Minutes Annual General Meeting of Shareholders Akzo Nobel N.V.

Amsterdam, April 23, 2020

AGENDA

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   (a) to issue shares (voting point)
   (b) to restrict or exclude pre-emptive rights of shareholders (voting point)

9. Authorization for the Board of Management to acquire common shares in the share capital of the Company on behalf of the Company (voting point)

10. Cancellation of common shares held or acquired by the Company (voting point)

11. Closing

MINUTES

Summary of the deliberations at the Annual General Meeting of Shareholders Akzo Nobel N.V. (the Company), held virtually on April 23, 2020, starting at 2:00 pm (CET)

Chairman: Mr. N. Andersen, Chairman Supervisory Board Akzo Nobel N.V.
Secretary: Ms. I. Deschamps, General Counsel & Corporate Secretary Akzo Nobel N.V.

1. Opening

The Chairman opens the annual general meeting of shareholders and welcomes all attendees. The Chairman explains that considering the developments surrounding COVID-19, it was decided to hold this year's AGM virtually in order to comply with the governmental restrictions. Shareholders were offered to submit questions regarding the agenda items prior to the start of the meeting. The Chairman explains that most questions will be answered during the meeting while some questions were answered on the Company's website. The Chairman notes that the meeting will be held in English.

The Chairman reflects on the events that took place last year and explains how AkzoNobel continued to make progress on its transformation as a focused paints and coatings company. The Supervisory Board is closely monitoring the ongoing transformation and focuses on encouraging management to seek the right balance between delivering short-term results and long-term sustainability.

The Chairman notes that due to the outbreak of COVID -19, AkzoNobel has to suspend its 2020 financial ambition in response to significant market disruption resulting from the COVID-19 pandemic. The ambitions for the Company remain unchanged and ambitious but during the crisis, the primary focus will be on safety of AkzoNobel's employees and partners and thereafter securing product supplies for its customers and mitigating effects from demand for AkzoNobel's products.

The Chairman invites Ms. Deschamps to explain the voting procedure. Ms. Deschamps refers to the instructions on virtual voting and explains that the voting has been open since the start of the meeting. Shareholders may cast their votes on all voting items during the entire meeting.

The Chairman notes that approximately EUR 68.1 million of the issued share capital is represented at the meeting, which means that approximately 136 million votes may be cast. The level of attendance is approximately 71%.

2. Financial year 2019

2a. Report of the Board of Management for the financial year 2019

The Chairman gives the floor to Mr. Vanlancker.

Mr. Vanlancker presents an overview of the continued progress that was made during 2019 towards the "Winning Together 15 by 20 Strategy". During 2019, ROS, excluding unallocated costs, increased from 10.6% to 12% for the full year, driven by lower cost and ongoing margin management. Free cash flow, excluding pension top-up payment and pension pre-funding, was up by 179% for the full year. Revenue was flat overall in 2019, while adjusted operating income was up 24% and adjusted EPS from continued operation was 62% higher.

Mr. Vanlancker notes that significant progress was made on the 2020 ambition to close the performance gap with leading peers. As reflected in the graphic shown on screen, the gap has been narrowing, with further room to improve.

Mr. Vanlancker gives an update on the transformation. 10% cumulative price increases were delivered from 2017 to 2019, and AkzoNobel had moved towards ongoing margin management. AkzoNobel continued to further implement Global Business Services with 28 transitions completed in 2019, allowing for further efficiency gains. The ERP integration was also steadily moving forward, with 16 integrations completed in 2019. The transformation delivered EUR 80 million of the EUR 200 million savings planned for 2019 and 2020.

Mr. Vanlancker explains the capital allocation priorities. In 2019, a total of EUR 6.5 billion from the sale of Specialty Chemicals was returned to shareholders. AkzoNobel has a strong balance sheet and cash position. Organic growth in line with the strategy and ambition will be prioritized. The dividend policy is to pay a stable to rising dividend. Mr. Vanlancker noted that there are plenty of opportunities to conduct strategically aligned and value creating acquisitions, but that timing remains uncertain. Therefore, a modular approach will be adopted when considering available options to balance financial flexibility and return cash to shareholders as and when appropriate.

Mr. Vanlancker concludes his presentation by giving an update on sustainability. AkzoNobel focuses on those areas where the Company can have the biggest impact: value selling and resource productivity. AkzoNobel will strengthen its sustainability value selling agenda by creating a sustainable portfolio which accelerates market penetration and growth based on insights into evolving environmental concerns and societal needs. The eco-premium segment of the product portfolio represents 22% of the revenue. The use of energy had been reduced compared to 2017, and over 30% of the energy now used by AkzoNobel is renewable energy. In 2018, AkzoNobel also reduced waste by 12%. In terms of safety, the number of reportable injuries was reduced. Even though AkzoNobel announced that it will no longer actively participate in the Dow Jones Sustainability Index going forward, AkzoNobel will focus on external benchmarks that help to create the most value for the Company and its stakeholders.

