REPORT 2022

AkzoNobel

Our beating heart: People. Planet. Paint.

AkzoNobel has a long and proud heritage. Throughout our history, we've made things happen. We've always evolved and expanded our horizons.

Some things, however, have always remained constant. Like being an employer of choice. A responsible global citizen. A pioneer. That's our bedrock. The foundations of what we stand for. So we have a truly meaningful purpose, with People. Planet. Paint. as our beating heart.

We're ideally placed to demonstrate our passion for bringing genuine benefits to society and the world we live in. How? By using our pioneering spirit and centuries of paints and coatings expertise to make a real impact. By delivering the sustainable and innovative solutions that our customers, communities – and the planet – are increasingly relying on.

So there's a deeper, wider meaning to People. Planet. Paint. It's not only about doing business sustainably. It touches everything we do. It's our reason for being. It excites us. It challenges us. It's about making a genuine and lasting difference so we can remain at the forefront of our industry.

AkzoNobel Dulux International Interpon POWDER COATINGS sikkens

People
We care passionately about people and building communities, with safety, integrity and sustainability at our core.

Planet
We challenge ourselves and our partners every day to be better global citizens and protect the future of our planet.

Paint
We keep pushing boundaries to develop paint solutions that make a world of difference.

www.akzonobel.com

Contents

Case study videos
This Report 2022 includes case studies that highlight some of our activities during the year. The videos are not covered by any procedures performed by the independent auditor and are not considered part of the management report.

Disclaimer
This PDF of AkzoNobel's annual report is derived from the official version of the company's Report 2022. The European Single Electronic Filing format (the ESEF reporting package) is the official version. The ESEF reporting package is available on our Report 2022 website. In case of discrepancies between this PDF version and the ESEF reporting package, the latter prevails. The auditor's report and assurance report of the independent auditor included in this PDF version relate only to the ESEF reporting package.

2022 results at a glance

Revenue by destination

North America
13%

EMEA
46%

Latin America
12%

Financial summary

€10,846 mln revenue
€708 mln operating income
€789 mln adjusted operating income*
€2.01 earnings per share
35,200 employees

Sustainable solutions

40%

Sustainable solutions development
in % of revenue

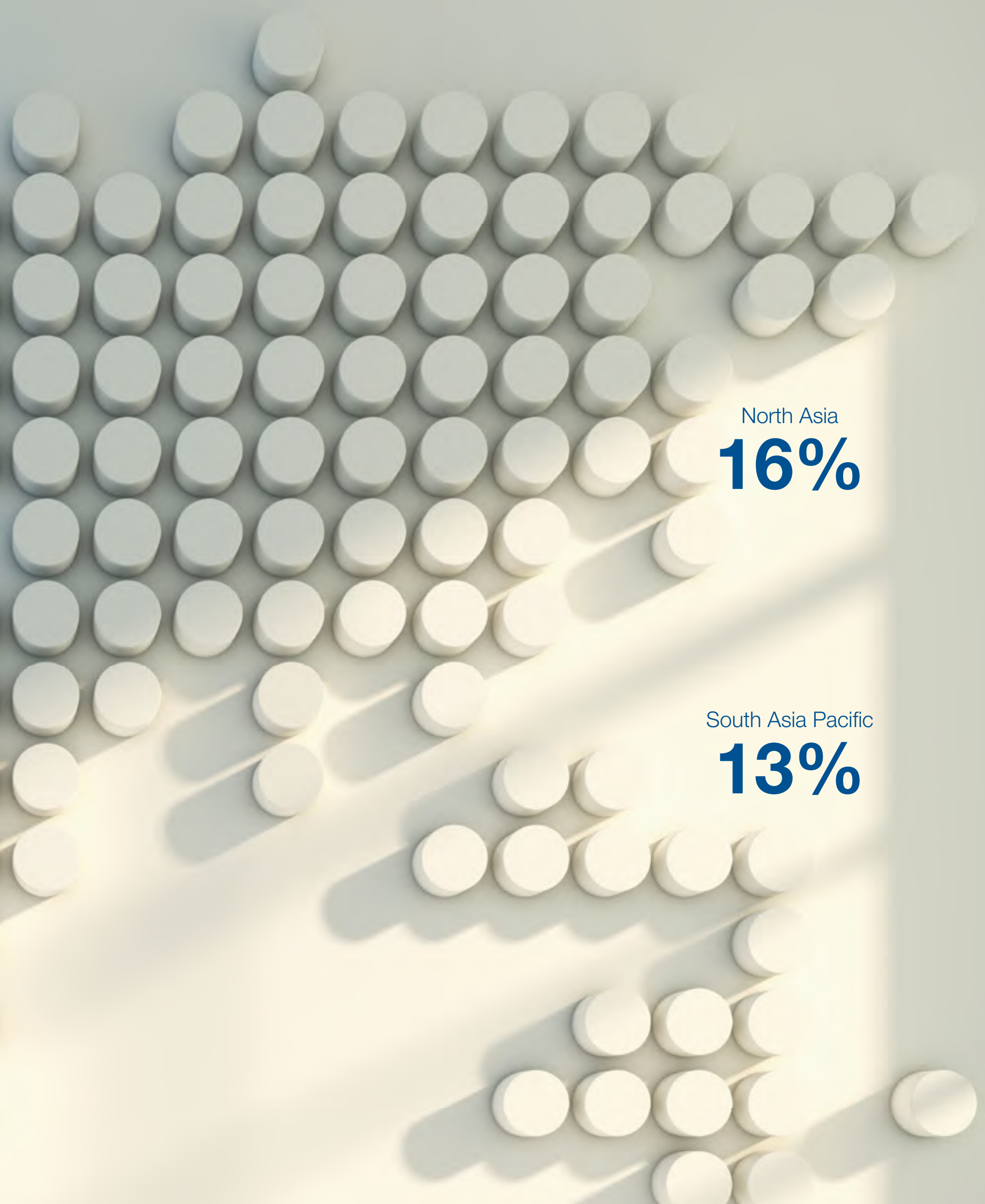
2021	2022	2030 ambition
39	**40**	>50

Adjusted EBITDA*

€1,157 mln

Adjusted EBITDA development*
in € millions

2020	2021	2022
1,442	1,436	**1,157**



Return on sales (ROS)*

7.3%

Return on sales development*

in %

12.9 / 11.4 / **7.3**

2020 / 2021 / **2022**

Return on investment (ROI)*

9.8%

Return on investment development*

in %

16.1 / 16.0 / **9.8**

2020 / 2021 / **2022**

* **Alternative performance measures** (APM)
AkzoNobel uses APM adjustments to the IFRS measures to provide supplementary information on the reporting of the underlying developments of the business. APM include, but are not limited to, adjusted operating income, (adjusted) EBITDA, adjusted earnings per share, ROS and ROI. A reconciliation of the alternative performance measures to the most directly comparable IFRS measures can be found in Note 4 of the Consolidated financial statements.

"I'm convinced that our ongoing transformation will set us up for profitable growth for years to come."

I joined AkzoNobel as CEO in 2022, so it will always be a significant year for me on a personal level. It's a privilege to be leading this great company, one with such a strong heritage, talented people and a fantastic portfolio of globally respected brands.

On a more general level, 2022 proved to be a year of persistent worldwide uncertainty as global events caused significant cost inflation, challenged supply chains, dented consumer confidence and weakened market demand. The war in Ukraine had a severe impact on the wider economy, especially in Europe (which accounts for around half our revenue), while China's zero COVID-19 policy put pressure on one of our most important markets.

Like many other companies, we felt the impact of this turbulence and disruption. Degrading market conditions from the second quarter onwards resulted in us missing our targets and abandoning our €2 billion adjusted EBITDA ambition for 2023. However, I'm convinced that our ongoing transformation will set us up for profitable growth for years to come.

It's been a question of finding the right balance between adapting to the external challenges we're facing – which require decisive measures – and the agility we need to run our businesses. One of our key successes in weathering the storm has been our ability to offset the impact of raw material and freight cost inflation with strong pricing initiatives, with cumulative price increases of 23% over the last two years.

Despite the complex market conditions, we achieved volume growth in Latin America and South Asia, as well as in our Marine and Protective, Vehicle Refinishes and Aerospace businesses. Meanwhile, we continued to work on our operational efficiency and effectiveness. We introduced cost and working capital reduction measures in mid-2022, which will remain a priority throughout 2023.

We also seized opportunities to grow through acquisitions. In April, we welcomed Colombia-based paints and coatings company Grupo Orbis, a strong business which will help to cement our market position in Latin America. Another deal we finalized (in December) was for the liquid wheel coatings business of Lankwitzer Lackfabrik GmbH, which perfectly complements our powder coatings portfolio. Finally, we announced our intention to acquire all the African paints and coatings activities of Kansai Paint (due to be completed in 2023, pending the relevant approvals).

Since joining the company, I've been particularly impressed with the passion and commitment of our people when it comes to sustainability and innovation. So it was good to see the two come together in the Paint the Future Collaborative Sustainability Challenge, a great combination of two fundamental elements of our People. Planet. Paint. company purpose. Other highlights in 2022 included a major “Let’s Colour” project to repaint Jodhpur in India (see page 10), exciting product launches such as our mosquito-repellent coating in Brazil (see page 28) and our investment in a new production line for water-based texture paints at our Songjiang site in Shanghai (see page 34). Overall, we made strong progress in reducing our own carbon emissions, although we still have work to do to reduce our full value chain emissions, which we’ll continue working on collectively with our suppliers and customers. Moving forward, we’ll also remain keenly focused on all four of our key sustainability ambitions.


Our CEO (fourth from right) and CFO, Maarten de Vries (third from left), pictured during a visit to our US Powder Coatings site in Nashville, Tennessee.

Looking at 2023, it will be a challenging year, with market headwinds likely to be felt for months to come. We'll continue to balance growth opportunities and profitability through cost actions and expected margin expansion as we defend our pricing and raw material cost pressure abates. Our focus on supply chain improvements – as well as getting a stronger grip on our working capital to rebuild cash generation and strengthen our balance sheet – will serve us well.

On behalf of the entire Executive Committee, I want to thank you, our shareholders, customers, partners and other stakeholders, for your support throughout 2022. And a huge thank you to AkzoNobel’s teams around the world for all their efforts. I’ve had time to visit a number of our sites – in the US, the UK, France, Spain and the Netherlands – and I’ve been impressed by the enthusiasm and dedication of the colleagues I’ve met. There’s both an energy and a determination to succeed which makes me excited about leading AkzoNobel on the next phase of its journey.

Grégoire (Greg) Poux-Guillaume
CEO and Chair of the Board of Management and Executive Committee

Our CEO pictured operating a color mixing machine at the recently renovated TEC (Training, E-Commerce, Color mixing) Center in Sassenheim, the Netherlands.

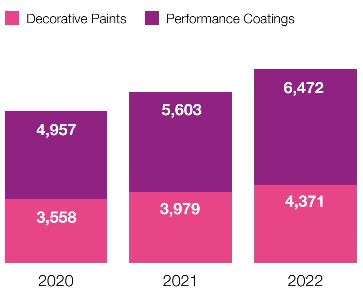
By delivering more value to our customers, shareholders, employees and society in general, we can better accelerate profitability while positioning ourselves for growth.

Financial overview

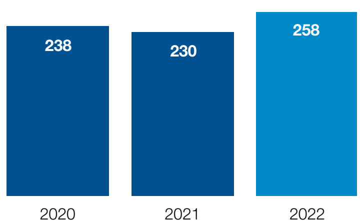
Revenue was 13% higher and 11% higher in constant currencies, resulting from significant pricing initiatives, with pricing up 14%.

Volumes were 7% lower, mainly due to destocking in the distribution channels in Decorative Paints in Europe and in Performance Coatings, as well as the impact from COVID-19 in China. Furthermore, volumes were negatively impacted by supply constraints, especially in North America. Acquisitions added 4%, mainly related to Grupo Orbis.

Revenue from third parties
in € millions



Innovation investment
research and development expenses
in € millions

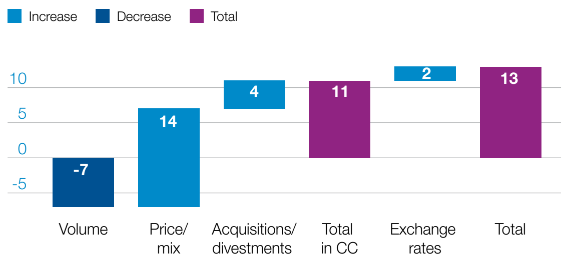


Summary of financial outcomes*

in € millions	2021	2022	Δ%
Revenue	9,587	10,846	13
EBITDA*	1,469	1,076	(27)
Adjusted EBITDA*	1,436	1,157	(19)
Operating income	1,118	708	(37)
Identified items*	26	(81)	
Adjusted operating income*	1,092	789	(28)
OPI margin*	11.7	6.5	
ROS*	11.4	7.3	
Average invested capital*	6,829	8,062	18
ROI (%)*	16.0	9.8	
Capital expenditures	288	292	
Net debt	2,340	4,089	
Leverage ratio (net debt/EBITDA)*	1.6	3.8	
Number of employees	32,800	35,200	
Net cash from operating activities	605	263	
Net income attributable to shareholders	829	352	
Weighted average number of shares (in millions)	185.0	174.7	
Earnings per share from total operations (in €)	4.48	2.01	
Adjusted earnings per share from continuing operations (in €)*	4.07	2.45	

* Alternative performance measures: Please refer to reconciliation to the most directly comparable IFRS measures in Note 4 of the Consolidated financial statements.

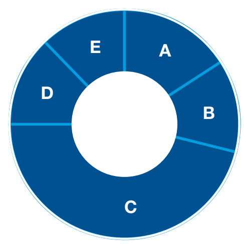
Revenue development full-year 2022 in %



Revenue by destination in %

A North Asia	16
B South Asia Pacific	13
C EMEA	46
D North America	13
E Latin America	12

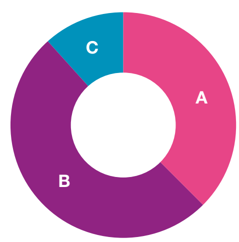
Based on full-year 2022.



Capital expenditures 2022:
total €292 million

A Decorative Paints	91
B Performance Coatings	167
C Corporate and other	34

Capital expenditures are expected to be around 3% of revenues for 2023.



