventions of the International Labor Organization and the OECD Guidelines for Multinational Enterprises. We are also a signatory to the Responsible Care® Global Charter and the CEO Water Mandate. Since 2017, we’ve been a member of the RE100 (a Climate Group initiative), which aims to move to 100% renewable energy. As a member of the UN Global Alliance to Eliminate Lead in Paint, we were the first major paint company to eliminate lead pigments and driers in all our paint products and continue to do so when we acquire new companies.

External benchmarks
We continue to set ambitious targets on topics most material to our company and embed them in relevant functions and businesses. This allows us to focus on driving continuous improvement. In 2019, we reviewed which benchmarks are best suited to us as a focused paints and coatings company. We prioritize our active participation in benchmarks that help drive continuous improvement and rely mostly on publicly available information. We continue to be recognized as an industry leader by Sustainalytics, MSCI, Vigeo Eiris and ISS Oekom. We also retained our EcoVadis Gold rating and are included in the Ethibel Sustainability Index (ESI) Excellence Global.

REPORTING PRINCIPLES
Our reporting principles are based on the Global Reporting Initiative (GRI) standards, complemented by internally developed guidelines. Our complete reporting principles can be found on our website, along with an index of the GRI indicators.
ASSURANCE REPORT OF THE INDEPENDENT AUDITOR

To: Supervisory Board and Board of Management of AkzoNobel N.V.
Assurance report on the selected non-financial indicators in the Sustainability statements 2019

Our conclusion
We have reviewed the selected non-financial indicators in the Sustainability statements 2019 of AkzoNobel N.V. ("AkzoNobel" or "the company"). Based on the procedures performed and evidence obtained, nothing has come to our attention which causes us to believe that the selected non-financial indicators in the 2019 Sustainability statements are not prepared, in all material respects, in accordance with AkzoNobel’s reporting criteria.

What we have reviewed
The object of our assurance engagement concerns selected non-financial indicators for the year ended December 31, 2019. Marked with the symbol, the “indicators” included in the Sustainability statements in the Report 2019 of AkzoNobel N.V. are as follows:

- Eco-premium solutions (in % of revenue)
- Energy use (in 1000 TJ)
- Energy use (GJ per ton of production)
- Greenhouse gas emissions (kg CO₂(e) per ton of production)
- Greenhouse gas emissions – direct CO₂(e) emissions (Scope 1) (in million tons)
- Greenhouse gas emissions – indirect CO₂(e) emissions (Scope 2) (in million tons)
- Direct CO₂(e) emissions (total kg per ton of production)
- Indirect CO₂(e) emissions (Scope 2) (total kg per ton of production)
- Volatile organic compounds (in kilotons)
- Volatile organic compounds (kg per ton of production)
- Fresh water use (in million m³)
- Fresh water use (m³ per ton of production)
- Total waste (total kg per ton of production)
- Total waste – reusable (in kilotons)
- Total waste – non-reusable (in kilotons)
- Total non-reusable waste (total kg per ton of production)
- Hazardous waste (total kg per ton of production)
- Hazardous waste – reusable (in kilotons)
- Hazardous waste – non-reusable not landfill (in kilotons)
- Hazardous waste – non-reusable to landfill (in kilotons)
- Hazardous waste non-reusable (total kg per ton of production)
- Hazardous waste to landfill (in kilotons)
- Hazardous waste to landfill (total kg per ton of production)
- Renewable energy – own operations (in %)
- Scope 3 upstream (million tons)
- Scope 3 downstream (million tons)
- Cradle-to-grave carbon footprint (Scope 1, 2 and 3) (million tons)
- Suppliers in sustainability program – in line with our expectations (in %)
- Suppliers in sustainability program – under development (in %)
- Suppliers participating in CSR program (in % against baseline)
- Organizational health score
- Female executives (in %)
- Fatalities employees (number)
- Total reportable injury rate employees/temporary workers (per 200,000 hours worked)
- Lost time injury rate employees/temporary workers (per 200,000 hours worked)
- Occupational illness rate employees (per 1,000,000 hours worked)
- Fatalities contractors – temporary workers plus independent (number)
- Loss of primary containment – Level 1 (number)
- Loss of primary containment – Level 2 (number)
- Process safety event – Level 3 (number)
- Regulatory actions – Level 4 (number)
- Management audits plus reassurance audits (number)

We have reviewed these indicators included in the Sustainability statements in AkzoNobel’s Report 2019. All other information in the Sustainability statements and the rest of the Report 2019 is not in scope of this engagement. Therefore, we do not report or conclude on this other information.