The Chairman asks Ms. Deschamps to read out the questions received regarding this agenda item.[1]

The Chairman asks Ms. Deschamps whether any further questions are received and concludes that there are no further questions.

3. Financial Statements, results and dividend

3a. Adoption of the 2019 Financial Statements of the Company (voting item)

The Chairman asks the Ms. Deschamps to read out the questions received regarding this agenda item.[2]

The Chairman asks Ms. Deschamps whether any further questions are received and concludes that there are no further questions.

The Chairman reminds the meeting that votes may be cast on all voting items during the entire meeting.

3b. Discussion on the dividend policy

The Chairman explains that the dividend policy of the Company is to pay a stable to rising dividend. The dividend will be paid in cash.

[1] The questions (and answers to) received from VBDO, Eumedion and VEB related to this agenda item are included in Annex I, Annex II and Annex III.
[2] The questions (and answers to) received from VEB and the comments made by Mr. Izeboud, lead partner PwC, relating to this agenda item are included in Annex III.

The Chairman asks Ms. Deschamps whether any questions are received for this submitted and concludes that there are no questions.

3c. Profit allocation and adoption of dividend proposal (voting item)

A cash dividend of EUR 1.49 per share is proposed, which together with the interim dividend of EUR 0.41 would equal a total dividend for 2019 of EUR 1.90 per share, compared to EUR 1.80 paid in 2018.

The Chairman asks Mrs. Deschamps whether any questions are received for this agenda item and concludes that there are no questions.

3d. Remuneration Report 2019 (voting item)

The Chairman asks Mr. Sluimers, Chairman of the Remuneration Committee, to give a presentation on the Remuneration Report 2019.

Mr. Sluimers shows a slide including in the main elements of remuneration for the Board of Management, Mr. Vanlancker and Mr. de Vries, in 2019. Mr. Sluimers notes that the annual salaries for the members of the Board of Management rose by 2.75 percent in 2019 and will increase by 2.75 percent in 2020 as well. The remainder of their compensation packages largely comprise performance-related components. These incentivize the achievement of stretching financial and strategic targets which are assessed over a one year and a three-year period.

Mr. Sluimers explains that the STI bonuses of the Board of Management are based on group performance alongside their individual contributions, which are measured annually. The ROS and OCF targets that the Board had set at the start of 2019 were stretching. As financial performance in 2019 was not as strong on the OCF metric as on ROS, bonus pay-outs were below target for both members of the Board of Management.

The LTI incentivizes company performance over a period of three financial years. Mr. Sluimers noted that conditional shares were granted in 2019 to the members of the Board of Management. These shares will only be released to them in 2022 if the plan's respective three-year relative TSR and ROI targets are achieved and will be subject to a further two-year holding period.

Mr. Sluimers explains that members of the Supervisory Board receive a fixed remuneration based on the roles and responsibilities. In accordance with the Dutch Corporate Governance Code, Supervisory Board members are not remunerated in shares. Travel expenses and facilities are borne by the Company and reviewed by the Audit Committee. A slide was shown reflecting the remuneration of each of the Supervisory Board members in 2019.

The Chairman asks Ms. Deschamps whether any questions are received for this agenda item and concludes that there are no questions.

4. Discharge

4a. Discharge from liability of members of the Board of Management in office in 2019 for the performance of their duties in 2019 (voting item)

The Chairman asks Ms. Deschamps whether any questions are received for this agenda item and concludes that there are no questions.

4b. Discharge from liability of members of the Supervisory Board in office in 2019 for the performance of their duties in 2019 (voting item)

The Chairman asks Ms. Deschamps whether any questions are received for this agenda item and concludes that there are no questions.

5. Supervisory Board

5a. Re-appointment of Dr. P. Kirby (voting item)

The Chairman asks Ms. Deschamps whether any questions are received for this agenda item and concludes that there are no questions.

6. Remuneration

6a. Amendment Remuneration Policy for the Board of Management (voting point)

The Chairman hands over to Mr. Sluimers, Chairman of the Remuneration Committee.

Mr. Sluimers explains that under the Shareholder Rights Directive II, remuneration policies must be in place for the Board of Management and the Supervisory Board and should be approved by the general meeting at least every four years in full. In addition, each amendment is subject to approval by the general meeting. The remuneration policy for the Board of Management has been approved by the AGM in 2005 in full and was most recently amended in 2018. The remuneration policy for the Supervisory Board was approved by the AGM in 2014.