For the full-year 2022, raw material and other variable costs (including freight), adjusted for the impact of lower volumes, increased €1,143 million compared with the full-year 2021.

Operating income was lower at €708 million (2021: €1,118 million) as a result of lower volumes, despite pricing initiatives more than compensating for raw material and freight costs inflation. Adjusted operating income at €789 million (2021: €1,092 million); ROS at 7.3% (2021: 11.4%).

Business results

Decorative Paints revenue was up 10% and 8% higher in constant currencies, with significant pricing initiatives partly offset by lower volumes, mainly due to destocking in the distribution channels in Europe and softer market demand in China due to the impact from COVID-19. Pricing was up 12%, acquisitions added 5%.

Operating income of €392 million (2021: €622 million), as pricing initiatives were more than offset by the combined impact from lower volumes, continued raw material and freight costs inflation and higher operating expenses.

Operating income included €5 million negative Identified items, mainly related to restructuring costs (2021: €42 million positive, mainly related to one-off gains from the Brazil ICMS case and UK pensions curtailment, partly offset by restructuring costs). Adjusted operating income at €397 million (2021: €580 million). ROS at 9.1% (2021: 14.6%).

Performance Coatings revenue was 16% higher and up 13% in constant currencies, driven by strong pricing initiatives in all segments, with pricing up 16%. Volumes were lower due to destocking, COVID-19 impact in China and supply chain constraints, mainly in North America.

Operating income of €444 million (2021: €616 million), as pricing initiatives were more than offset by lower volumes and the continued impact from raw material and freight costs inflation. Operating income included €49 million negative Identified items, mainly related to restructuring costs (2021: €2 million positive, related to one-off gains from the Brazil ICMS case, partly offset by restructuring costs). Adjusted operating income at €493 million (2021: €614 million). ROS at 7.6% (2021: 11.0%).

Acquisitions

In April 2022, the acquisition of Colombia-based paints and coatings company Grupo Orbis was completed. A provisional purchase price allocation is included in the figures and will be finalized in Q1 2023.

Grupo Orbis results as from the acquisition date are included in the Decorative Paints Latin America business unit, and under Other in Performance Coatings. The allocation of revenues to the Decorative Paints and Performance Coatings segments is based on the nature and products of the underlying activities. Further allocation of revenues to business unit level within the Performance Coatings segment will be available as from Q1 2023.

On December 1, 2022, the acquisition of the wheel liquid coatings business of Lankwitzer Lackfabrik GmbH was completed. Lankwitzer results as from the acquisition date are included in the Powder Coatings business unit in Performance Coatings.

On June 1, 2022, the intention to acquire Kansai Paints' activities in Africa was announced, with an enterprise value of approximately €0.5 billion. The acquisition is expected to be completed in the second half of 2023.

Financing income and expenses

Net financing income and expenses increased by €85 million, resulting from an increase in exchange rate results of €64 million negative (which includes €20

CLIMATE CHANGE

28% 2022 — **50%** 2030 ambition

Carbon emission reduction
Own operations (baseline 2018, absolute)

6% 2022 — **50%** 2030 ambition

Carbon emission reduction value chain
(Scope 3 emissions, selected Scope 3 upstream and downstream. Baseline 2018, absolute)

50% 2022 — **100%** 2030 ambition

Renewable electricity
(of total electricity used in own operations)

1% 2022 — **30%** 2030 ambition

Energy reduction
Baseline 2018 (of total energy used in own operations, relative)

CIRCULARITY

56% 2022 — **100%** 2030 ambition

Circular use of materials
The amount of materials (in own operations) reused by AkzoNobel and third parties

HEALTH AND WELL-BEING

38,087 2020-2022 — **100,000+** 2030 ambition

People empowered
Members of local communities empowered with new skills (cumulative)

591 2020-2022 — **2,000+** 2030 ambition

Community projects (cumulative)

72 2022 — **76** Ambition

Organizational health score (OHI)

26% 2022 — **30%** 2025 ambition

Female executives

Dividend in €

2020	2021	2022
1.95	1.98	1.98[1]

[1] Proposed

Earnings per share total operations in €

2020	2021	2022
3.29	4.48	2.01

Adjusted earnings per share from continuing operations in €

2020	2021	2022
3.88	4.07	2.45

milion expenses from Argentina and Türkiye hyperinflation accounting) and an increase in interest on net debt by €25 million due to issuance of bonds and to short-term debt related to the Grupo Orbis acquisition.

Income tax

The effective tax rate was 35.5% (2021: 22.3%). Excluding Identified items, the effective tax rate was 32.5% (2021: 24.9%).

The high effective tax rate in 2022 is mainly related to a €13 million true-up of the tax charge related to the UK ACT case (booked as Identified item), non-deductible charges resulting from hyperinflation accounting and the impact from the UK tax rate change.

The low effective tax rate in 2021 was mainly related to the impact from the Brazil ICMS and UK ACT cases, in combination with a net re-recognition of deferred tax assets (all booked as Identified items).

Shareholders' equity

Shareholders' equity amounted to €4.3 billion at December 31, 2022, compared with €5.4 billion at year-end 2021. Main movements relate to profit for the period of €352 million, offset by movements from share buybacks of €660 million (including taxes), dividend of €347 million, actuarial losses of €289 million (including taxes) and currency effects of €163 million negative (including taxes).

Dividend

The dividend policy remains unchanged and is to pay a stable to rising dividend. The final 2021 dividend of €1.54 per common share was approved by the AGM in April 2022 and was paid. The total 2021 dividend amounted to €1.98 per share (2020: €1.95).

In 2022, an interim dividend of €0.44 per share (2021: €0.44) was paid. A final 2022 dividend of €1.54 (2021: €1.54) per share is proposed.

Outstanding share capital

The outstanding share capital was 174.4 million common shares at the end of December 2022. This included 3.9 million shares acquired in the share buyback programs not yet cancelled.

The weighted average number of shares for the full-year 2022 was 174.7 million shares. The weighted average number of shares excludes shares bought back and not yet cancelled and is the basis for the calculation of earnings per share.

Share buyback

In February 2021, a €1 billion share buyback program was announced, which was completed in January 2022.

In February 2022, a €500 million share buyback program was announced, which was completed in December 2022.

Cash flow and net debt

Net cash from operating activities decreased to an inflow of €263 million (2021: inflow of €605 million), mainly driven by lower profit for the period. Net cash from investing activities resulted in an outflow of €1,095 million (2021: outflow of €134 million). The increase in outflow mainly relates to a higher outflow for acquisitions (mainly related to the Grupo Orbis acquisition) and the 2022 net outflow from investments in short-term investments (2021: net inflow).

Net cash from financing activities resulted in an inflow of €1,141 million (2021: outflow of €974 million). The change from outflow to inflow is mainly related to the inflow in 2022 of €2,189 million from changes from borrowings (including the dual-tranche bond of €1.2 billion in Q1 2022), and the lower outflow from the share buyback.

At December 31, 2022, net debt was €4,089 million versus €2,340 million at year-end 2021, mainly due to the share buyback programs (€669 million), acquisitions (€661 million), dividend

(€379 million) and capital expenditures (€292 million). The net debt/EBITDA leverage ratio at December 31, 2022, was 3.8 (December 31, 2021: 1.6).

Invested capital

Invested capital at December 31, 2022, totaled €8.1 billion, up €1.0 billion from year-end 2021. This increase was mainly caused by higher intangible and tangible fixed assets (included in non-current assets; largely resulting from the Grupo Orbis acquisition), higher operating working capital (trade) and FX impact.

Early in 2022, we announced plans to invest in the expansion of in-house resin manufacturing. The scale-up program will help build resilience against supply disruptions while making an important contribution to achieving our financial and Scope 3 (upstream) carbon reduction ambitions.

Operating working capital

Operating working capital was €1.8 billion at December 31, 2022 (December 31, 2021: €1.2 billion). This increase in operating working capital was mainly due to increased raw material prices, higher pricing and currency impact. Payables decreased, mainly as a result of destocking initiatives in the second half of the year.

Pensions

The net balance sheet position (according to IAS19) of the pension plans at December 31, 2022, was a surplus of €0.7 billion (December 31, 2021: surplus of €1.1 billion). The development during 2022 was mainly the result of the net effect in key countries from higher discount rates, lower plan asset returns and higher other results, including FX.

Sustainability progress

Guided by our People. Planet. Paint. approach, we've identified three key global topics – climate change, circularity and health and well-being. During 2022, we made further progress towards our 2030 key sustainability ambitions. This progress is highlighted in charts throughout this section and further detailed in the Sustainability statements.

Employees

At December 31, 2022, the number of people employed was 35,200 (December 31, 2021: 32,800).

Impact from the war in Ukraine and sanctions on Russia

Our business in Ukraine and Russia combined represents about 2% of our revenue (2021: 2%), of which the vast majority concerns Russia.

Following the EU sanctions, the majority of our Performance Coatings activities in Russia was suspended and the residual Russian business is locally operated. AkzoNobel has assessed the potential accounting impact from the localization of the Russian business. Taking into account the applicable IFRS standards, we've concluded that our Russian business can still be included in our scope of consolidation.

No significant impairments of assets occurred in Russia; in Ukraine, the value of the assets is immaterial.

Impact from hyperinflation accounting (Türkiye and Argentina)

We have retrospectively applied IAS 29 hyperinflation accounting for Türkiye as from January 1, 2022. For Argentina, hyperinflation accounting was already applicable from January 1, 2018. In addition, and in line with IAS 21, foreign currency rates at the end of the reporting period are used to translate both balance sheet and the statement of income into euros.

The impact from hyperinflation accounting is included in all IFRS-based measures; no Identified item treatment is applied.

The application of hyperinflation accounting and the use of end of month rates to translate the statement of income into euros resulted in a €5 million positive impact on revenues, a €46 million negative impact on operating income and a €63 million negative impact on net income for the year.

2023 Outlook*

AkzoNobel expects the ongoing macro-economic uncertainties to continue and weigh on organic volume growth. The company will focus on margin management, cost reduction, working capital normalization and de-leveraging.

Cost reduction programs are expected to mitigate the ongoing pressure from inflation in operating expenses for 2023. AkzoNobel expects declining raw material costs to have a favorable impact on profitability.

Based on current market conditions, AkzoNobel targets to deliver €1.2 to €1.5 billion adjusted EBITDA. The company aims to lower its leverage ratio to less than 3.4 times net debt/EBITDA, including the impact of the Kansai Paint Africa acquisition, by the end of 2023 and return to around 2 times post-2023.

* Targets are based on organic volumes and constant currencies, and assume no significant market disruptions. This outlook contains APMs. Please refer to reconciliation to the most directly comparable IFRS measures in Note 4 of the Consolidated financial statements.

Watch the video on our Report 2022 website

Out of the blue

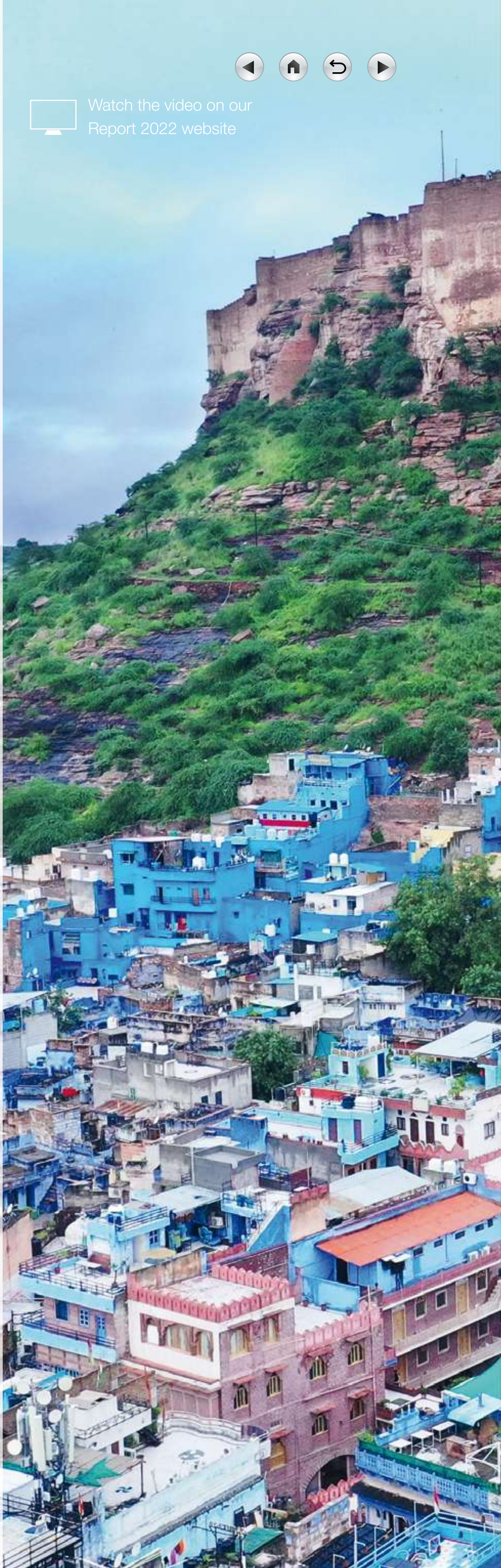
Jodhpur in India has joined the growing list of iconic locations to be transformed as part of our global “Let’s Colour” program.

Known as the Blue City and a popular tourist destination, we brought new energy to its historic streets by repainting 250 homes and creating 20 vibrant murals. The roofs of more than 100 houses were also coated with Dulux Weathershield Protect, which can help to reduce temperatures by up to 5˚C.

The work was carried out by AkzoNobel Paint Academy painters, local artists and residents, who combined their creative talents with AkzoNobel volunteers. “We’re extremely proud to bring our ‘Let’s Colour’ program to Jodhpur,” said Rajiv Rajgopal, Managing Director of AkzoNobel India. “As well as preserving Jodhpur’s remarkable heritage, we want to make a sustainable difference by protecting homes and making them cooler.”

In addition to painting more than 250,000 square feet of walls, various community walkways and staircases were also given a rainbow makeover, using Dulux FloorPlus paint.

“The color blue has been an integral part of Jodhpur’s identity for centuries,” continued Rajgopal. “Reigniting the city’s timeless appeal – and creating new livelihood opportunities for the local community – were integral to the whole project and perfectly showcase how everything we do starts with People. Planet. Paint.”