The basis for our conclusion
We conducted our review in accordance with Dutch law, including the Dutch Standard 3000A “Assurance engagements, other than audits or reviews of historical financial information (attestation- engagements),” This engagement is aimed to provide limited assurance. Our responsibilities under this standard are further described in the section “Our responsibilities for the review” of our report.

We believe that the assurance information we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Independence and quality control
We are independent of Akzo Nobel N.V. in accordance with the “Verordening inzake de onafhankelijkheid van accountants bij assurance opdrachten” (VIO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence requirements in the Netherlands. Furthermore, we have complied with the “Verordening gedrags- en beroepsregels accountants” (VGBA, Code of Ethics for Professional Accountants, a regulation with respect to rules of professional conduct).

We apply the “Nadere voorschriften kwaliteitssystemen” (NVKS, Regulations for quality systems) and accordingly maintain a comprehensive system of quality control, including documented policies and procedures regarding compliance with ethical requirements, professional standards and other applicable legal and regulatory requirements.

Reporting criteria
The indicators need to be read and understood in conjunction with the reporting criteria. The Board of Management of AkzoNobel is solely responsible for
selecting and applying these reporting criteria, taking into account applicable laws and regulations related to reporting.

The reporting criteria used for the preparation of the indicators are AkzoNobel’s reporting criteria developed by the company, as disclosed in the Managing sustainability paragraph of the Sustainability statements, and further elaborated in The Reporting Principles 2019, which were made available online at www.akzonobel.com/en/about-us/sustainability. The absence of a significant body of established practice on which to draw, to evaluate and measure non-financial information allows for different, but acceptable, measurement techniques and can affect comparability between entities and over time.

Responsibilities for the indicators and the review thereof

Responsibilities of the Board of Management and Supervisory Board
The Board of Management of Akzo Nobel N.V. is responsible for the preparation of the indicators in accordance with AkzoNobel’s reporting criteria, including the identification of the intended users and the criteria being applicable for the purpose of these users. Furthermore, the Board of Management is responsible for such internal control as it determines is necessary to enable the preparation of the indicators that are free from material misstatement, whether due to fraud or error. The Supervisory Board is responsible for overseeing the company’s reporting process on the indicators.

Our responsibilities for the review
Our responsibility is to plan and perform our review in a manner that allows us to obtain sufficient and appropriate evidence to provide a basis for our conclusion.

Our conclusion aims to provide limited assurance. The procedures performed in this context consisted primarily of making inquiries with officers of the entity and determining the plausibility of the indicators. The level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. Misstatements may arise due to fraud or error. They are considered to be material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users taken on the basis of the indicators. Materiality affects the nature, timing and extent of our assurance procedures and the evaluation of the effect of identified misstatements on our conclusion.

Procedures performed
We have exercised professional judgement and have maintained professional scepticism throughout the review in accordance with the Dutch Standard 3000A, ethical requirements and independence requirements.

Our review consisted, among other things, of the following:
- Evaluating the appropriateness of the reporting criteria used, their consistent application and related disclosures in the indicators. This includes the evaluation of the reasonableness of estimates made by the Board of Management
- Obtaining an understanding of internal control relevant to the review in order to design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing a conclusion on the effectiveness of the company’s internal control
- Identifying areas with a higher risk of material misstatement within the indicators, whether due to fraud or error, designing and performing assurance procedures responsive to those risks, and obtaining evidence that is sufficient and appropriate to provide a basis for our conclusion. These procedures consisted, among others, of:
  - Interviewing management (and/or relevant staff) responsible for the sustainability strategy, policy and results
  - Interviewing relevant staff responsible for providing the information for, carrying out internal control procedures on, and consolidating the data in the indicators
  - Determining the nature and extent of the review procedures for the group components and locations. For this, the nature, extent and/or risk profile of these components are decisive. Based thereon, we selected the components and locations to visit. We have visited locations in Italy and Brazil to validate our understanding of local processes. In addition, during our visit to Italy, we also validated source data and evaluated the design and implementation of internal controls and validation procedures
  - Obtaining assurance evidence that the indicators reconcile with underlying records of the company
  - Reviewing, on a limited test basis, relevant internal and external documentation
  - Performing an analytical review of the data and trends in the information submitted for consolidation at corporate level
- Evaluating the consistency of the indicators with the information in the Report 2019, which is not included in the scope of our review
- To consider whether the indicators as a whole, including the disclosures, reflect the purpose of the reporting criteria used

We communicated with the Supervisory Board and Board of Management on the planned scope and timing of the engagement and on the significant findings that result from our engagement.

