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?

<u>Answer</u>

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?

<u>Answer</u>

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?

<u>Answer</u>

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?

<u>Answers PwC</u>

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?

Answer

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.