

AkzoNobel Policy on Auditor Independence Services to be provided by the External Auditors

Adapted on December 6, 2007 by the Audit Committee

Purpose

The purpose of this policy is

- to provide a framework for decision-making on which services the External Auditor is entitled and not entitled to provide and
- to establish the role and responsibilities of the Audit Committee in this process.

Policy

AkzoNobel, including its majority owned legal entities, will only use the appointed external auditor to provide services (other than the audit services outlined below), in cases where these services do not conflict with the auditor's independence.

Policy Guidance

As a general guidance, the policy requires the external auditor of AkzoNobel to be independent in accordance with

- the Dutch regulations as revised by The Dutch Royal Institute of Registered Accountants, the Royal NIVRA, in January 2007,
- the European Commission Recommendation on Statutory Auditor's Independence in the EU (issued May 2002).

These rules are based on the principle that an auditor must be independent of the audit client, both in fact and in appearance.

As a consequence the external auditor is not independent if he/she, directly or indirectly, maintains a financial, employment or business relationship with AkzoNobel or provides a service which:

- creates a mutuality of interest;
- places the auditor in a position to audit his/her own work;
- results in the auditor acting as a AkzoNobel manager or AkzoNobel employee or
- puts the auditor in the role of advocate for AkzoNobel.

Role of Audit Committee

The Audit Committee, part of the Supervisory Board, is responsible for ensuring the external auditor's independence.

Therefore the Audit Committee is involved in the decision process on the selection and appointment of the external auditor, as well as on the compensation for audit and audit related services. Furthermore, the Audit Committee pre-approves audit – and permitted non- audit services in line with this Policy.

Annually, the independence of the external auditor will be reviewed.

Any unresolved disputes between the Board of Management and the external auditor will be brought to the attention of the Audit Committee.

Services Provided by External Auditor

In addition to audit services, AkzoNobel's external auditors are able to provide audit related and non-audit services as specified below. The list of audit related and non-audit services as well as the related conditions (tender or specific approval by the Audit Committee) is annually (pre-) approved by the Audit Committee. The external auditor can never provide the prohibited services.

Audit services

Audit services are:

- a) Issuing the audit opinion for AkzoNobel's Group reporting purposes and on Akzo Nobel's consolidated financial statements. This service includes the review of internal accounting and financial reporting controls;
- b) Issuing the audit opinion on the statutory financial statements of the holding company and of its subsidiaries, where legally required;
- c) Issuing review opinions on interim financial statements;

The external auditor is appointed to perform the above services and does not need to go through a tender process for each engagement.

Audit related services

Audit related services are other work traditionally provided to AkzoNobel by the external auditor in his capacity as external auditor. They usually result in a certification or specific opinion on an investigation.

These related audit services include:

- a) Opinions/ audit reports on other information provided by the company upon a request from a third party (e.g. a prospectus, comfort letters, royalty audits, or a report on employee benefit plans);
- b) Opening balance sheet audits of acquisitions;
- c) Closing balance sheet audits of disposals;
- d) Advice on accounting policies;
- e) Due diligence investigations (except for vendor initiated investigations);
- f) Special purpose IT audits or IT auditors' review of set up of IT systems;
- g) Internal audit services but subject to restrictions as mentioned in prohibited services below.

The Audit Committee should pre-approve the engagement of the external auditor for all of these services.

For services under b) through f), if the services are relied upon for the audit of Akzo Nobel nv, then they will be classified as audit services. For services under a) through d) the external auditor can be engaged to perform services without the requirement to have a tender process. For e), f) and g) in principle a tender process is required if the work is anticipated to generate fees of above € 250,000.

Non-audit services

These services include:

- a) Tax compliance work;
- b) Tax consulting services, including tax planning, but **excluding**
 - representation in (tax) courts)
 - services relating to tax transactions under conditions of confidentiality;
 - recommending aggressive tax position transactions;
 - tax services to certain persons serving in financial reporting oversight roles.
- c) Treasury advisory services;
- d) E- commerce advisory;
- e) Corporate finance advisory
- f) Risk management and internal control projects
- g) Forensic audits, but these are prohibited when the auditor will be involved in subsequent legal procedures;
- h) Consultancy (all other non-audit services)

For all these services, the Audit Committee should pre-approve the engagement of the external auditor.

For all these services, in principle a tender process is required for work anticipated to generate fees of above €250,000 and if above €500,000 specific approval of the Audit Committee is required. In any event, the total annual fee for non-audit services by the external auditor shall not exceed the sum of the annual fees for audit and audit related services.