Restaurant

STRATEGY AND OPERATIONS

An overview of our strategy, approach to innovation and the performance of our Paints and Coatings businesses during the year.

Our Decorative Paints activities are reported in three regions: Asia; Europe, Middle East and Africa; Latin America.

Our Performance Coatings activities are organized into four main businesses: Automotive and Specialty Coatings, Industrial Coatings, Marine and Protective Coatings, Powder Coatings.

For more details on key 2022 figures, see the previous How we created value pages and the segment information in Note 3 of the Consolidated financial statements.

THE NEXT PHASE OF OUR TRANSFORMATION

Grow & Deliver

Ambitions 2023

- Growth in line with relevant markets
- €1.2 to €1.5 bln adjusted EBITDA

AkzoNobel is a global paints and coatings company with a proud heritage, which can be traced back to 1792. Our world class portfolio of established brands is trusted by customers around the world and we continue to be guided by our overarching mantra of People. Planet. Paint.

An enduring set of core values – safety, integrity and sustainability – underpins everything we do. Key behaviors – based on passion for paint, precise processes, powerful performance and proud people – guide our ways of working.

Our Grow & Deliver strategy balances growth with profitability improvement. Right now, macro-economic uncertainty means we need to focus on delivering profit and cash, while keeping a close eye on our markets and selectively pursuing growth opportunities. Our goal is to be a leader in the industry. And we're well placed in the more than €140 billion paints and coatings industry. Our broad geographic presence and leading positions in many market segments still provide several opportunities for growth, despite the challenging economic outlook for 2023.

We have a significant presence in the South Asia Pacific region, where we generate around 13% of total revenue. And, thanks to our acquisition of Grupo Orbis – completed in 2022 – we now have a more significant presence in Latin America, which accounts for 12% of total revenue.

More selective opportunities for growth also exist. For example, we're growing our Decorative Paints business in China by leveraging our premium Dulux brand to serve customers in a greater number of cities with more innovative and sustainable solutions. In addition, aerospace – as well as marine and protective coatings – market segments once again offer growth opportunities.

With stakeholders increasingly demanding more sustainable solutions, we're able to capitalize on this trend by leveraging our leadership position when it comes to sustainability – reflected in the recognition we've received from various rating agencies, such as EcoVadis, MSCI and Sustainalytics. Sustainable solutions already account for 40% of revenue and we have a target to increase this to more than 50% by 2030. We're creating a more efficient company, while lowering our carbon footprint, and are proud to have set science-based carbon reduction targets for our full value chain – a truly fact-based approach.

Innovation is essential to our success. For us, this means understanding and anticipating the changing needs and expectations of customers when it comes to providing them with products and services. Our industry-leading Paint the Future collaborative innovation ecosystem is just one example of how

Passion for paint
Be customer focused

Precise processes
Execute with discipline

Powerful performance
Deliver on commitments

Proud people
Take ownership

A game-changing partnership between PlayStation and our Bruguer brand in Spain resulted in the launch of an exclusive range of wall paint. The Galaxy PlayStation by Bruguer collection is based on the colors of the PS5's DualSense wireless controllers. It means gaming set-ups and surroundings can now be personalized to create a truly immersive experience. A great way for both partners to demonstrate their shared passion for creativity and innovation.

our pioneering spirit is helping us to continue pushing boundaries.

We're also building the product management capabilities necessary to deliver the products our customers desire, and which will help us win in the market at the most competitive cost – with less complexity and increased collaboration with our suppliers.

Strategic mandates – per market segment and region – are used to provide clear direction for each of our businesses, including relative priorities for growth and profitability improvement.

We're committed to retaining a strong investment grade credit rating and have clear capital allocation priorities, including a disciplined approach to targeted value-creating acquisitions, aligned with our strategic mandates.

During 2022, we completed the acquisition of Grupo Orbis and announced our intended acquisition of the African paints and coatings activities from Kansai Paint (expected to be completed in the second half of 2023).

To help deliver our strategy, we're evolving our operating model, moving from functional excellence in silos to driving cross-functional collaboration, with an emphasis on end-to-end processes and becoming even more customer focused.

In addition, we continue to integrate our systems and applications to provide business services that are both effective and cost competitive, allowing for greater focus on what matters most. During 2023, we'll focus on execution. Margin management is particularly important to ensure we benefit from our robust pricing initiatives in response to significant raw material cost inflation. We're building on our experience and setting ourselves up to deal with future cycles. When it comes to costs, we've identified multiple opportunities – especially within our integrated supply chain – to deliver significant savings.

These actions are necessary to adapt to changes in the markets where we operate and offset cost inflation, while delivering improved performance during both the short and medium term. Furthermore, attention is required to normalize our working capital position, which will result in stronger cash flow and lower net debt/EBITDA leverage ratio.

Grow revenue
in line with relevant markets

- Grow with our market
- Outgrow selected segments
- Provide innovative sustainable solutions

Grow

Deliver results
€1.2 to €1.5 bln adjusted EBITDA

- Manage our margins
- Simplify our product range
- Fine-tune make and deliver

Deliver

People.
Planet.
Paint.

Make our processes and systems work for our customers and us

Stretching boundaries in paints and coatings

Innovation is the spark that ignites our ability to turn great ideas into reality. Inspired by our company purpose – People. Planet. Paint. – the products and technologies we develop aren't just important for our own business, they're also essential for our customers – and the planet.

"Collaborative innovation will play a major role in helping us to meet our own sustainability ambitions – and those of our customers."

Roger Jakeman,
Chief Technology
Officer

From saving energy, reflecting heat and protecting and beautifying assets, to making ships go faster, lighting brighter and air cleaner, our world class reputation for pushing boundaries can be found in all our products.

Transforming the industry

The paints and coatings industry can play a key role in decarbonizing manufacturing industries globally. As an innovation leader, we're working on a 50% reduction in carbon emissions by 2030 for the whole value chain (baseline 2018) – a commitment that's been validated by the Science Based Targets initiative (SBTi). In 2022, we reduced Scope 3 emissions 6% (baseline 2018).

The size and the scale of this challenge requires the transformation of our generation. And it's this huge opportunity that's winning over our innovation ecosystem – of colleagues and partners – as they understand the possibilities and grasp the momentum gathering among suppliers and customers in the value chain. What's required in particular is a more collaborative approach, based on the realization that each contributor will need to innovate changes which will lead to carbon reduction at several different points in the chain.

And we're confident we can meet and solve this innovation challenge of the coming decade, because we've had a head start:

- A vision, based on our company purpose People. Planet. Paint. to transform the market by bringing sustainable value to our customers through collaborative innovation
- An innovation network underpinned by different initiatives and actions:
  - Together with nine partners, we were involved in ENVISION – a unique collaboration which set out to devise a way of invisibly harvesting energy from surfaces. We supported the project with an innovative coatings solution that allows heat to be captured by colors that traditionally reflect near-infrared light, making buildings energy positive – and existing houses more sustainable
  - In 2021/2022, we held two Paint the Future start-up challenges – a regional event in India and a global edition. We're currently exploring the value proposition of the three global winners (SolCold, Aerones and SprayVision), along with the two regional winners (HyperReality Technologies and Fluid AI). We also launched our Collaborative Sustainability Challenge, where we invited partners from across the value chain to develop a shared approach to tackling carbon reduction
  - We continue to invest in new equipment and facilities. In 2022, we opened a new €11 million global R&D center at our Slough site in the UK
- A track record of bringing commercial innovations to market
  - In 2022, we extended our wall paint platform, Kids Paint in China, by introducing new products with anti-viral and anti-bacterial functionality
  - We launched a mosquito-repellent coating in Brazil which helps combat disease. Its repellent action is specifically designed to combat the Aedes aegypti mosquito (see case study on page 28)
  - We developed cutting-edge 3D color technology that offers a super-realistic color and gloss experience to help make paint selection as smooth as possible for both architects and home decorators

The paints and coatings industry has entered a very exciting period of transformation. Because we act on this responsibly, we'll continue to attract the best problem solvers and support them with the innovation culture that's required to succeed.

Innovation in numbers

~3,000 R&D professionals worldwide
€1.25 bln spent on R&D (last five years)
2,825 patents/patent applications
70 laboratories worldwide

"Our team delivered strong growth and market penetration by gaining share, as well as expanding into adjacent segments."

Oscar Wezenbeek, Director of Decorative Paints South East and South Asia

"We once again demonstrated our resilience and agility to deliver balanced and sustainable results, despite a turbulent year."

Mark Kwok, Director of Decorative Paints North Asia

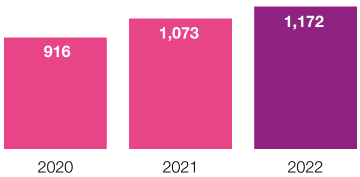
Digital delight

Two startups – HyperReality Technologies and Fluid AI – won our Paint the Future India awards and will work with us to enhance the digital consumer experience for Dulux paints.

2022 SUMMARY

We faced market challenges in China, mainly due to uncertainties created by COVID-19, which impacted consumer confidence and the real estate sector. Despite difficult market conditions, we continued to invest in innovation, including bio-based products, to lead premium market growth in core Chinese cities. Dulux expanded its geographical presence by adding more than 200 cities and over 10,000 additional paint stores. In South East and South Asia, we made solid progress on volume and value growth, mainly driven by reopening after COVID-19 and increasing the number of stores. Several new products were launched in India (Dulux SmartChoice) and Vietnam (Maxilite by Dulux), along with water-proofing products in India, Malaysia, Indonesia and Pakistan. Our Paint the Future startup challenge in India was also a success.

Revenue in € millions



Key brands

OTHER KEY DEVELOPMENTS

- Started construction on a new manufacturing plant in Faisalabad, Pakistan, which is scheduled to start operations in 2023
- Invested in a new production line for water-based texture paints in Shanghai, China (see page 34)

2022 highlight

We remained on course with the construction of a new logistics hub, which is set to become the company's largest warehousing base in China. Due to be completed by mid-2023, it's located at our decorative paints site in Songjiang, Shanghai. The new €10 million facility – a nerve center for production, storage and transport – is equipped with a heat-insulating and light-permeable roof and features around 5,000 solar panels that can generate 1.6 million kWh of electricity annually.

- Introduced the first United States Department of Agriculture (USDA) certified bio-based paint in both Malaysia and Singapore. Dulux Better Living Air Clean Biobased contains 22% bio-based content
- Our collaboration with Paint the Future China winner Archifiction resulted in the opening of the Dulux Naked Eye 3D Experience House in Shanghai
- Our Dulux brand was used on several landmark buildings, including Kai Tak Sports Park in Hong Kong and Taichung International Airport in Taiwan
- Launched two Dulux Experience Stores in Indonesia
- As part of Project Indradhanush, we started working with more than 500 women in rural India to promote entrepreneurship and skill building in decorative paints to help provide a sustainable source of income
- The first Dulux Living Center officially opened in Chengdu, China. The immersive brand store creates an interactive space designed to provide an extraordinary consumer shopping experience

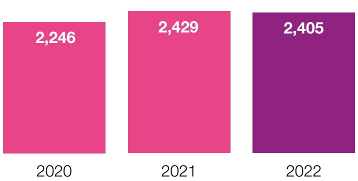
2022 SUMMARY

Our results were impacted by lower demand due to the turbulent business environment. The war in Ukraine, high raw material and energy costs and unprecedented inflation in the region caused a shift in consumer spending to the basic needs. As a result, the team worked hard to adapt to the changing market dynamics and reset our business. We continued to focus on serving our customers and building our brands, while implementing pricing initiatives to offset cost inflation. We're excited about our intended acquisition of the African activities of Kansai Paint, a clear sign we're continuing to build for the future, while remaining committed to achieving our strategic ambitions.

Transforming Tashan

More than 20 buildings in the Marmara district of Türkiye were given a new lease of life by our Marshall brand. A joint venture with the local council at Bilecik Gölpazarı, the project involved renovating 23 important historical structures within the Tashan conservation area.

Revenue in € millions



"2022 was a turbulent year. The war in Ukraine, rising energy costs and reduced macro-economic confidence impacted our business significantly. I'm extremely proud of the commit-ment and resilience of the team to adapt."

Jan-Piet van Kesteren, Director of Decorative Paints Europe, Middle East and Africa

2022 highlight

We announced our intention to acquire all the African paints and coatings activities of Kansai Paint, which is active in 12 countries in Africa. The intended transaction (to be finalized in 2023) includes the Plascon brand, which has more than 100 years of heritage in South Africa.Together with our own Dulux brand, they're the longest-established paint brands in the region. Also included are all of Kansai Paint's automotive and protective coatings, and coatings for wood and coil. The intended deal will further strengthen our leading business in the region and provide an excellent platform for future growth.

OTHER KEY DEVELOPMENTS

- Our sustainability initiatives to reduce the environmental footprint of our products gained strong momentum. This included switching much of our plastic packs in Europe to (partially) recycled plastic content, while we now use bio-based binders for some of our highest volume wall paints
- The benefits of our cross-business complexity reduction program focused on recipe, raw material and packaging consolidation – as well as late differentiation – started to kick in and helped us partially mitigate the huge raw material price increases and improve our agility
- Developed our significant stores footprint by moving to a fully auto-nomous franchise organization in the Netherlands and welcoming new partners into the growing Sikkens stores organization in France
- Numerous "Let's Colour" community projects were staged across the region, while our long-standing partnership with SOS Children's Villages continued to be a pivotal part of our social program, especially supporting families evacuating Ukraine
- The Dulux Academy continued to flourish. The program now delivers courses at 13 venues across the UK and has trained 13,000 painters and decorators to date
- Continued to build e-commerce direct-to-consumer delivery capability in several European markets to directly support ambitious growth plans for key retailers

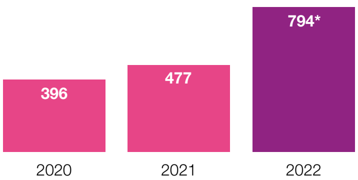
Key brands

Bruguer, Dulux, Flexa, Sadolin, savana, Levis, Marshall, Nordsjö, Vivechrom, Hammerite, xylazel, Polyfilla, sikkens, TITAN, ceta bever, Trimetal, astral Peintures Bâtiment, Herbol, MAUVILAC

2022 SUMMARY

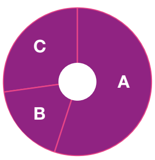
Although we faced significant market challenges, including supply constraints and high inflation, we delivered solid results and continued to make progress in line with our strategy. Results were driven by pricing, growth in the premium market segment, innovation, margin management and strong commercial initiatives – including an improved shopping experience – as well as investment in branding campaigns.