Amsterdam, February 12, 2020
PricewaterhouseCoopers Accountants N.V.

Original has been signed by F.P. Izeboud RA
## SUSTAINABILITY PERFORMANCE SUMMARY

### Economic

<table>
<thead>
<tr>
<th>Area</th>
<th>Unit</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>Ambition 2020</th>
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<tbody>
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<tr>
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<td>Suppliers in line with our expectations</td>
<td>% against baseline</td>
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### Social

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<td><strong>Employees</strong></td>
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<td>Organizational health score</td>
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<td>Female executives1</td>
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<td>0.29</td>
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<td>0.18</td>
<td>0.19</td>
</tr>
<tr>
<td>Loss of primary containment – Level 12</td>
<td>number</td>
<td>1</td>
<td>5</td>
<td>5</td>
<td>6</td>
<td>3</td>
</tr>
<tr>
<td>Regulatory actions – Level 4</td>
<td>number</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>1</td>
<td>0</td>
</tr>
<tr>
<td><strong>HSE management</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Management audits plus reassurance audits</td>
<td>number</td>
<td>27</td>
<td>34</td>
<td>32</td>
<td>25</td>
<td>32</td>
</tr>
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</table>

### Social programs

<table>
<thead>
<tr>
<th></th>
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</thead>
<tbody>
<tr>
<td>Community Program, employees</td>
<td>number</td>
<td>1,577</td>
<td>1,449</td>
<td>1,139</td>
<td>1,537</td>
<td>4,300</td>
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<tr>
<td>Community Program, beneficiaries</td>
<td>number (estimated)</td>
<td>&gt;17,000</td>
<td>&gt;15,000</td>
<td>&gt;20,000</td>
<td>&gt;97,000</td>
<td>148,000</td>
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</tbody>
</table>

1 2015-2017 data includes discontinued operations.
2 Definition change 2016.
## Environmental

### Maintain natural resources/fresh air

<table>
<thead>
<tr>
<th>Area</th>
<th>Unit</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>Ambition 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Energy use</strong></td>
<td>1000TJ</td>
<td>6.29</td>
<td>6.32</td>
<td>6.39</td>
<td>6.20</td>
<td>6.02</td>
<td></td>
</tr>
<tr>
<td>- per ton of production</td>
<td>GJ/ton</td>
<td>1.91</td>
<td>1.91</td>
<td>1.88</td>
<td>1.91</td>
<td>1.88</td>
<td>1.81</td>
</tr>
<tr>
<td><strong>Renewable energy (own operations)</strong></td>
<td>%</td>
<td>22</td>
<td>27</td>
<td>30</td>
<td>31</td>
<td>31</td>
<td></td>
</tr>
<tr>
<td>- per ton of production</td>
<td>kiloton</td>
<td>80.45</td>
<td>72.72</td>
<td>69.66</td>
<td>62.99</td>
<td>58.29</td>
<td></td>
</tr>
<tr>
<td><strong>Direct CO₂(e) emissions (Scope 1)</strong></td>
<td>kiloton</td>
<td>24.47</td>
<td>21.96</td>
<td>20.53</td>
<td>19.42</td>
<td>18.18</td>
<td></td>
</tr>
<tr>
<td>- per ton of production</td>
<td>kg/ton</td>
<td>258.9</td>
<td>244.3</td>
<td>237.8</td>
<td>226.0</td>
<td>183.1</td>
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</tr>
<tr>
<td><strong>Indirect CO₂(e) emissions (Scope 2)</strong></td>
<td>kg/ton</td>
<td>78.73</td>
<td>73.78</td>
<td>70.11</td>
<td>69.77</td>
<td>57.13</td>
<td></td>
</tr>
<tr>
<td>- per ton of production</td>
<td>kiloton</td>
<td>2.18</td>
<td>2.00</td>
<td>1.71</td>
<td>1.57</td>
<td>1.19</td>
<td></td>
</tr>
<tr>
<td><strong>Volatile organic compounds</strong></td>
<td>kg/ton</td>
<td>0.66</td>
<td>0.60</td>
<td>0.50</td>
<td>0.49</td>
<td>0.37</td>
<td>0.45</td>
</tr>
<tr>
<td>- per ton of production</td>
<td>kiloton</td>
<td>3.07</td>
<td>2.90</td>
<td>2.84</td>
<td>2.88</td>
<td>2.51</td>
<td></td>
</tr>
<tr>
<td><strong>Fresh water use</strong></td>
<td>million m³</td>
<td>10.09</td>
<td>9.61</td>
<td>9.62</td>
<td>9.27</td>
<td>8.05</td>
<td></td>
</tr>
<tr>
<td>- per ton of production</td>
<td>m³/ton</td>
<td>3.07</td>
<td>2.90</td>
<td>2.84</td>
<td>2.88</td>
<td>2.51</td>
<td></td>
</tr>
</tbody>
</table>