Prohibited services that cannot be provided by the external auditor

The external auditor **cannot** provide the following categories of services:

- a) Appraisal or valuation services, fairness opinions or “contribution in kind” reports; There are two exceptions:
 - unless performed in context of planning and implementation of a tax planning strategy for tax compliance services;
 - unless performed solely for non-financial purposes where the results of the valuation do not affect the financial statements and the resulting report will not be included in any public filing or record;
- b) Internal audit outsourcing services that relate to the internal accounting controls, financial systems or financial statements;
- c) Financial information systems design and implementation;
- d) Any bookkeeping or other services related to the accounting records or financial statements. There are exceptions: Unless the results of such service are not to be subject to audit procedures or unless the financial statements prepared are not related to a direct filing with Dutch authorities or do not form the basis of the financial statements filed with the Dutch authorities (i.e. statutory financial statements for small legal entities).
- e) Payroll services;
- f) Management functions, i.e. acting temporarily or permanently as a director, officer, or employee or performing any decision making, supervisory or ongoing monitoring functions. This includes outsourced services and loaned staff;
- g) Executive recruiting and human resources services;
- h) Broker or dealer, investment adviser or investment banking services;

- i) Actuarial services, except for assistance in understanding methods, models, assumptions and inputs used in the calculation of the provision. Defined contribution plan allocation services are specifically prohibited;
- j) Legal services and other expert services unrelated to audit for the purpose of advocating AkzoNobel's interests;
- k) Tax consultancy services specifically related to
 - representation in (tax) courts)
 - services relating to tax transactions under conditions of confidentiality;
 - recommending aggressive tax position transactions;
 - tax services to certain persons serving in financial reporting oversight roles
- l) Corporate Secretarial Services;
- m) Certain forecasts and projection services;
- n) Market research studies, unless limited to gathering or analyzing market data;
- o) Any other service that the AkzoNobel Board of Management determines by regulation is not permissible.

For more details on the above services reference is made to the Dutch Royal Institute of Registered Accountants, and the guidance provided by the European Commission.

For clarification whether requested services of the external auditor fall under the above categories, you should contact the Director Internal Audit

Audit Committee Pre-approval of services

For particular services, the Audit Committee will establish pre-approval policies and procedures. The approval responsibilities will not be delegated to management and the procedure will provide for timely information on each service to the Audit Committee.

The Audit Committee will be informed on a quarterly basis of all non- audit services provided by the external auditor.

Rotation of Audit Partners

AkzoNobel requires its external auditor to provide an appropriate balance between going concern (effectiveness and efficiency, e.g. audit costs), risk management, independence and credibility. Rotation of the lead (signing) and concurring (review) partner of the AkzoNobel audit is required after a maximum period seven (7) years from their appointment date into this position. None of these partners may rotate to a different position within the AkzoNobel audit team within a period of two years. Other key audit partners, either at the AkzoNobel Group level or partners signing off audit opinions of material AkzoNobel entities are required to rotate from their position after a maximum period of seven years. None of these key audit partners may rotate to a different position within the AkzoNobel audit team within a period of two years.

Appointment of Auditor

The appointment of the external auditor will be an indefinite appointment with a review every four (4) years by the Audit Committee to assess the services against measurable criteria laid down in a formal service level agreement.

The Audit Committee will advise the Supervisory Board, who will communicate to the Annual General meeting of Shareholders the results of this assessment. In case the Supervisory Board proposes not to reappoint the existing external auditor, a tender process will be started to select a new external auditor. The next review communication will take place in the Annual Shareholders meeting for the fiscal year 2007.

Responsibility of the External Auditor

The external auditor will maintain a quality control system that provides reasonable assurance that its independence will not be impaired. The external auditor will report annually to the Audit Committee on all aspects concerning independence, including possible conflicts with this policy, if any. The external auditor will annually confirm its independence in writing.

The external auditor will ensure that his firm will be registered at the Autoriteit Financiële Markt (AFM) in due time. Any changes in this registration will be reported immediately in writing to the Audit Committee.

Hiring arrangements

AkzoNobel and the external auditor agree on a restricted hiring policy:

- AkzoNobel will not hire partners and professional employees of the external auditor involved in the AkzoNobel audit within the last two (2) years, unless they have provided less than ten hours of actual service;
- The external auditor will not hire senior Management from AkzoNobel for involvement in the AkzoNobel audit within two (2) years after termination of their employment with AkzoNobel.

Responsibility of Audit Committee

Each year the Audit Committee will formally review the external auditor's independence as required by the Audit Committee Charter and document its position in this matter. It will address any changes to this Policy or situation as needed. Any independence issues or conflicts of interests will be communicated immediately to the SEC-AFM, other exchange commissions as required and any other regulatory body.

Communication

AkzoNobel will communicate its policy on auditor's independence to stakeholders.

Date of effectiveness

This policy was effective from May 6, 2003 onwards and adapted on 13 June 2007 and 6 December 2007.