Revenue in € millions



*Includes Grupo Orbis

Decorative Paints revenue by destination in %



A	EMEA	55
B	Latin America	18
C	Asia	27

Key brands

Alba
Coral
Inca
Alabastine
ICO
Cetol
Hammerite
Protecto
Pintuco – El Color de la Calidad
Sparlack

2022 highlight

We completed the acquisition of Colombia-based paints and coatings company Grupo Orbis, which strengthened our long-term position as a leading decorative paints player in Latin America. The business we acquired has a presence in ten countries in Central America, Latin America and the Antilles, with the transaction including the Pintuco paints and coatings business; Andercol and Poliquim (resins, emulsions, adhesives and specialty chemicals); and Mundial (paints and related product distribution services)*. Grupo Orbis also has a strong and widely admired approach to sustainability, with its social programs being organized through the Pintuco Foundation.

*The acquired coatings activities are now part of our Performance Coatings business.

OTHER KEY DEVELOPMENTS

- Our premium interior wall paints continued to grow market share, driven by blue stores expansion, revenue management, the Promise branding campaign and our professional Academy
- Launched a series of innovative new products, including Proteção Sol & Chuva in Brazil, Duralba in Argentina and Incamur in Uruguay
- Rolled out the second wave of Dulux Promise, our first regional campaign to be introduced simultaneously in Brazil, Argentina and Uruguay
- A new solar power project at our Recife site in Brazil entered its final construction phase. It's expected to be fully operational in early 2023
- In Brazil, external recognition for our activities included best consumer service in the paint sector (Reclame Aqui), best premium paint in the retail sector (ABRART) and preferred paint among painters (Show do Pintor)
- Dozens of homes in Belo Horizonte, Brazil, were turned into a giant geometric mural as part of a "Let's Colour" project staged with Morro Arte Mural. Famous local artist Criola used 540 liters of our Coral paint to create the eye-catching design

"The integration of Grupo Orbis is accelerating growth. We'll continue to build on our strong foundations in products, brands, store presence and organizational health to further expand our long-term position."

Daniel Campos, Director of Decorative Paints Latin America

Standing tall

Our Coral brand created a special shade of protective coating for the new Christ the Protector statue in Brazil. Towering 43.5 meters over Rio Grande do Sul, it's Latin America's largest statue of Christ and the world's third biggest.

We've got the power

The world's largest installed offshore wind farm, Hornsea 2, became operational during 2022 and it's being protected from the ravages of the North Sea by our high-performance epoxy technology.

Located around 89 kilometers off the east coast of England, all 165 of its giant 8MW turbines feature our International branded Interzone 954 coatings on their foundations. The product has firmly established itself as the go-to solution for engineers and fabrication yards when it comes to protecting assets against demanding offshore conditions.

Hornsea 2 has the capacity to produce more than 1.3 gigawatts of energy – enough to power more than 1.4 million homes. The project follows on from the successful 2021 completion of Hornsea 1 – previous holder of the world's biggest offshore wind farm title. Its 174 7MW turbines, also coated by AkzoNobel, already supply power to around a million homes in the UK.

"It's fantastic to be involved in such an ambitious project with this kind of size and scale," says Simon Parker, Director of AkzoNobel's Marine and Protective Coatings business. "As the world moves to a more sustainable future, it's essential that vital infrastructure isn't just fit for purpose, but is equipped for the long term as well.

"That's where epoxy technology – and in particular our Interzone range – plays such a vital role as the go-to technology for this industry. It's one of the most trusted products for protecting structures operating in the harshest environments and has more than 30 years of proven performance, while also protecting over 4,000 offshore wind assets worldwide."

"It was another year of solid performance and, given the rebound of both aero-space and automotive, there are many oppor-tunities ahead of us."

Patrick Bourguignon,
Director of Automotive
and Specialty Coatings

2022 SUMMARY

It was a strong year for Aerospace Coatings as the market recovered, which also saw many wins at customer level. A big highlight was the innovation award we received for our chrome-free technology. Vehicle Refinishes produced a similar performance, achieving good results in all regions. High energy costs and labor shortages continued to impact our customers, while presenting us with opportunities to support our customers' sustainability ambitions. It was a mixed year for our Automotive activities, which were impacted by semi-conductor shortages, although we did see an encouraging recovery in the second half of the year. While our Consumer Electronics business was impacted by lower demand, our teams worked hard to uncover new opportunities ahead of what is expected to be another challenging year.

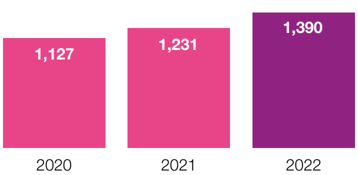
2022 highlight

We introduced the vehicle refinish industry's first repair calculator to measure, manage and reduce carbon emissions. The CO_2eRepairCalculator is designed to help customers reduce their carbon footprint when using our premium refinish products. It identifies the carbon levels associated with the painting and drying process – including the energy consumed – and is linked directly to the vehicle refinishing products being used. Bodyshops are therefore able to see how changes in the products they use and the processes they follow can have a direct impact on reducing carbon emissions and energy costs, as well as improving their productivity.

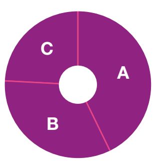
Nintendo partnership

Supplied special coatings for the interior of the Nintendo Switch OLED, which offers a larger screen with more intense colors.

Revenue in € millions



Revenue by destination in %



A EMEA	43
B Americas	33
C Asia Pacific	24

Key brands

AkzoNobel
Sikkens
DYNACOAT
LESONAL
WANDA

New milestone

Our Acoat Selected program for the vehicle refinishes industry – which offers business benchmarking, management training and process optimization – celebrated its 45th anniversary.

Sharing success

We supplied our latest aerospace grade Intura interior coating system to composite materials business Diab for its innovative thermoplastic sandwich panel – which was recognized at the 2022 JEC Composites Innovation Awards.

Capacity boost

In July, we announced a €15 million investment to boost production capacity at our aerospace coatings facility in Pamiers, France. The funds will also be used to reduce environmental impact and improve safety processes and working conditions.

Chrome-free primer

In close collaboration with a leading OEM, our Aerospace Coatings business developed a chrome-free basic primer system which offers the performance of traditional chromate primers, without the use of chromates.

BYD agreement

We became global refinish partner for electric vehicle maker BYD – extending the agreement we already had in China – enabling us to push ahead with our shared ambition of reducing carbon emissions.

Virtual training

Launched a new innovation in aerospace industry training by investing in virtual reality technology which mimics a customer's production environment. The VR headset immerses the trainee in a virtual paint booth, complete with everything from aircraft parts to the production floor itself.

"We managed our external challenges, while focusing on the future, delivering strong pricing in all segments and maintaining high customer confidence."

Daniela Vlad,
Director of Industrial Coatings (until February 1, 2023)

2022 SUMMARY

It was a year of two halves. The first half-year was characterized by strong trading conditions in most of our markets and regions. In Packaging Coatings, demand for aluminum beverage cans globally was very strong across all regions, while Coil Coatings continued to benefit from pent-up post-COVID-19 demand. Our European business, however, was impacted by the war in Ukraine.

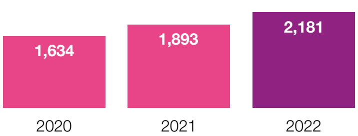
The second half-year was challenging in all segments as the combined effects of high energy costs and inflation impacted all our end markets in Europe. Customers reduced output significantly to manage energy, which affected demand. The COVID-19 resurgence in Asia also impacted our business, notably in China.

Despite these strong headwinds, we continued to service and innovate for our customers across all segments. We responded in particular to the strongly developing requirement for sustainable solutions, such as energy-efficient coatings, which will be a key feature in 2023 and years to come.

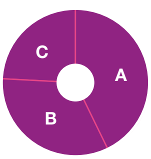
2022 highlight

We introduced our CERAM-A-STAR 1050 Select standard color palette for coil coatings. It's formulated using our market reference SMP technology to provide improved productivity and more efficient use of working capital for our coil coater customers. Our other service partners benefit from the reduction in color complexity, shorter lead times and lower risk of slow-moving inventory. The use of our leading SMP technology also translates into greater confidence in the security of supply. This is important for our customers in the evolving landscape of coil and extruded metal manufacturing, who have faced supply challenges in the PVDF (polyvinylidene fluoride) supply chain. Our new portfolio is based on greener chemistry alternatives than PVDF, so customers now have more sustainable options to achieve a comparable finish and performance in most applications.

Revenue in € millions



Revenue by destination in %



A	EMEA	43
B	Americas	33
C	Asia Pacific	24

Key brands

Chemcraft
Sikkens Wood Coatings
Zweihorn

OTHER KEY DEVELOPMENTS

- Renewed our POLYDURE range of polyester paint systems to offer more product customization, more support and more performance to our customers
- Launched Acquaduro, a 2k water-based polyurethane system of wood finishes which will enable our Chemcraft distributors in North America to offer an alternative to solvent-borne technologies
- Introduced PVDF (polyvinylidene fluoride) product alternatives including CERAM-A-STAR Plus and SILKSTAR 5000

Making a mark

Several landmark buildings and sports venues were coated with our products, including the Aqua Tower in Miami, Orlando International Airport, and the National Ski Jumping Center and National Speed Skating Oval in Beijing, China.

Anniversary for Zweihorn brand

Our Zweihorn premium wood finishes brand celebrated its 110th anniversary. Established in 1912, the portfolio includes paints, stains, varnishes, oils and waxes, and special products for carpenters and joiners.

Wood coatings embrace more renewables

UV and water-based products containing at least 5% bio-based raw materials – in line with market demand – were launched and approved by key customers in the wood finishes market. It will help them – and their third party suppliers – to become more sustainable and marks the first step towards wider use of renewables within wood coatings.

Shaping change together

Rolled out our #ShapingChangeTogether campaign. It highlights the fact that the move away from bisphenol A-based coatings – as well as all bisphenols used for metal food and beverage packaging – requires the entire value chain to take action.

2022 SUMMARY

There was market recovery across our business and regions during the year. Despite a continuation of COVID-19 impact in some areas, we remained proactive in supporting the success of our customers' projects around the world. The sustained momentum of the energy transition and the associated investment provided improved demand recovery in our Protective Coatings business. Similarly in Marine Coatings, the rebound of global sea-borne trade post-COVID-19 – together with the increased International Maritime Organization (IMO) focus on vessel efficiency improvements – supported increased activity in this market. In Yacht Coatings, customer demand for our high quality products, services and people expertise remained positive in the recreational boating and superyacht market.

Chartek demand continues

There was high demand throughout the year for our Chartek brand and its high-performance range of fireproofing products, which continue to be the energy industry benchmark.

"We were extremely pleased to continue doing what we do best – supporting the success of our customers in a sustainable way."

Simon Parker,
Director of Marine and Protective Coatings

B-Free Explore sets sail

We introduced B-Free Explore, the first product in a new biocide-free range designed to provide recreational boaters with solutions that have a lower impact on the environment compared with traditional fouling control products.

Launch of Interzone 954GF

Introduced Interzone 954GF for marine vessel cargo holds and other areas requiring high abrasion resistance. It offers increased protection, is suitable over hydro-blasted surfaces and delivers a 20% VOC emission saving compared with the market average product.

Saving time and costs

Launched Micron Extra SPC onto the yacht market, which caters for the rising demand for easy-to-use hull solutions that deliver time and cost savings.

Milestone for Intercept 8500LPP

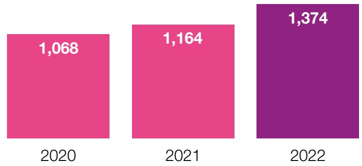
Our pioneering Intercept 8500LPP antifouling reached its 60-month in-service milestone, with customers continuing to choose the ultra-performing coating for re-applications and use on new vessels.

2022 highlight

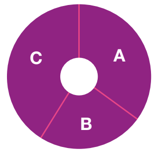
Our Interzone epoxy technology continued to be the system of choice for the wind energy industry. We now protect more than 4,000 operational assets in this market, including France's first commercial offshore project, the new St. Nazaire wind farm. Our portfolio was also expanded with the introduction of Interzone 9545 tri-cure hybrid epoxy technology. It can reduce VOC emissions by 70% and boost offshore wind foundation coating productivity by 50% – helping to support opportunities to expand production in this important market. Meanwhile, Interzone 1000 epoxy continues to be the go-to technology and product when glass flake protection is required to align with key industry standards.

Photo: Smulders

Revenue in € millions



Revenue by destination in %



A EMEA	35
B Americas	24
C Asia Pacific	41

Key brands

Customer collaboration

We worked together with customers to develop knowledge and address challenges in the construction of facilities to handle sustainable fuels such as HVO and biodiesel.

“We focused on cementing our clear market leadership and adapted to our customers’ changing needs to continue providing reliable and trusted solutions.”

Jeff Jirak, Director of Powder Coatings

2022 SUMMARY

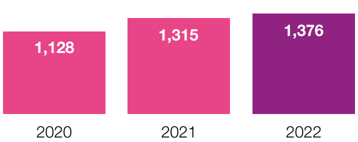
It was a challenging year, which began with industry-wide supply constraints, followed by a macro-economic slowdown. As a result, our Architectural business was impacted by lower demand. We did see increased demand and uptake for our lower cure temperature solutions, due to higher energy costs. However, these cost increases – along with inflation in general – dampened overall demand in many regions, irrespective of end markets.

Despite these challenges, there were positive signs of recovery in our Automotive business in the second half of the year and we continued to invest in new innovations, including automotive applications for wheels, underbodies and EV batteries. The liquid to powder revolution has excellent growth potential, given the underlying increase in demand for more sustainable coating solutions. So we’re well positioned, based on certain lower environmental impacts our powder coatings can offer.