Mr. Sluimers explains the main elements of the remuneration policy for the Board of Management and notes that the Supervisory Board has concluded that the Remuneration Policy for the Board of Management is still in line with the objectives of the company. In drafting this remuneration policy, the Supervisory Board has considered:

- The interest of our stakeholders
- The experience with and evaluation of the Remuneration Policy for the Board of Management that was first approved by the AGM in 2005, the principles and structures of which are continued in this Policy
- Feedback on the Remuneration Policy for the Board of Management and its implementation received in shareholder consultations
- The principles and best practices of the Dutch Corporate Governance Code 2016 and the revised EU Directive to encourage long-term shareholder engagement (SRD II).

With these considerations the Supervisory Board is of the opinion that is has secured the required public support for the Remuneration Policy for the Board of Management.

Mr. Sluimers commented on the implementation of the Remuneration Policy for the Board of Management in 2020. Mr. Sluimers concludes by noting that in response to the significant market disruption taking place around the globe due to COVID-19, the Supervisory Board will discuss at the appropriate time if or to what extend the plans could be addressed.

6.b Amendment Remuneration Policy for the Supervisory Board (voting point)

Mr. Sluimers comments on the main elements of the Remuneration Policy for the Supervisory Board. The Supervisory Board has concluded that this policy, as approved by the AGM in 2014, is in line with the objectives of the Company. In view of the Supervisory Board, the remuneration it provides is balanced and adequate and will remain unchanged.

The Chairman asks the Ms. Deschamps to read out the questions received regarding these agenda items.[3]

7. Proposal to amend the Articles of Association of the Company (voting point)

The Chairman explains that the Articles of Association of the Company are proposed to be amended in connection with recent changes in Dutch legislation following implementation of the Act on the conversion of bearer shares and the Dutch provisions implementing the Shareholder Rights Directive II as further explained in the notes to the agenda and the documentation published on the Company's website.

The Chairman asks Ms. Deschamps whether any questions are received for this agenda item and concludes that there are no questions.

8. Authorization of the Board of Management:

8a. to issue shares (voting point)

The Chairman asks Ms. Deschamps whether any questions are received for this agenda item and concludes that there are no questions.

8b. to restrict or exclude pre-emptive rights of shareholders (voting item)

The Chairman asks Ms. Deschamps whether any questions are received for this agenda item and concludes that there are no questions.

9. Authorization for the Board of Management to acquire common shares in the share capital of the Company on behalf of the Company (voting item)

The Chairman asks Ms. Deschamps whether any questions are received for this submitted and concludes that there are no questions.

10. Cancellation of common shares held or acquired by the Company (voting item)

The Chairman asks Ms. Deschamps whether any questions are received for this agenda item and concludes that there are no questions.

11. Closing

The Chairman asks Ms. Deschamps whether any further questions are received and concludes that there are no further questions. The Chairman asks the meeting to check whether all votes were submitted and pauses for one minute before closing the vote.

The Chairman concludes by mentioning that Mr. Verwaayen is retiring as a member of the Supervisory Board after 8 years of excellent service. Mr. Verwaayen has brought invaluable experience to the Supervisory Board, including through a period of great change for the Company. The Chairman thanks Mr. Verwaayen for having served the Supervisory Board.

Three slides with the voting results per voting item are shown on the screen and the Chairman concludes that each of the voting items as included on today's agenda have been adopted by the Annual General Meeting of Shareholders and closes the meeting.[4]

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[3] The questions (and answers to) received from VEB relating to agenda item 6 are included in Annex III.
[4] The voting results for each of the agenda items is included in Annex IV.

Annex I (Questions and answers to questions received by VBDO)

Please find below responses given to questions raised by VBDO during the AkzoNobel 2020 AGM on April 23rd.

Questions relate to agenda item 2.

The **first question** relates to sustainability benchmarks: Since the announced restructurings program, VBDO noticed that environmental and social performance on external sustainability benchmarks have been more frequently neglected. AkzoNobel's score in the benchmark of the Carbon Disclosure Project (CDP) has dropped from an A- in 2017 to a C in 2018, to the company declining to participate in 2019. Additionally, in 2017 AkzoNobel was industry leader of the Chemicals Industry in the Dow Jones Sustainability Index. VBDO is aware of the fact that AkzoNobel responds to other benchmarks and rating such as MSCI and Sustainalytics but emphasizes that this type of benchmarks and ratings are less transparent for other external stakeholders than investors. Has AkzoNobel consulted its stakeholders when opting for these benchmarks and ratings and if not, will this be considered in the near future?

Answer

Thierry Vanlacnker: Thank you, Isabelle and thanks to VBDO for raising these questions. I would like to emphasize we are a sustainability leader in the paints and coatings industry and our aim is to remain the reference in our industry, with our newly launched "People. Planet. Paint." program.