### Raw material efficiency

<table>
<thead>
<tr>
<th>Area</th>
<th>Unit</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>Ambition 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total waste</strong></td>
<td>kiloton</td>
<td>87</td>
<td>85</td>
<td>77</td>
<td>67</td>
<td>67</td>
<td></td>
</tr>
<tr>
<td>- per ton of production</td>
<td>kg/ton</td>
<td>26.38</td>
<td>25.66</td>
<td>22.77</td>
<td>20.97</td>
<td>21.00</td>
<td>21.50</td>
</tr>
<tr>
<td><strong>Total non-reusable waste</strong></td>
<td>kiloton</td>
<td>39</td>
<td>43</td>
<td>40</td>
<td>34</td>
<td>33</td>
<td></td>
</tr>
<tr>
<td>- per ton of production</td>
<td>kg/ton</td>
<td>11.26</td>
<td>12.92</td>
<td>11.90</td>
<td>10.63</td>
<td>10.28</td>
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<tr>
<td><strong>Hazardous waste total</strong></td>
<td>kiloton</td>
<td>35</td>
<td>35</td>
<td>33</td>
<td>30</td>
<td>29</td>
<td></td>
</tr>
<tr>
<td>- per ton of production</td>
<td>kg/ton</td>
<td>10.74</td>
<td>10.72</td>
<td>9.76</td>
<td>9.13</td>
<td>9.07</td>
<td></td>
</tr>
<tr>
<td><strong>Hazardous waste non-reusable</strong></td>
<td>kiloton</td>
<td>12</td>
<td>15</td>
<td>16</td>
<td>15</td>
<td>14</td>
<td></td>
</tr>
<tr>
<td>- per ton of production</td>
<td>kg/ton</td>
<td>3.68</td>
<td>4.62</td>
<td>4.64</td>
<td>4.59</td>
<td>4.46</td>
<td></td>
</tr>
<tr>
<td><strong>Hazardous waste to landfill</strong></td>
<td>kiloton</td>
<td>1.5</td>
<td>0.7</td>
<td>0.6</td>
<td>0.69</td>
<td>0.45</td>
<td></td>
</tr>
<tr>
<td>- per ton of production</td>
<td>kg/ton</td>
<td>0.46</td>
<td>0.20</td>
<td>0.17</td>
<td>0.21</td>
<td>0.14</td>
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</table>

### Value chain

<table>
<thead>
<tr>
<th>Area</th>
<th>Unit</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>Ambition 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cradle-to-grave carbon footprint (Scope 1, 2 and 3)</strong></td>
<td>million tons</td>
<td>15.0</td>
<td>14.6</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Scope 3 upstream</strong></td>
<td>million tons</td>
<td>7.3</td>
<td>7.1</td>
<td></td>
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<td></td>
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</tr>
<tr>
<td><strong>Scope 3 downstream</strong></td>
<td>million tons</td>
<td>7.4</td>
<td>7.2</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

---

1. We have restated our 2018 Scope 1 emissions due to a temporary database outage in the prior year leading to misstated values.
2. Data covers October 1, 2018, until September 30, 2019. More details on the methodology and significant assumptions are provided in the reporting principles on our website.
3. Category 1: purchased goods and services.
4. Category 10: processing of sold products; category 11: use of sold products; category 12: end-of-life treatment of sold products; VOC.