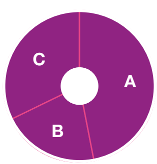
2022 highlight

We launched our new Futura Collection 2022-2025, which delivers a superdurable performance designed to enable buildings to stand the test of time. The legacy of a building is determined by its ability to withstand its surroundings. The Futura collection therefore reflects our proven commitment to sustainability, while helping designers connect to the latest developments in the built environment. In fact, our architectural offering was the first-ever range of powder coatings to achieve an Environmental Product Declaration (EPD), acknowledging the fact that we’re providing the industry with more sustainable solutions and alternatives.

Revenue in € millions



Revenue by destination in %



A	EMEA	47
B	Americas	21
C	Asia Pacific	32

Key brands

Interpon Powder Coatings, Resicoat Experts in Functional Powder Coatings, Cromadex, Powdertech

Leading the charge

Received approvals from multiple leading electric vehicle original equipment manufacturers and battery manufacturers to apply our superior Resicoat and Interpon technologies and solutions.

Corrosion prevention

Launched Redox One Coat, a corrosion prevention solution for agricultural and construction equipment, metal outdoor furniture, lighting, leisure equipment and steel products.

Brand refresh

Relaunched and refreshed our Interpon brand with a dedicated microsite and targeted campaigns to help us further grow our digital presence.

Lankwitzer deal

Acquired the liquid wheel coatings business of Lankwitzer Lackfabrik GmbH – perfectly complementing our existing powder coatings portfolio.

Site investments

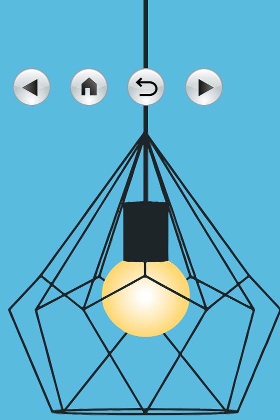
Made further investments in our factories in Asia, Europe and Africa.

Low E update

Updated our Interpon Low E product range, based on increasing energy prices and growing demand for sustainable solutions.

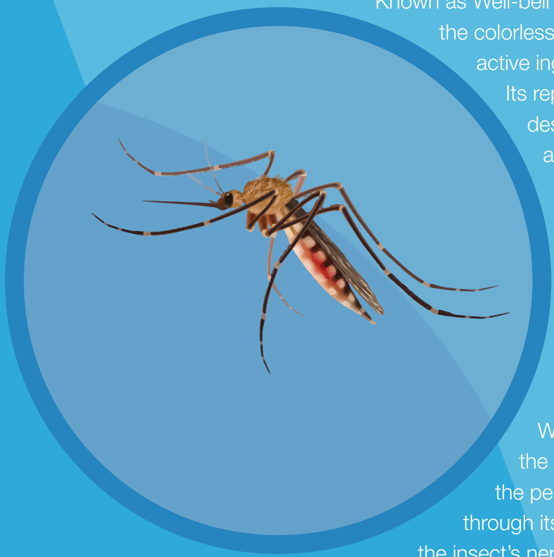
Resicoat R8

Our Resicoat R8 range of powder coatings was introduced. The products are completely free of intentionally added Bisphenol A (BPA).



Biting back to combat disease

Our Coral brand in Brazil has introduced a mosquito-repellent coating which will be a powerful ally in the fight against a notorious carrier of dengue fever.



Known as Well-being Protection Anti-Mosquito, the colorless matt varnish contains an active ingredient called permethrin. Its repellent action is specifically designed to combat the Aedes aegypti mosquito, which was largely responsible for dengue cases in Brazil surging 180.5% by November 2022 (versus 2021), according to figures from the Brazilian Ministry of Health.

When a mosquito lands on the new transparent topcoat, the permethrin is absorbed through its feet and over-excites the insect's nervous system, causing it to disengage or fall off. Permethrin is a well-known repellent and is commonly used in fabrics for mosquito nets and protective clothing.

"Public health is a major issue in countries across the world," explains Daniel Campos, Director of our Decorative Paints business in Latin America. "In Brazil, dengue is a particular problem. We wanted to help people look after their families by offering a breakthrough product which has been proven to give continuous protection against the Aedes aegypti mosquito, 24 hours a day, for up to two years."

The effectiveness of Well-being Protection Anti-Mosquito was tested in an independent external laboratory, certified by the Brazilian Network of Analytical Laboratories in Health. All the tests took place on painted walls and ceilings in a life-size house environment and successfully proved that mosquitoes were repelled from the room after contact, with the active ingredient being retained in the varnish matrix.

The new product is currently only available in Brazil.

SUSTAINABILITY STATEMENTS

This section details our sustainability performance. It explains our ambitions, outlines our approach to creating shared value and shows our performance on key environmental and social indicators.

For additional information, visit: akzonobel.com/en/about-us/sustainability-

The indicators that fall within the scope of limited assurance of the external auditor are marked with the following symbol: ▶

See page 152 for the Limited assurance report of the independent auditor, which includes details on scoping and outcomes.

2022 sustainability highlights

PAGE 34
Increased capacity for sustainable solutions

To boost capacity for the supply of more sustainable solutions, we've invested in a new production line for water-based texture paints at our Songjiang site in Shanghai, China.

PAGE 36
Tackling climate change together

The unique 24-hour Collaborative Sustainability Challenge brought AkzoNobel and value chain partners together to accelerate the collective reduction of carbon emissions and limit global warming.

PAGE 40
Taking solvent recovery to the next level

By installing solvent recovery units, our Industrial Coatings sites are reusing and reprocessing solvents to help us reduce our emissions and waste.

PAGE 45
Minding the gender pay gap

An external review of our compensation practices, conducted as part of our commitment to diversity and inclusion, has found no significant gender pay gap.

PAGE 51
Paint the Future accelerates sustainable startup solutions

Three new startups joined the growing ranks of global Paint the Future challenge winners and have started our accelerator program.

Our approach to sustainability
At AkzoNobel, we've made it our business to deliver the sustainable and innovative solutions that our customers, communities – and the planet – are increasingly relying on.

We're fully focused on ensuring that the pioneering paints and coatings we supply today can help to safeguard our world far beyond tomorrow.

Pushing boundaries to ensure a sustainable future
Guided by our People. Planet. Paint. approach, which lies at the heart of everything we do, we've identified three key global topics – climate change, circularity, and health and well-being.

Collaborating with customers, suppliers, academia and other stakeholders is fundamental to what we want to achieve. It's about pushing boundaries and finding inventive ways to collectively make a positive contribution to an ever-changing world. This will be vital if we're to realize our science-based target of halving our carbon emissions by 2030.

ESG rating agencies and benchmarks
As we work towards our ambitious targets, we benchmark ourselves versus peers and industry. We annually review the benchmarks we actively participate in, taking into account stakeholder preference, such as investors, suppliers and customers. We prioritize active participation in those benchmarks that help to drive continuous improvement and rely mostly on publicly available information. We're proud that we've remained at the forefront of the paints and coatings industry throughout 2022, based on these ESG rating agencies and benchmarks.

ESG rating agency	Key achievement
EcoVadis	We were awarded a Platinum rating in the latest review, positioning us in the top 1% of our industry.
FTSE4Good	We were included in the latest FTSE4Good Index Series – that makes more than 15 years we've been included in this influential ranking.
MSCI	We've received the highest possible rating (AAA) for seven consecutive years.
Sustainalytics	We're assessed as "low risk" and ESG top rated in our industry.

More information about the ratings we've received from various external ESG rating agencies can be found on our website.

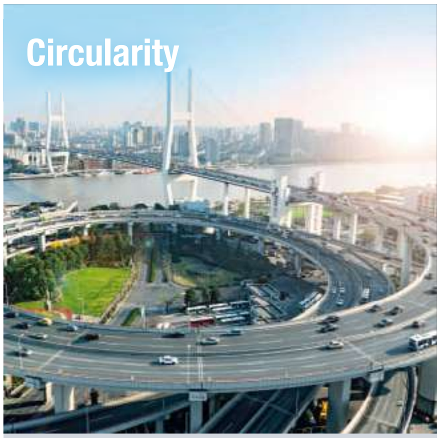
Key partnerships

We're a member of associations and organizations that are aligned with our approach to sustainable business. More information about these collaborations is available on our website.

Climate change

How we help limit climate change. We focus on halving our carbon emissions in our value chain – by moving to renewable electricity and reducing overall energy consumption for our own operations – and developing solutions that help customers reduce their overall carbon footprint.

Circularity



How we move towards a circular economy. We're reducing waste throughout our value chain – increasing the use of renewable and recycled materials and material efficiency – while protecting surfaces and materials, making them last longer.

Health and well-being

How we safeguard the health and well-being of our employees, customers, end-users and other stakeholders in the communities where we operate.

28% 2022 | **50%** 2030 ambition

Carbon emission reduction
Own operations (baseline 2018, absolute)

56% 2022 | **100%** 2030 ambition

Circular use of materials
The amount of materials (in own operations) reused by AkzoNobel and third parties

38,087 2020-2022 | **100,000+** 2030 ambition

People empowered
Members of local communities empowered with new skills (cumulative)

40% 2022 | **50%** 2030 ambition

Sustainable solutions
Revenue from sustainable solutions

United Nations SDGs
Our approach to sustainability is designed to contribute to the global agenda represented by the UN Sustainable Development Goals. As a company, we recognize their strategic importance to our business and to the world – and continue to focus on those SDGs where we can have the biggest impact.

CLIMATE CHANGE

28%
2022

50%
2030 ambition

Carbon emission reduction
Own operations (baseline 2018, absolute)

6%
2022

50%
2030 ambition

Carbon emission reduction value chain
Scope 3 emissions, selected Scope 3 upstream and downstream (baseline 2018, absolute)

50%
2022

100%
2030 ambition

Renewable electricity
(of total electricity used in own operations)

1%
2022

30%
2030 ambition

Energy reduction (baseline 2018, relative)

We're taking action to limit climate change. In our value chain, we're aiming to halve our carbon emissions. We're also developing solutions to help our customers reduce their carbon footprint.

We're aware that climate change could affect our operations, our supply chain and our customers. So, in 2017, we committed to becoming a carbon-neutral company by 2050. In 2021, we announced an ambitious target of reducing carbon emissions across our full value chain by 50% by 2030, taking 2018 as our baseline.

These ambitions are aligned with the Paris Agreement – which aims to limit climate change and ensure the global temperature doesn't rise more than 1.5˚C above pre-industrial levels – and are approved by the Science Based Targets initiative (SBTi).

For our own operations, we're moving to renewable electricity and reducing our overall energy consumption. Across our value chain, we engage with our suppliers and develop sustainable solutions that help our customers reduce their carbon footprint.

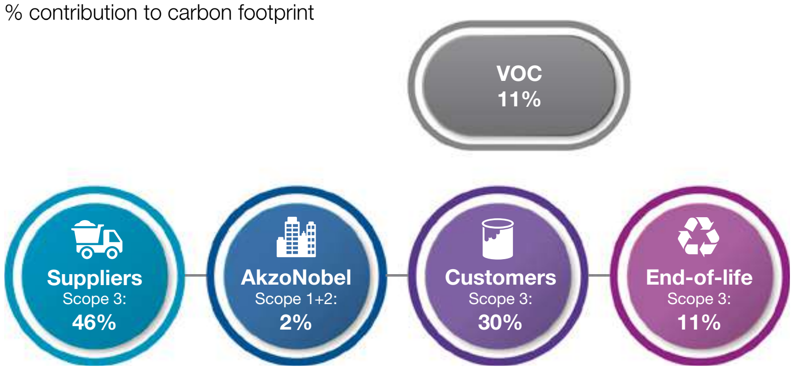
In addition, we're exposed to risks and opportunities that follow from climate change, which we detail in this section.

Our carbon footprint explained

(see illustration below)

- **Scope 3 upstream:** the processes required to produce the materials we use in our products contribute 46% to our total footprint. Engaging with our suppliers is one of our main priorities in reducing this part of our carbon footprint
- **Scope 1 and 2:** the production of our products contributes 2% to our total carbon footprint, which is within our direct control
- **Scope 3 downstream:** the application and curing of our coatings accounts for 30% of our total carbon footprint, mainly due to coatings cured at elevated temperatures. VOC (volatile organic compounds) emissions make up 11% of our total footprint. We added this category to our SBTi commitment as VOCs are an important emission factor for the paints and coatings industry
- **Scope 3 downstream:** end-of-life emissions relate to the carbon in our products which is released at the end of their lifecycle, accounting for 11% of carbon emissions

The carbon footprint in our value chain
% contribution to carbon footprint

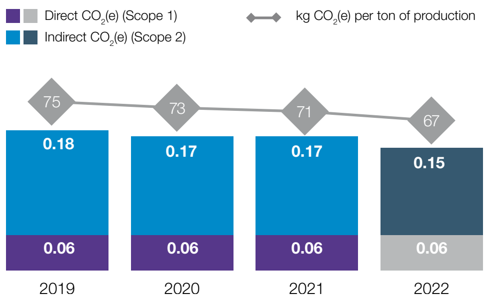


Carbon emissions in own operations

To achieve our target of reducing our carbon footprint in our own operations by 50% (Scope 1 and 2), we're working on two enablers: increasing the percentage of renewable electricity to 100% and reducing the energy we consume by 30% by 2030 (versus 2018).

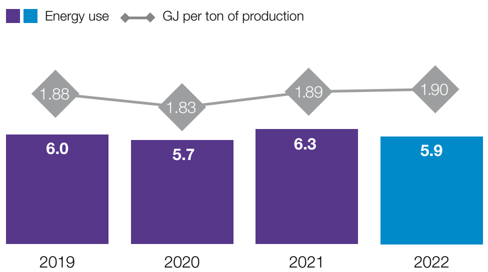
From an absolute reduction perspective, our combined Scope 1 and 2 reduced by 28% versus our 2018 baseline (absolute). Compared with 2021, we further reduced carbon emissions by 12% in 2022 (absolute). We're well on track towards our 50% reduction target for 2030. From a relative perspective, our Scope 1 stayed flat since 2018, while our Scope 2 emissions reduced by 32%.

Greenhouse gas emissions (CO_2) in million tons



Total greenhouse gas emissions made up of direct emissions from processes and combustion at our facilities and indirect emissions from purchased energy.

Energy use in 1000 TJ



The energy consumption of AkzoNobel in absolute measures and per ton of production.