We have recently, in March 2020, announced the first in a series of challenging sustainability ambitions, which are designed to accelerate the newly focused paints and coatings company towards zero waste and cut carbon emissions in half by 2030. Our new ambitions related to "People" and "Paint" will follow in due course. I will now address your subsequent questions.

On the Carbon Disclosure Project: We did not participate for similar reasons as our decision to no longer actively participate in the Dow Jones Sustainability Index. On the one hand we saw the administrative burden on our organization was high, combined with very limited continuous improvement feedback. In addition, we looked at ratings most used by our key stakeholders, which made us decide to focus on Sustainalytics and MSCI.

On our selected rating agencies, we have either stayed top ranking or have improved our score.

The **second question** states that the VBDO noticed that AkzoNobel did not disclose any information in the CDP-benchmark of 2019. Two years ago, AkzoNobel communicated transparently about the way it was conducting research on the impact of climate change on its direct operations. For example, in 2017 AkzoNobel indicated that floods may have serious consequences on its production processes, warehouses, raw materials and buildings. In more detail, floods in Thailand and Australia already had financial consequences for AkzoNobel's production facilities and water scarcity could pose a potential problem for the company's growth opportunities in China and India. VBDO is curious about why AkzoNobel, baring the consequences in mind, has not included an overview of the physical risks of climate change externally and in its annual report. Is AkzoNobel in 2020 willing to share more information to its stakeholders related to climate adaptation and would it consider to start participating again in CDP in 2020?

Answer

Thierry Vanlancker: In response to the second question, 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.

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.

Furthermore, VBDO is pleased to read that AkzoNobel refers to the UNGP and communicates on how it addressed labour conditions in the supply chain through risk assessments. Besides that, AkzoNobel requests suppliers that do not meet the company's expectations, to perform a re-assessment for improvement of the labour conditions. AkzoNobel interacts with its suppliers through the EcoVadis supplier benchmark, a widely used methodology by the sector. As the methodology and results are not publicly available and accessible for external stakeholders. VBDO would like to learn more about the interaction within EcoVadis with suppliers. Would AkzoNobel, perhaps in collaboration with the sector, be willing to provide more transparency on the outcomes, challenges and lessons learned from working with supplier benchmarks such as EcoVadis?

Answer

Thierry Vanlancker: Coming back to the question regarding the Ecovadis supplier benchmark, AkzoNobel has been a member of Together for Sustainability (TfS) for 6 years to proactively manage the sustainability performance and risk management of our suppliers. 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. We have set thresholds for both assessments for suppliers to meet our expectations.

Suppliers not meeting our expectations are requested to improve through annual re-assessments. If they continuously fail to meet our expectations, suppliers cannot reach the status of preferred supplier to AkzoNobel.

To provide more transparency to our stakeholders, we have improved our reporting in 2019 already. Instead of only reporting the number of suppliers assessed, we now also provide the percentage of suppliers meeting our expectation and the percentage of suppliers who are under development.

In 2020, we aim to accelerate our program by continuing to request improvements for the suppliers under development and inviting additional suppliers to take part in the assessment. To further improve the transparency on the results of the EcoVadis assessments, we are committed to put effort in requesting EcoVadis to provide more transparency on their data and assessment to external stakeholders.

In its **final question**, VBDO applauds AkzoNobel's many initiatives on the topic of diversity and inclusion. AkzoNobel has mapped the diversity profile for both the Supervisory Board and Executive Committee. It surprises VBDO that AkzoNobel has not yet communicated a comprehensive diversity and inclusion policy related to different levels (senior management, entire workforce) of the organisation and for all marginalised groups. VBDO considers it important that companies reflect the societies in which they operate. Is AkzoNobel in 2020 willing to expand the diversity policy of the boards to a comprehensive diversity policy for the entire organisation?

Answer

Thierry Vanlancker: On the diversity policy, please be informed that 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. We report on the number of female executives, which was 18% for our organization in 2019.

In addition, we established the Diversity and Inclusion (D&I) Sounding Board last year, providing thought leadership and recommendations on significant D&I issues and ensures D&I priorities. As part of our commitment to foster an inclusive and respectful working environment, we also launched training to increase awareness around unconscious bias in the workplace. We revitalized our efforts around facilitating diversity and inclusion networks focusing on women in the workplace and the lesbian, gay, bisexual, transgender and intersex (LGBTI+) community and we have also become a member of the Workplace Pride organization.

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. As a final remark, in addition to our annual report, in our website, we publish more extensive diversity metrics, such as age, function and management level by gender.

Annex II (Questions and answers to questions received by Eumedion)

Please find below responses given to questions raised by Eumedion during the AkzoNobel 2020 AGM on April 23rd.