Energy

Part of reducing our carbon emissions from our own operations (Scope 1 and 2) is reducing the amount of energy we consume. We're committed to reducing our relative energy consumption by 30% by 2030 (baseline 2018) and plan to do so through an ambitious 5% relative year-over-year reduction objective.

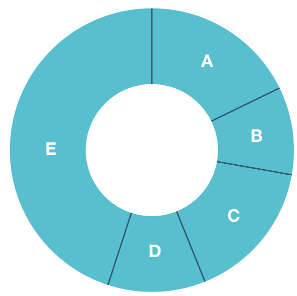
For 2022, our absolute energy consumption reduced 7% versus 2021, while our relative energy consumption was 1% up compared with 2021, and reduced by 1% versus 2018. The pie charts to the right show the breakdown for our regional energy consumption.

We track the cumulative energy reduction impact of improvement projects such as shutdown management and LED installation. This helps us better understand our performance and adjust our strategy as we continue in a cycle of continuous improvement.

Despite the programs in place, achieving the 5% relative reduction target has been challenging, partly due to changes in our product and portfolio mix. For example, changes in our product portfolio mix include increased demand for products that take a higher energy intensity to produce. The current macro-economic environment has also impacted our volumes and therefore our relative energy consumption. In addition, the VOC emission abatement systems and solvent recovery units we're installing to reduce VOC emissions and waste are relatively energy intensive.

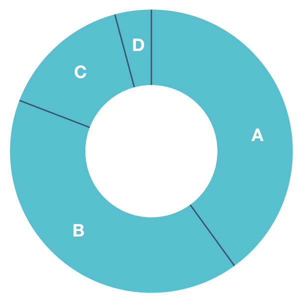
While an overall relative energy consumption reduction of 5% was not achieved, we've implemented many energy reduction initiatives. For example, our Hull site in the UK installed CEMA lighting, which reduced the lighting system's carbon emissions by 70%. And in France, a renewal of Montataire's compressor room and a warehouse LED project have reduced annual electricity consumption by more than 1.8 GWh.

Regional split energy use in %



A North America	18
B Latin America	10
C North Asia	16
D South Asia	11
E EMEA	45

Energy breakdown in %



A Electricity non-renewable	40
B Electricity renewable	41
C Gas	15
D Other	4

We're continuing to investigate targeted investment for energy reduction programs, refine our energy monitoring management and implement a renewed governance structure.

Renewable energy

As shown in the graph above, electricity makes up the vast majority of our total energy use (81%). Of that, our total percentage of renewable electricity was 50% in 2022, well on track towards our target of 100% by 2030 and already achieving our 2025 interim target of 50%.

During 2022, we continued to install solar panels at several sites and purchase renewable electricity with certificates of origin. Generating renewable electricity on site alleviates pressure on the electricity grid and further reduces our carbon footprint. In total, 53 of our locations now use 100% renewable electricity and 26 sites are using solar panels as a supplementary source of energy.

Our Izmir powder coatings facility in Türkiye completed a major solar energy project in 2022, with more than 2,300 panels installed. Similarly, our Songjiang decorative paints facility installed over 5,000 solar panels during 2022.

Volatile organic compounds

The production of solvent-based paints and coatings causes emissions of volatile organic compounds (VOCs). These emissions are included in our cradle-to-grave carbon footprint. In our own operations, we achieved a relative 7% reduction versus 2021 in VOC emissions per ton of product, and a total reduction of 45% versus the 2018 baseline.

We're reducing VOC emissions in two distinct ways. Firstly, we implement abatement technologies such as thermal oxidizers or activated carbon filters. Secondly, we optimize our footprint by concentrating solvent-based production in more efficient or automated factories to altogether eliminate emissions. In addition, we're also actively working on transitioning from solvent-based to water-based solutions where possible.

Increased capacity for sustainable solutions

We've invested in a new production line for water-based texture paints at our Songjiang site in Shanghai, China – boosting capacity for supplying more sustainable products.

The site is one of four water-based decorative paints plants in China and among our largest globally. The new 2,500 square meter facility will produce Dulux products for various markets, such as interior decoration, architecture and leisure.

Recent projects include introducing new solar energy systems and a more automated high-speed filling line.

"As our largest single country market, China has huge potential," explains Mark Kwok, Director of Decorative Paints North Asia. "The new production line will help enhance our leading position in paints and coatings in China by expanding new markets and further driving us towards our strategic ambitions."

China is increasingly focusing on energy conservation and emission reduction, which in turn is being reflected in the type of products customers want to buy. The production of low VOC, water-based paints will therefore need to keep expanding to meet this demand.

Carbon emissions in our full value chain

Our efforts to mitigate climate change stretch beyond our own operations as we work towards reducing our carbon emissions by 50% throughout our whole value chain by 2030.

> ***"We encourage our value chain partners to join us in setting ambitious, science-based emission reduction targets. It's only through shared responsibility that we can drive significant value chain decarbonization."***
>
> Greg Poux-Guillaume, CEO

As most of our carbon footprint comes from our Scope 3 emissions, our ambitions are a key driver for innovation and collaboration with our value chain partners, especially suppliers and customers. In setting these ambitious targets, we've taken responsibility for the decarbonization of our operations and made the commitment to help our value chain partners decarbonize theirs. This is also the most challenging target, as it sits outside the scope of our direct control.

Carbon footprint in our value chain

Our 50% (absolute) reduction ambition encompasses the categories below, covering around 95% of our total Scope 3 emissions:

- Upstream: Category 1 (purchased goods and services, including packaging)
- Downstream: Category 10 and 11 (application and use of sold products), VOC emissions and Category 12 (end-of-life)

Our 2022 Scope 3 carbon footprint was 13.2 million tons, 9% down from 2021, driven by lower volumes and improvements in our portfolio such as more water-based solutions.

We're focused on developing increasingly more sustainable solutions and are integrating carbon reduction into our internal plans and tooling. As the development of new solutions, investments in the value chain and market acceptance takes time, we expect the majority of the reduction of our Scope 3 carbon footprint towards the latter part of the decade.

Emission reduction levers

During 2022, we further analyzed the breakdown of our Scope 3 emissions. We identified key levers for reduction which can be grouped into four categories: Energy transition; Application efficiency; Solvent emissions; Circular solutions.

We're actively running reduction projects throughout the company in these key focus areas, and have set up a governance structure to ensure they're embedded in future plans, such as our R&D pipeline and supplier engagements.

Upstream emission management

Throughout the year, we engaged with our top 200 suppliers, for example during a live webcast, to share our ambitions and encourage these key stakeholders to do the same. Key impact areas for our suppliers are: increasing process efficiency; moving to renewable energy; and reducing the use of fossil materials and fuels. We're now working together on joint programs with key suppliers to achieve further carbon reduction in our full value chain.

In 2022, Together for Sustainability (TfS) launched the Product Carbon Footprint Guideline to ensure a consistent measure of carbon emissions along the value chain in the chemical industry and beyond. We fully support this new global guidance and encourage our suppliers to join us in using it as a way of identifying collaborative opportunities. This is in line with our ambition to move gradually from using industry averages to supplier-specific data. For more information about upstream emission management, see Sustainability and risk management with our suppliers.

Downstream emission management

We're directly engaging with our key customers to align on potential carbon reduction in their processes, for example during coating application. An example is approaching customers using gas to cure our coatings and offering them products that require lower curing temperatures – which can help lower their carbon footprint and save energy costs. With this approach, we aim to become the partner of choice for carbon conscious customers.

There's an increased demand for coatings that are less carbon intensive. In our Automotive and Specialty Coatings business, demand for ambient and UV curing coatings is rising. We're looking to collaborate with customers and advise them on carbon reduction strategies for their coating processes.

The innovation and development of our sustainable solutions not only plays a key role, but involves the majority of our approximately 3,000 people in RD&I teams and our €258 million innovation investments.

We saw a sharp increase in customer needs regarding product carbon footprint in 2022, especially in the transportation, energy and buildings segments. We're now able to provide carbon footprint data where needed and our internal teams are trained to use it in customer collaborations.

Across our value chain

During 2022, we continued to integrate sustainability and innovation into our daily business to work towards our ambitions. For example, through our Paint the Future platform, we actively promote open innovation in areas contributing to carbon reduction (see Tackling climate change together on page 36).

Tackling climate change together

A boundary-pushing approach to hacking carbon reduction challenges has been established by AkzoNobel and partners from across the extended value chain (including customers, suppliers, NGOs and academia).

The global Collaborative Sustainability Challenge, a new initiative of Paint the Future, kicked off in May 2022. It brought together senior and next generation leaders to begin hacking four key areas: energy transition, process efficiency, solvent emissions and circular solutions. In total, 28 partners signed up to continue working on possible solutions to help limit climate change.

Six months later, November's Discovery Day brought everybody back together to present what they had learned and to agree on the five projects that will continue. AkzoNobel is involved in the following three and will help:

- The coatings industry take sustainability into account by identifying potential value proposition-based metrics that could be used to measure sustainability of products and promote sustainable choices
- Raw material suppliers realize disruptive new process technologies that enable sustainable product solutions by proposing working models that share risks along the value chain
- The marine coatings industry provide products to the market with minimal solvent applications by campaigning for solutions for a faster decarbonization of the value chain

"Working together on this is vital," says Wijnand Bruinsma, Director of Sustainability. "We know the only way to achieve our target of halving our carbon emissions across the full value chain by 2030 is to collaborate with our partners – and we're thrilled to have generated so much momentum."

Climate change adaptation and risk management

As recommended by the Task Force on Climate-related Financial Disclosures (TCFD), we continue to monitor our risks and opportunities related to climate change.

As a company, we're exposed to physical risks – such as those associated with water scarcity, flooding and weather events – and transitional risks, such as changes in technology, market dynamics and regulation.

Carbon pricing

We have sustainability assessments in place for all material investment projects. For the last seven years, we've implemented an internal carbon price for these investment decisions, anticipating the impact of any future carbon pricing.

Annually, we quantify the potential transitional risk impact of any global carbon taxation by multiplying our carbon footprint (Scopes 1 and 2) with the internal carbon price. To analyze different potential scenarios, we calculate the impact using a carbon price ranging from €50 to €150 (per ton), the latter being the suggested UN price on carbon. That range results in an impact well below 1% of 2022 revenues.

Our suppliers and customers might be impacted by carbon pricing, which creates both risks and opportunities. For example, we can mitigate the carbon cost impact for our customers by offering sustainable solutions (see Carbon emissions in our full value chain).

Physical risks: Natural catastrophes

As climate change will most likely increase the frequency of natural hazards, during 2022 we've further analyzed the natural hazards our operations are exposed to.

As part of our risk and insurance process, we collect information about our sites by conducting risk engineering site surveys. Risk engineering is a methodology for mapping hazard risks – to evaluate the frequency and the consequences of potential hazards related to the production process – and natural hazards.

Annually, around 20% of sites are assessed following a materiality-based approach. The scope and frequency is based on the replacement value of the site, in a cycle of three to five years.

Natural hazards taken into account during this process are: earthquakes, floods, drought, hailstorms, lightning, wind, tornados, subsidence, landslides and active volcanos.

Based on these assessments, several sites are in scope with increased risk, due mainly to the potential for natural catastrophes. Based on the individual risk assessments, we put measures in place to mitigate the risks to an acceptable level.

We're currently studying what additional temperature changes (climate scenarios) would mean for our current risk profile. As indicated in Summary of significant accounting policies in Note 1 of the Consolidated financial statements, we assess the carrying value of intangible assets, property, plant and equipment and right-of-use assets whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable as a result of risks, including environmental and climate change. With regards to the risks related to water, we use the Aqueduct water risk atlas developed by the World Resources Institute to assess the level of risk at our production locations – an exercise run every three years (see Report 2021). For 2022, we observed a decrease in overall water consumption compared with 2021.

Suppliers

We continued to assess our suppliers in 2022 and take steps to better understand and manage risks around the globe from a supply perspective. We implemented a new early warning process using the "riskmethods" tool, which immediately informs us if one of our critical supply chains is potentially under risk. We also proactively map supplier locations against natural catastrophes and work with suppliers on risk mitigation plans (see Sustainability and risk management with our suppliers).

More than 2,300 solar panels have been installed at our Izmir powder coatings factory in Türkiye. The factory roof has been covered with 5,250 square meters of solar panels, contributing to our ambition of using 100% renewable electricity by 2030. We were proud to become the first company to invest in solar energy in the Aegean Free Trade Zone.

Transitional risks

We're also exposed to transitional risks, such as market and technology shifts, reputation risks and policy and legal changes. Identifying and addressing risks, including transitional risks related to climate change, is part of our regular risk management process (see Risk management).

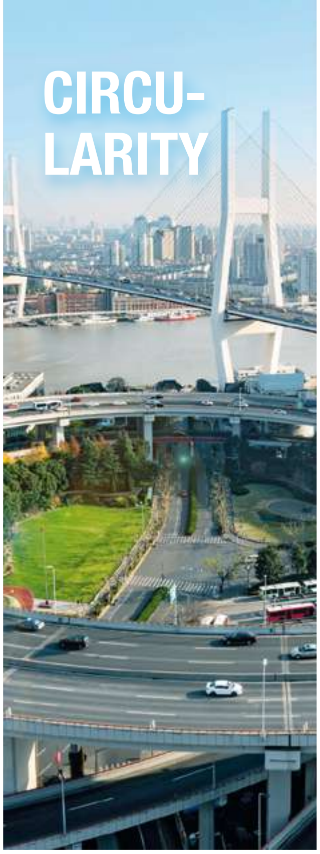
2022 sustainable solutions for climate change

Many sustainable solutions that help our customers lower their carbon footprint were launched during 2022.

Energy efficiency – new low-curing powder coatings in the agriculture, construction and equipment market segment help our customers reduce energy consumption.

Reduced solvent emissions – we continued switching wood care and trim paints to water-based technology, which is making up more than half of our volume in Decorative Paints EMEA in 2022.

Circular solutions – we scaled up the use of bio-based renewable raw materials in our wood finishes for the furniture market.



56%
2022

100%
2030 ambition

Circular use of materials
The amount of materials (in own operations) reused by AkzoNobel and third parties

Moving towards a circular economy means reducing waste and increasing circularity throughout our value chain. We're driven by reduce, reuse and recycle, while our products seek to protect and give longer life to surfaces and materials.