These questions relate to agenda item 2.

We received the following **two questions** from Eumedion.

AkzoNobel's external accountant has marked the transformation regarding the execution of the "Winning together: 15 by 20 strategy" as a 'Key Audit Matter' in its audit opinion. It notes that: "Inherently, transformation processes have the potential to lead to a disruption of the organization, processes and culture. The specific and ambitious external target on 15% ROS by 2020 inherently increases pressure on management to achieve such targets, and as such contributes to the risk of management override of internal controls risk, which is a presumed audit risk in our audit". Could the Board of Management as well as the Supervisory Board reflect on this remark? Do they recognize the risk, if yes, what mitigating measures have they taken to manage this signaled risks? Could the external accountant clarify whether he appreciates these additional measures?

In its **second question**, Eumedion notes that Key Audit Matters have been defined by the professional organization of accountants NBA as specific points of attention that, according to the external auditor, were most important during the audit and that have a high informative value from a user's perspective. In view of the importance of these 'Key Audit Matters', we expect the Supervisory Board or its Audit Committee to reflect on the manner in which these matters were addressed by the Board of Management and by the Supervisory Board in its annual report. Would the Supervisory Board (or its Audit Committee) be willing to do this in the next annual report?

<u>Answer</u>

Nils Andersen: In reply to the first question, please be informed that the Supervisory Board is 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. The Supervisory Board is 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. Thierry, could you please share your comments too?

Thierry Vanlancker: Indeed, our transformation is all about creating a high performing focused Paints and Coatings company, delivering performance in line with the industry front runners. This is in no way a short-term exercise. We are, for example, also investing in the business at the same time through our ERP integration. We are really rebuilding our house; our strategy is about laying the proper foundations in place on which we can further build AkzoNobel in the future. This is why we have always indicated 2020 is not an end point, it is a stop along the way with further room for improvement beyond. Fernand, could you please share your view on this from an external auditor's perspective?

Fernand Izeboud, PWC: Thank you for your question. Last year during the AGM it was noted by a shareholder that the 15 by 20 strategy creates an ambitious target and we were asked whether we would consider that in our audit. We did, as documented in the Key Audit Matter to which the question refers.

As you can read in our KAM, the transformation affects the company in multiple areas relevant to our audit. First of all there were changes, inherent to a transformation, in systems, processes and controls, which we needed to understand and adapt our audit to, addressing in many cases both the old and the new situation. Secondly, we identified that there are ambitious targets accompanying the transformation, which inherently contribute to the risk of management override of control. We specifically considered the impact of the ambition included in the Company's stated target to achieve 15% Return on Sales (‘ROS’) by 2020. And thirdly, the changes, including the cost savings, impact the assessment of the recoverability of assets such as deferred taxes and goodwill. We performed work at group level and instructed and supervised our component teams to ensure we addressed this appropriately worldwide. The progress of the transformation in 2019 resulting in these three impact areas for our audit, caused us to identify this as a key audit matter. We discussed our risk assessment, planned approach and our findings throughout the audit with the Board of Management and the Supervisory Board. From the procedures performed, we did not have material findings.

Nils Andersen: Thank you, Fernand. In reply to the second question from Eumedion, the external auditor communicates the Key Audit Matters to the Supervisory Board. In addition, the Audit Committee regularly discusses and reviews the key audit matters, and how these are being addressed, during its meetings throughout the year, both with management as with the external auditor. After each Audit Committee meeting, Mr. Byron Grote as the Chairman of the Audit Committee, updates the Supervisory Board on the most important items that were discussed, including the key audit matters. We will review to see whether it is appropriate to provide further information on the discussions on the key audit matters in our next annual report.

Annex III (Questions and answers to questions received by VEB)

Please find below responses given to questions raised by VEB during the AkzoNobel 2020 AGM on April 23rd.

Questions and answers related to agenda item 2.

Please note the answers to the questions not answered during the AGM were uploaded in a separate document on our website prior to the start of the AGM. For consistency purposes, we have used the original numbers to indicate the questions by VEB.

1. During 2018 and 2019 AkzoNobel reported a volume decline in each consecutive quarter. Price/mix effects were insufficient to compensate this trend as a result of which group revenues remained flat (compared to 2018). In the updated strategic plan *Beyond 2020* as presented on February 13 AkzoNobel announced that focus will be more on profitable organic growth.