Reducing waste and increasing circularity

We're on a journey towards achieving 100% circular use of materials in our own operations by 2030. To get there, we're focused on reducing the amount of waste and increasing the circular use of materials.

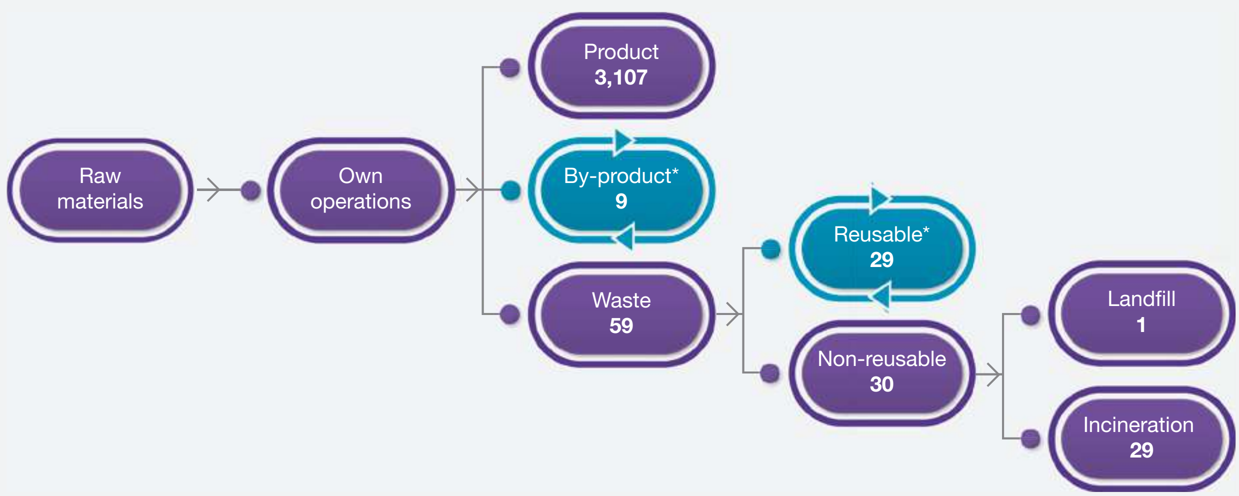
In 2022, we achieved circular use of materials for 56% of our obsolete material and waste streams. In line with our strategy of reducing, reusing and recycling materials, our material optimization process focuses on diverting slow-moving and obsolete materials from incineration to internal reuse and third-party recyclers and outlets.

We drive waste reduction through multi-disciplinary collaboration between our commercial teams, supply chain, manufacturing, HSE&S and our innovation teams. One objective for all manufacturing sites was to identify waste reduction initiatives. This resulted in the registration of 153 projects making progress on our KPIs. With a combined waste avoidance of about 9,000 tons, our total waste would otherwise be 15% (absolute) higher.

Our relative waste (kg per ton of material produced) reduced by 5% overall, meeting our annual internal goal of 5%. While the disposal of slow-moving obsolete stock and legacy waste remained a challenge, numerous waste reduction projects helped to achieve the 5% relative reduction.

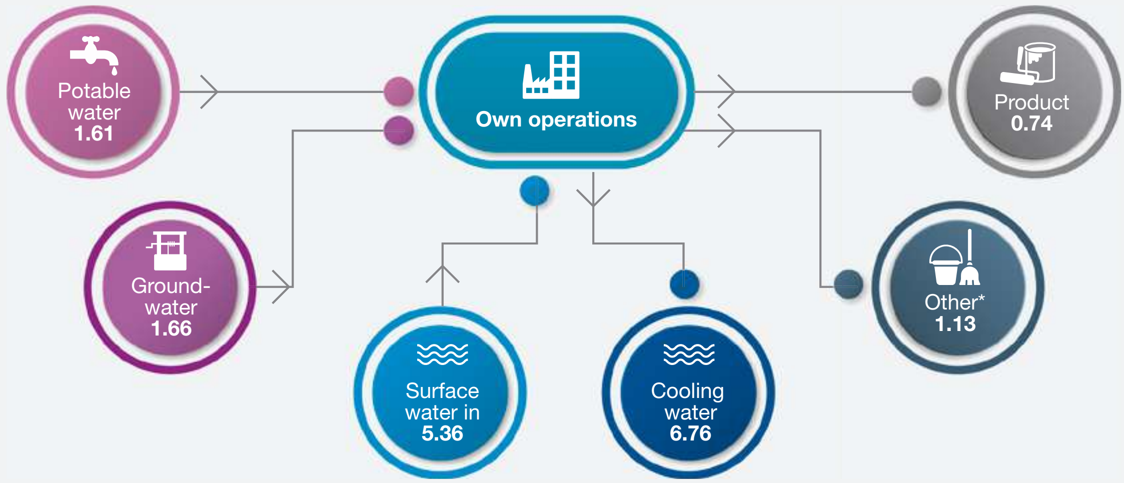
We're making progress on our ambition of zero waste to landfill (defined as <1% of total waste). In 2022, our waste to landfill reduced by 16% (absolute) versus 2021 (238 tons) to 2.2% of total waste. Overall, we've reduced

Material flow in kilotons



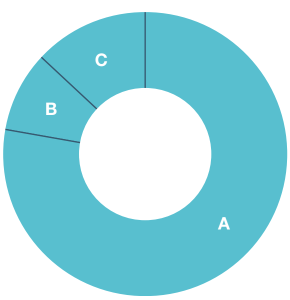
*The amount of materials reused by AkzoNobel and third parties (reusable waste and by-products) divided by the total waste and by-products, provides the percentage of circular use of materials.

Water flow in milion m³ (total for AkzoNobel)



* Factory process water other than water that ends up in the product, and water used for drinking, sanitation and irrigation

Water use in %



A Cooling	78
B Product	9
C Other	13

waste to landfill by 89% (absolute) versus the 2018 baseline.

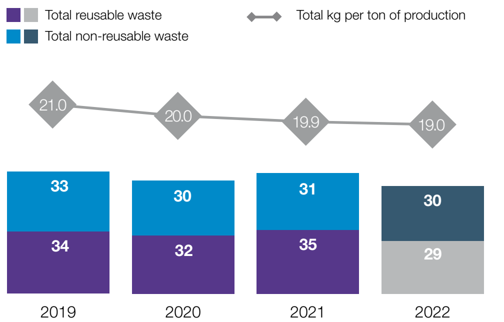
Water management

The bulk of our water use is for cooling (78% in 2022). This occurs at only a handful of our production locations in areas with a low water availability risk (assessed through the Aqueduct tool). Water is also used as a raw material in paints and for cleaning (see above graph).

We concentrate our water consumption reduction efforts at our water intensive sites – which we define as a site that uses more than 15,000m³ per year, excluding cooling water. These sites are expected to meet our target of less than 250 liters of relative fresh water consumption per ton of product. As per our internal, best-in-class benchmark analysis, a site that consumes less than 250 liters per ton of product produced is considered to have "water reuse" measures in place. Currently 34% of our sites (42) meet the definition of a water intensive site, representing 76% of our total fresh water consumption. In 2022, 14 out of the 42 water intensive sites reached the target.

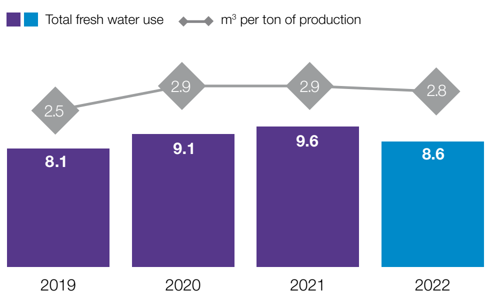
For 2023, we'll further integrate our approach to water management at water intensive sites with our Climate Risk Management approach. For physical risks related to climate change and our exposure to water stressed areas, refer to Climate change adaptation and risk management.

Total waste in kilotons



Waste means any substance or object arising from our routine operations which we discard or intend to discard.

Total fresh water use in million m³



Total fresh water use is the sum of the intake of groundwater, surface water and potable water.

Taking solvent recovery to the next level

Our Industrial Coatings sites are focused on reusing and reprocessing solvents to avoid generating waste. We currently operate 19 solvent recovery units across the EMEA region, North America and Asia.

Over the past three years, we've installed a total of 14 solvent recovery units in Asia. In 2022, an efficiency improvement program increased the efficiency of these installations from 70% to 90%.

In 2022, our site in Hilden, Germany (pictured below) also installed a solvent recovery unit. The cleaning solvents used at the site can now be distilled internally. As a result, waste at the site for the year was reduced by more than 50%, representing 1,800 tons.

Colleagues at our Hilden site in Germany reduced waste at the site by more than 50% in 2022.

Recycled content in packaging

In 2022, we delivered towards our ambition to use at least 50% recycled content in the plastic packaging used by our Decorative Paints Europe business by 2025.

Through collaboration with our packaging suppliers, we've been able to achieve up to 70% recycled content in our key packs without increasing the packaging weight or reducing its performance. In 2022, we updated most packs in the UK – our largest European market – and have further worked towards the roll-out in mainland Europe. Currently, almost one third of plastic packaging contains recycled content. We expect that to grow to more than two thirds of products in 2023, with the remainder to be changed in 2024.

2022 sustainable solutions for circularity

These products are among the many sustainable solutions launched in 2022, showing our commitment to reducing waste and increasing circularity.

Reduced materials – we launched a powder coatings solution that coats objects with only one or two layers, versus three with liquid coatings.

Renewable materials – we began using a bio-based binder in much of our high-volume decorative paint in the EMEA region.

Recycled materials – decorative paint containing recycled post-consumer waste paint was rolled out in several European countries under the Sikkens and Dulux brands.

38,087
2020-2022

100,000+
2030 ambition

People empowered
Members of local communities empowered with new skills (cumulative)

591
2020-2022

2,000+
2030 ambition

Community projects
(cumulative)

72
2022

76
Ambition

Organizational health score (OHI)

26%
2022

30%
2025 ambition

Female executives

The health and well-being of our employees, customers, end-users and other stake-holders in the communities where we operate is very important to us.

Health and safety

Safety, as one of our core values, is embedded into everything we do. We care about the safety of our colleagues and everyone we work with. It's our vision to achieve zero injuries and harm through operational excellence.

Management programs in the areas of people safety and health, process safety and security help us live up to the highest standards in our activities and at our sites. Our commitment to running our operations safely is underpinned by our Life-Saving Rules and Golden Principle to stop work if conditions or behavior are unsafe.

People safety and health

In 2022, we accelerated our life-critical procedures and Health, Safety, Environment & Security (HSE&S) roadmap program. We identified areas that need improvement in our own operations and put them on the roadmap with targeted plans and governance. We also continued to invest in functional excellence and the development of our capability in root cause analysis.

Our lift truck/pedestrian segregation program was successfully launched, taking a risk-based approach to prioritize the highest risk areas. We also continued with Behavior Based Safety (BBS), focusing on increased quality through more coached observations.

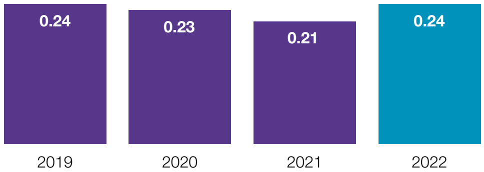
We relaunched industrial hygiene and ergonomic programs and continued to actively manage occupational illness-related absenteeism. A stricter implementation of our two-wheeler driving policy though our 2022 safe driving program also reduced the number of two-wheelers used for business purposes and ensured drivers are qualified. Wellness Checkpoint continues to support the evaluation of psycho-social risk factors. Our approach to industrial hygiene and occupational health is backed up by a company-wide, digitally-supported compliance assurance process.

We launched our Mental Well-being campaign in 2022 – which resulted in more than 2,500 people participating in global training and awareness sessions – and offered more support programs in local languages.

Because we care about the safety of our colleagues and everyone we deal with, we're all empowered to stop work for safety reasons – it's the Golden Principle underpinning our Life-Saving Rules.

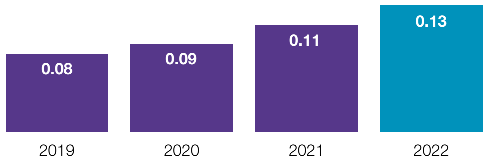
In 2022, the total reportable rate (TRR) for employees and temporary workers was again low at 0.24 (2021: 0.21), versus an ambition level of 0.20. In total, 66% of our manufacturing sites have been reportable injury-free for over a year, remaining stable from 2021. The lost time injury rate (LTIR) for employees and temporary workers remained low at 0.13 (2021: 0.11) and the severity of injuries remained low. The most common causes of reportable injuries remain slips, trips and falls. The most frequent injuries are fractures, cuts/lacerations and sprain/strains.

▸ **Total reportable injury rate** employees including temporary workers (per 200,000 hours)



The total reportable injury rate (TRR) is the number of injuries resulting in a medical treatment case, restricted work case, lost time case or fatality, per 200,000 hours worked. In line with OSHA guidelines, temporary workers are reported with employees, since day-to-day management is by AkzoNobel. For TRR contractors, please see our Performance summary.

▸ **Lost time injury rate** employees including temporary workers (per 200,000 hours)



The lost time injury rate (LTIR) is the number of injuries resulting in a lost time injury per 200,000 hours worked. Temporary workers are reported together with employees, since day-to-day management is by AkzoNobel. For lost time injury rate contractors, please see our Performance summary.

▸ **Process safety events**

	2021	2022
Loss of primary containment – Level 1	5	2
Loss of primary containment – Level 2	67	51

A loss of primary containment is an unplanned release of material product, raw material or energy to the environment. They are divided into categories, dependent on severity, from small, on-site spills up to Level 1.

Unfortunately, a colleague in Popesti, Romania, sustained a life-changing injury, a partial amputation of their left index finger. A full investigation has been carried out and the learnings shared globally. There were no further life-changing injuries or fatalities in 2022. During 2022, the number of contractor accidents was 10 (2021: 6).

COVID-19 management has remained a focus throughout 2022. Most global areas are now returning to normality, with ongoing symptom checks and suitable quarantines thereafter. All AkzoNobel locations follow the guidance from local authorities.

Parts of Asia, China in particular, have been subject to further lockdowns during the year. Careful local management has ensured employees have been suitably protected and operations maintained. Special care was given to overall well-being during these periods.