   AkzoNobel aims to increase prices gradually and improve profitability while reducing volume decline. This is a critical pillar of the *Beyond 2020* strategy.

   a. Does AkzoNobel still believe this is a valid pricing strategy that can be implemented successfully in the coming years, irrespective of the current (temporary) setback due to the COVID-19 pandemic?
   b. Q1 2020 figures show a price/mix effect of 2 percent on group level. Does AkzoNobel expect to be able to continue deploying price increases of 1 to 2 percent – as was the guidance provided in February – for the second quarter of 2020 onwards without losing too much volume?
   c. To what extent do current market developments limit AkzoNobel's opportunities to gradually increase prices, if possible at all? Please elaborate on the trends you see within the different regions, businesses and subsegments.
   d. In which businesses and segments will implementing price increases prove most difficult?

<u>Answer</u>

Thierry Vanlancker: Thank you, Isabelle and to the VEB for the questions. Having offset the significant raw material cost inflation with cumulative price/mix increases of 10% during 2018 and 2019, we are now moving towards ongoing margin management. This resulted in price/mix of up 2% for the first quarter 2020, continuing the positive trend. Going forward AkzoNobel will focus on margin management. More detailed information can be found via our Q1 2020 results analyst webcast which was held yesterday. A replay is available on our website.

5. In the recent strategy update AkzoNobel also indicated that working capital should be in the 'industry top quartile'. Over the last three years AkzoNobel didn't succeed in improving working capital efficiency, with year on year increases of operating working capital (as a % of revenue).
   a. What specific improvement areas has AkzoNobel identified for working capital items?

b. What gives AkzoNobel the comfort that it will be successful in improving its operating working capital?
c. *Trade and other payables* should be a key driver for working capital efficiency, yet AkzoNobel results show this item contributed negatively to operating cash flow in 2019. What is the reason AkzoNobel was not able to optimize trade payables?
d. Will AkzoNobel be able to improve payment conditions with its suppliers? Or is it lower anticipated raw material costs and/or procuring less materials that will be the main drivers for improvement?
e. Looking at the working capital dynamics it seems AkzoNobel primarily targets margin improvements at the expense of cash flow. Does AkzoNobel agree with this point of view? In what way will AkzoNobel strike a better balance between profit and cash going forwad?

Answer

Maarten de Vries: In Q4 2019, operating working capital as a percentage of revenue increased mainly due to lower trade payables, which included adverse impact from acquisitions. It is good to mention that, compared to our peers, we are the leader in terms of working capital performance. In Q1 2020, operating working capital as percentage of revenue increased mainly due to higher trade receivables combined with lower revenue. We are currently very focused on managing all elements of working capital and taking all necessary measures to carefully manage cash flows in the short-term. A weekly demand and supply cycle has been put in place to manage inventories, as part of our COVID-19 response actions.

10. AkzoNobel ended 2019 with a relatively conservative leverage ratio of 0.7. Do the current market situation and company valuations in the industry perhaps provide an opportunity for AkzoNobel to invest anti-cyclical and put the M&A agenda to the forefront?

Answer

Maarten de Vries: In line with our capital allocation priorities, we target a leverage ratio of net debt/EBITDA of 1-2 times by the end of 2020 and remain committed to retain a strong investment grade credit rating. We will remain open to value creating and strategically aligned acquisitions, and we will remain very disciplined.

11. CEO Thierry Vanlancker joined Sika AG as non-executive board member in April 2019. Is it wise for the CEO to assume a non-executive role at a listed company while AkzoNobel is in the middle of a challenging and major transformation? Can Vanlancker and the Supervisory Board imagine that this may send the wrong signal at this point in time to AkzoNobel employees and shareholders?

Answer

Nils Andersen: Members of the Board of Management, like other Executive Committee members, are not allowed to hold more than one supervisory board membership or non-executive directorship in another listed company. This is actually more stringent than the requirements of the Dutch Civil Code, which allows members of a board of management to hold two such positions.

Questions and answers related to agenda item 3a.

12. In the auditor's report PwC indicates that as a result of the transformation processes within AkzoNobel, it has extended its audit procedures during the planning phase of the audit. What was the reason for PwC to include the transformation as a key audit matter this year, and not already last year?

13. In what respect (both scope and depth) did the audit evidence obtained and audit procedures performed differ from the procedures for the 2018 audit?

14. PwC also mentions having addressed the risk of management override of controls which represents a risk of material misstatement due to fraud. In what specific way were the possible risks of AkzoNobel to achieve its ROS-target addressed by PwC in its audit procedures? What specific procedures were performed to address the risk of fraud?

15. This year PwC selected 14 components that were subject to specific risk-focused audit procedures. This is a notable increase compared to 2018 (9) and 2017 (12), especially considering the fact that the Specialty Chemicals business has been disposed of.

What components were selected for this year's audit, based on what criteria and what explains the increase compared to previous years?

Answers PwC

Good afternoon ladies and gentlemen,

My name is Fernand Izeboud and I am happy to present our independent auditor's report on the 2019 financial statements. This is an important moment for me, as you are one of the most important user groups of our audit report.

Thank you for the questions asked by you in advance of the meeting, and I will address them as part of my overall comments on our audit.

On February 12, we have issued two reports: one on the financial statements and the second on the selected non-financial indicators in the sustainability statements. Both reports are unqualified, meaning that the financial statements are not materially misstated and we have not found material misstatements in the sustainability KPIs.

I've signed both reports on behalf of PwC with my personal name, and this is to emphasize that I feel personally responsible to the users of the audit opinion to deliver a quality audit. Both reports are included in AkzoNobel's annual report. You can read them on your own and therefore, I would like to use this opportunity today to help you be comfortable that we have performed a robust and independent audit and assurance procedures.

2019 was my first year leading the AkzoNobel audit. As such, I have personally invested significant time getting to know the company and to familiarize myself with the audit. In the transition from my predecessor I went through an introduction program, met a wide range of people within AkzoNobel including the Board of Management, the Supervisory Board and people at various levels below them. I personally visited a number of the sites (both office and production sites) in the Netherlands and internationally. During my visits, in addition to meeting with the local PwC teams, I met with local management to get a sense of the differences between the local operations, and to supervise the quality of the local PwC team's work.

As well as interacting with the financial reporting group, my team and I meet regularly with AkzoNobel compliance and internal audit function. During the year, we have had robust discussions with the audit committee and the Board. There is active engagement and our insights are respected and taken seriously.

In addition, I have spent time working together with our specialists from Valuations, Tax, IT, Pensions and Sustainability to agree on scope, understand the results of their work, and to become aware of developments that could affect the business and financial reporting.

This context has supported me in overseeing this audit and satisfy myself that we are collectively doing what is needed.

I will now take you through a number of key elements from our audit.:

Materiality

The materiality determines the scope and depth of our audit work. It is determined on the basis of what is relevant to stakeholders. We have set our materiality level at € 39 million (2018: €45 million), being approximately 5% of total profit before tax. The materiality decreased by €6 million, as prior year benchmark also included 9-month period result of the Specialty Chemicals discontinued operations.

Scope

PwC teams conducted audit work at 51 components in 18 countries that includes involvement of more than 100 people around the world and more than 69.000 audit hrs. We included components in scope based upon significance to the group, significant risks or they are considered significant for other reasons aiming to achieve appropriate coverage on financial line items in the Consolidated financial statements. Site reviews were conducted in eight countries – United States, Brazil, Germany, France, India, Poland, South Africa and the Netherlands. Audit coverage amounted to 65% of consolidated revenue and 73% of consolidated total assets and 67% of consolidated profit before tax.

Furthermore, the group team performed central audit procedures on the areas which are to a large extent monitored centrally by AkzoNobel such as impairment testing of goodwill and other intangible assets with indefinite useful lives, valuation of post-retirement benefit provisions, valuation of deferred tax assets and uncertain tax positions, environmental, sundry and legal provisions, share–based payments, treasury and IT.

For the remaining components not in group scope we performed amongst others, procedures over the monitoring controls performed by the business units and other central functions.

To address the specific question from the VEB on the change in components in scope compared to 2018: In 2018 the Specialty Chemicals business was included as one component. For the 2019 audit we decided to select several additional components to achieve appropriate coverage and to address the decrease in the overall materiality. “Specific risk” generally relates to, for example, significance to a financial statement line item, or specific changes in the business such as caused by the transformation.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements. We have communicated the key audit matters to the Supervisory Board. The key audit matters are not a comprehensive reflection of all matters identified by our audit and that we discussed.

We addressed the key audit matters in the context of our audit of the financial statements as a whole, and in forming our opinion thereon.

We have identified 3 KAM’s which I will comment upon briefly.

1. Transformation to deliver towards the “Winning together: 15 by 20 strategy”

I refer back to my response to the question from Eumedion in the previous agenda item, which covers the first two questions by VEB.

VEB also asked to elaborate on our approach to address the risk of management override of controls, which I will address here. As in all of our audits, we addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by management that may represent a risk of material misstatement due to fraud. As mentioned, we specifically looked at potential pressure relating to the Winning Together: 15x20 strategy, with the related explicit external target.

The audit procedures to respond to the risk of management override include, amongst others, that we evaluated the design and the implementation of internal controls that mitigate fraud risks, retrospective review of prior year’s estimates for the testing of management’s estimates, we used data analytics to identify unexpected journal entries and we incorporated elements of unpredictability in our audit, for example – as mentioned before – new components in scope. We considered the risk at both group and component level and increased the communication with our component teams, and performed additional substantive testing, for example testing of data migration.

The following Key audit matters were also identified in 2018:

2. Valuation of post-retirement benefit provisions

The largest pension plans are the ICI Pension Fund (ICIPF) and the AkzoNobel

(CPS) Pension Scheme in the UK which account for over 80% of the pension obligations and plan assets. We used our own actuaries to evaluate actuarial assumptions and challenge management and the company’s external pension experts on the most important ones. Furthermore, we audited the de-risking transactions which took place during the year.

3. Valuation of deferred tax assets and uncertain tax positions

An international group like AkzoNobel operates in various tax jurisdictions. We used our own tax experts in the audit of the recoverability of the deferred tax assets and the evaluation of the uncertain tax positions and related provisions.

Report on other information included in the annual report

We have concluded that the information in the Directors' report is consistent with the financial statements and does not contain material misstatements based on our audit work on the financial statements and our knowledge of AkzoNobel.

This concludes my comments. We value the relationship with you, as shareholders. On behalf of PwC, thank you for your trust. Please stay safe and take care.

Questions and answers related to agenda item 6a.

16. Is the Supervisory Board considering to use its discretionary power to reduce or slash all or any variable payment components for 2020, for instance, because the pay-for-performance relation is weaker than ever in the current turbulence?

17. Following the 2018 AGM AkzoNobel introduced the 2020 performance incentive plan ('**incentive plan'**), a one-off plan connected to the *Winning together: 15 by 20* strategy to incentivize improvement of the return on sales (ROS). However, at the annual results 2019 presentation AkzoNobel changed the 15 percent ROS financial guidance into a bandwith for ROS of 14.5-15.5 percent.

a. Will the incentive plan remain in place, with the *at target* award unchanged at 15 percent?

b. Is the incentive plan still appropriate now that ROI will be substantially below the initial target of more than 25 percent?

<u>Answer</u>

Dick Sluimers: In response to the significant market disruption taking place around the globe, due to the outbreak of the COVID-19 pandemic, we will discuss at the appropriate time whether or to what extent we should address the variable incentive plans (STI, LTI and PIP). If that would mean a change to the plans, we will consult shareholders. Furthermore, our 2020 share grants were made early in the year and are based on a share price that had not yet been impacted by the COVID-19 crisis.

The 2020 Performance Incentive Plan is indeed an exceptional, one-off plan to incentivize improvement of the company's Return on Sales with an at target award of 15%. In response to the significant market disruption taking place around the globe, the decision was made to pause key parts of the transformation and suspend our 2020 financial ambition, however our intent to become a top performer in the industry remains intact. We will discuss at the appropriate time whether or to what extent we should address this incentive plan. If that would mean a change of the plan, we will consult shareholders.

Voting results AGM 2020

Annex IV

Voting results of the Virtual Annual General Meeting of Akzo Nobel N.V., held on April 23, 2020

Voting No	Description	For	Against	Abstain	No vote	Total
1	3a. Adoption of the 2019 Financial Statements	135.419.937	1	864.178	3	136.284.119
	Percentage	100,00%	0,00%			
2	3c. Adoption of the dividend proposal	133.778.650	2.485.472	19.994	3	136.284.119
	Percentage	98,18%	1,82%			
3	3d. Remuneration Report 2019	128.112.222	7.780.622	391.272	3	136.284.119
	Percentage	94,27%	5,73%			
4	4a. Discharge of the members of the BoM	131.150.164	3.989.064	1.144.888	3	136.284.119
	Percentage	97,05%	2,95%			
5	4b. Discharge of the members of the SB	131.150.568	3.989.064	1.144.484	3	136.284.119
	Percentage	97,05%	2,95%			
6	5a. Re-appointment of Dr. P. Kirby	133.725.175	1.973.317	585.624	3	136.284.119
	Percentage	98,55%	1,45%			
7	6a. Amendment Remuneration Policy for the BoM	124.692.234	11.571.607	20.275	3	136.284.119
	Percentage	91,51%	8,49%			
8	6b. Amendment Remuneration Policy for the SB	134.672.108	1.591.329	20.679	3	136.284.119
	Percentage	98,83%	1,17%			
9	7. Amendment Articles of Association of the Company	136.262.442	1.306	20.368	3	136.284.119
	Percentage	100,00%	0,00%			
10	8a. Authorization for the BoM to issue shares	134.366.442	1.917.410	264	3	136.284.119
	Percentage	98,59%	1,41%			
11	8b. Authorization for the BoM to restrict or exclude pre-emptive rights	129.366.838	6.916.980	298	3	136.284.119
	Percentage	94,92%	5,08%			
12	9. Acquisition of common shares in the share capital of the Company	130.954.479	5.018.966	310.671	3	136.284.119
	Percentage	96,31%	3,69%			
13	10. Cancellation of common shares held or acquired by the Company	135.952.718	331.116	282	3	136.284.119
	Percentage	99,76%	0,24%			