Process safety

We systematically assess, manage and communicate the operational risks of injuries or harm that may result from the work we do.

In 2022, we continued our dedicated Process Safety Management (PSM) improvement project, designed to strengthen our processes and achieve leading standards in process safety.

To ensure our people, sites and environments stay as safe as possible, we introduced our Process Safety Fundamentals training plan for front-line workers. In 2022, more than 10,000 people were trained to identify and manage hazards and the program roll-out will continue in 2023.

During 2022, we also continued the deployment of our Basis of Safety standards, with a focus on resins, aluminum bonding and high-speed dispersers. The standards define company expectations for these higher-risk activities. Various engineering standards have been adopted: for grounding and bonding; flexible hose management; and maintenance of solvent storage tanks. Our locations have now completed gap assessments and equipment modifications are under way.

Safety Day 2022

Our annual Safety Day is the moment for us to celebrate safety and reflect on how we're doing. This year's theme was "Learning today makes us safer tomorrow", building on our human performance principles of "Be Human – Be Safe". By sharing our successes and near misses, we're collectively learning and improving.

During 2022, our Ansan site in South Korea celebrated 3,000 injury-free days on World Day for Safety and Health at Work. Pictured here is the site celebrating Safety Day 2022.

Sustainable technology and responsible architecture blend beautifully in this visually stunning museum in Uruguay. Inspired by the shape of an ark, the futuristic Atchugarry Museum of Contemporary Art (MACA) is surrounded by 40 hectares of greenery. Our Cetol woodcare brand supplied more than 1,000 liters of products for both the interior and exterior, which help to protect the striking structure. The new museum is regarded as a prime example of how wood can be used for architectural purposes and not just for decorative applications.

With 53 losses of primary containment (LoPCs) this year, we have improved since last year (2021: 72). The causes identified by our incident investigations mainly attributed the number of spills to operational discipline (69%) and asset integrity (28%). In total, 75% of our manufacturing locations did not have any LoPCs (up from 69% in 2021), demonstrating our vision of zero spills is achievable. However, 12% of our locations caused 72% of the spills in 2022. We continue to focus on those locations, ensuring improvement plans act on the underlying root causes.

Security

Our security program protects people, information, assets and critical business processes, both on and off-site. During 2022, zero Level 3 (most severe events) incidents occurred, fewer than the previous year (2021: 4). Theft and vandalism at our stores continued to represent the highest incident sub-type, which is similar to wider society.

HSE&S management foundation

Our company-wide HSE&S management system is globally certified against ISO 14001 and ISO 45001 standards. The management system consists of policies, procedures, templates and best practices to promote learning across the organization.

HSE&S audits are performed in three-year (for high hazard sites) to five-year (other sites) cycles. During 2022, we conducted 33 audits in total, 51% of them remotely and 6% in a hybrid format.

Compliance assurance is a key HSE&S priority because it ensures our license to operate and business continuity in a fast-changing regulatory environment. Our company-wide compliance assurance process is proactive and digitally supported by tools from a leading third-party supplier.

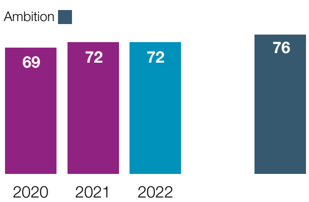
To support our people and help them perform at their best, we continuously look for ways to improve our organizational health and shape a purposeful and inclusive culture.

Our organizational health

We broadly focus on three areas related to organizational health: strengthening our organizational change management capability, developing our High Performing Teams (HPT) program and monitoring our organizational health with the Insight survey.

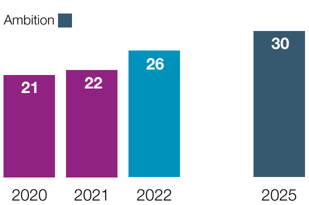
Insight survey results from 2022 show we maintained the previous year's record high response rate of 86% and achieved an overall stable organizational health score (OHI) of 72 (2021: 72), which is just a few points away from top quartile. Following the outcomes of the OHI survey, leaders and their teams can access the data, reflect on their results and identify improvement actions, which are then supported by our Regional Culture and Change teams and HR.

▸ Organizational health score (OHI)



AkzoNobel score on the organizational health index of McKinsey.

▸ Female executives in %



Percentage of women at executive level. Executive level includes all employees with an executive position grade at AkzoNobel and its subsidiaries, including the members of the Executive Committee who are not members of the Board of Management. Please refer to the reporting principles for the full definition.

Diversity and inclusion employee networks

Equal Access Board
Disability

Women Inspired Network
Gender

Vibe
Race and ethnicity

True Colors
LGBTI+

According to their needs, leaders are encouraged to deploy specific team nudges, design action plans and monitor progress.

Our OHI results are accessible to our entire (online) population, in line with our aim of driving a culture of transparency.

A diverse and inclusive workplace

We continue our journey towards an even more inclusive, diverse and capable workforce with a focus on leadership reflecting the diversity of the communities where we operate. Our three priorities are:

- Fostering an inclusive culture
- Building and expanding our internal diversity and inclusion networks
- Strengthening our leadership diversity with a focus on gender balance

We're building on this strong foundation to ensure our people can be and perform at their best. To further support diversity and inclusion (D&I) at AkzoNobel, we're rolling out a network of D&I Agents – who've been trained to facilitate D&I workshops – and our D&I Ambassadors Plus, who'll help connect employees on the ground with central efforts. Overall, we have almost 300 Culture and Change agents around the world and 13 D&I agents equipped to give workshops on diversity and inclusion. Almost 700 employees signed up to become D&I Ambassadors, committed to modeling inclusive and respectful behavior. Around 90% of employees have already completed online inclusive behavior training and 70% of sites have run our inclusive behavior workshop.

Diversity and inclusion is a topic of growing interest across our organization and has strong leadership support through the D&I Sounding Board – comprised of Executive Committee members, senior executives and the global D&I advisor. In 2022, our inclusive language guide was completed. The year also saw the launch of our Vibe network, a community that celebrates the cultural and racial diversity of our workforce. Existing networks continued to grow and have an impact: the True Colors network (LGBTI+) has improved on our standing in the Workplace Pride Global Benchmark by almost five points; the Equal Access Board is supporting employees with disabilities by providing the resources they need to perform at their best; and our Women Inspired Network hosted an array of global and regional events.

We're proud to say we've made progress towards our goal of having 30% female executives by 2025. In 2022, we had 26% female representation at the senior executive level (2021: 22%), 50% in the Executive

Committee (2021: 43%) and 37.5% in our Supervisory Board (2021: 33%). The impact of Grupo Orbis was immaterial (two executives, both male).

In 2022, the Dutch Gender Diversity Bill introduced gender balance targets for Akzo Nobel N.V. and its group companies meeting the requirements of a large company under Dutch law. The requirements applicable to AkzoNobel's Dutch large group companies[1] are fulfilled on their behalf by Akzo Nobel N.V. in this Report 2022. The group of the company's executives to which the 30% female ambition applies has been updated to include the Board of Management, Supervisory Board and executives of each large group company to comply with the requirements.[2] In addition, we've added our Executive Committee (excluding Board of Management)[3]. Our executives are considered as AkzoNobel's sub-top as referred to in the bill – in total 312 people, of which 230 are male and 82 are female (26%). The restated number for 2021 would have been 23%. How we plan to reach our 30% female ambition is described on the previous page under A diverse and inclusive workplace, and further elaboration is provided in the diversity and inclusion position statement available on our website. Further information on the gender balance targets applicable to the Board of Management and the Supervisory Board can be found in the Corporate governance statement.

Managing and developing talent

In 2022, we continued to be recognized as a leading employer in many of our key countries, including Brazil, China, France, Germany, India, the Netherlands, Singapore, Sweden, Vietnam, the UK and the US.

As part of our ongoing journey towards a sustainable and diverse leadership pipeline, we continued to plan the development of our top talent. The Grow2Lead program, a nine-month blended learning experience, was completed by 494 talents across regions and functions.

[1] Each of Akzo Nobel Nederland B.V., Akzo Nobel Decorative Coatings B.V., Akzo Nobel Car Refinishes B.V. and International Paint (Nederland) B.V. qualify as a "large company", as referred to above.
[2] Of the total 11 people in the group, four were not already included on the executives list (two male and two female).
[3] Year-end 2022 representing four people (one male and three female).

Minding the gender pay gap

"Caring for our people is an important part of our company culture, enshrined in our purpose – People. Planet. Paint. – and our approach to sustainability," says Joëlle Boxus, Chief HR Officer and member of the Executive Committee. "No matter who you are, we believe you should have equal opportunities to grow and be successful with AkzoNobel."

Our commitment to becoming a more inclusive employer recognizes that we rely on the exceptional talent of our 35,200 colleagues. A diverse and inclusive working environment where people feel supported and empowered lends itself to a high-performing workforce that truly reflects our customer base and the communities we operate in.

That's why we're committed to fostering an inclusive environment where employees are rewarded equally, regardless of their gender – in addition to improving female representation. To prevent a gender pay gap, we follow a rewards philosophy of globally-structured compensation based on market references and performance.

In 2022, an external party reviewed our current compensation practice for the global population. The uncorrected difference in fixed annual reward between men and women was found to be 2.2% in favor of women. The European benchmark 2020 (published in November 2020 by the European Commission) shows an average pay difference in favor of men of 13%. After correcting for background variables, the annual pay gap is 0.9% in favor of men. The small gap remaining could be explained by gender bias or missing variable information, such as educational background.

Global salary comparisons between women and men show a small difference in base pay across the board throughout the company, with some differences by country, both in favor of women and men. We plan to further explore gender pay gap details per country and identify areas of attention, including variable pay elements when applicable.

Overall, employee turnover in 2022 was 15% (14% in 2021); voluntary turnover was 9% (8% in 2021). The recovery of the labor market had an impact, especially on voluntary turnover.

We've focused on building capability to support our strategy and initiatives, especially for product management, margin management and end-to-end supply chain. We defined the skills our employees need in those areas and designed learning solutions to address potential gaps.

The "Your Development Journey" campaign was introduced to help employees take charge of their own development, and offered more than 80 webinars worldwide. We continued to offer other resources around adapting to a changing environment, covering topics such as resilience and digital, social and emotional skills.

To increase awareness of our approach to sustainable business, we've developed a workshop that explains how our company purpose – People. Planet. Paint. – drives our sustainability ambitions and how we'll achieve our targets. More opportunities to learn about this topic will continue to be rolled out.

The Pintuco Foundation, in partnership with the National Tourism Fund, refreshed and restored tourist destinations across Colombia, including the town of Carolina del Principe.

AkzoNobel Cares

People and communities all around the world benefit from the programs running under our AkzoNobel Cares umbrella, including "Let's Colour", the Pintuco Foundation, SOS Children's Villages and the Education Fund. Local volunteers from AkzoNobel work closely with partners to transform communities and make a positive impact. Overall, we aim to empower more than 100,000 members of local communities with new skills between 2020 and 2030, through more than 2,000 projects. We've changed our ambition from 35,000 by 2025 to align the time horizon with our other key sustainability ambitions.

Our main social programs focus on inspiring, uplifting and renovating communities through our "Let's Colour" initiative. We also educate, mentor and train future generations, unlocking possibilities for people who need them most. In 2022, we staged 239 projects and trained 24,225 people in painting, entrepreneurship, professional skills and soft skills. The Grupo Orbis acquisition added ten projects in 2022 (around 4% of the total) and 1,666 people trained (around 7%).

"Let's Colour"

Our global "Let's Colour" initiative is all about adding color to people's lives. We believe in the power of paint to transform lives by uplifting communities, changing behavior and making living spaces more fun, livable and enjoyable. In 2022, we donated more than 170,000 liters of paint to renovate community

Left: "Let's Colour" brightened things up at the Pilinszky János Primary School in Nyúl, Hungary. More than 30 volunteers refreshed the walls with 133 liters of Dulux paint.

Right: A "Let's Colour" collaboration between our Coral brand and McLaren Racing resulted in this stunning mural in São Paulo, Brazil. The powerful image is designed to help raise awareness for gender equality.

living spaces in 32 countries, with more than 1,650 employees volunteering their time. A great example of "Let's Colour" in 2022 was our project to re-energize Jodhpur, the Blue City, in India. See the case study on page 10 to learn more.

SOS Children's Villages

This year we celebrated the fifth year of our global partnership with SOS Children's Villages. As a member of the Global YouthCan! network, we work together to advance the employability of young people at risk. Through our painter academies and by offering soft skills training, entrepreneurship programs, mentoring and traineeships, we empowered around 2,550 young people with new skills in 2022. Our paint was also used to refresh living spaces for children growing up in family-like care. We welcomed Germany to our global partnership, bringing the total to 24 countries involved so far.

Education Fund

Our joint Education Fund, of which we share the board with our partner Plan International Netherlands, has been in a transition year between 2021's STEM project in China and the one we've just started in Delhi, India. The Saksham project will share vocational skills in collaboration with our AkzoNobel Paint Academy. The first batch of trainees started in December. They've been given the chance to attend the Paint Academy, where they'll gain the specialist skills they need to start careers as painters.

Local AkzoNobel Cares programs

We continued to run the AkzoNobel Paint Academy in nine cities in India, offering skills development to young people in need and opening the door for participants to gain employment with paint applicators. Recognizing that some people – such as those from the LGBTI+ community – often lack access to these opportunities, we continued to promote diversity and inclusion focused skill training in 2022 to help bridge inequality. Several programs focused on giving youth rehabilitating from drug use and prison inmates new skills for their future.

Around 20 young people and eight mentors participated in a "Let's Colour" transformation project at the Banda Aceh SOS Children's Village in Indonesia after receiving training in color and painting techniques.

And to further help provide dignified livelihood to young people, AkzoNobel collaborated with the Responsible Mica Initiative (RMI) to give vocational skills training in painting. This included training nearly 200 Indian girls and boys in the mica-dependent communities of Jharkhand and Bihar.

As of this year, the Pintuco Foundation is also contributing to the AkzoNobel Cares program. This Colombia-based non-profit entity of Grupo Orbis and Pintuco is, much like "Let's Colour", transforming lives with color and offering (skills) training opportunities for people in local communities. The social projects are developed through alliances with public and private organizations.

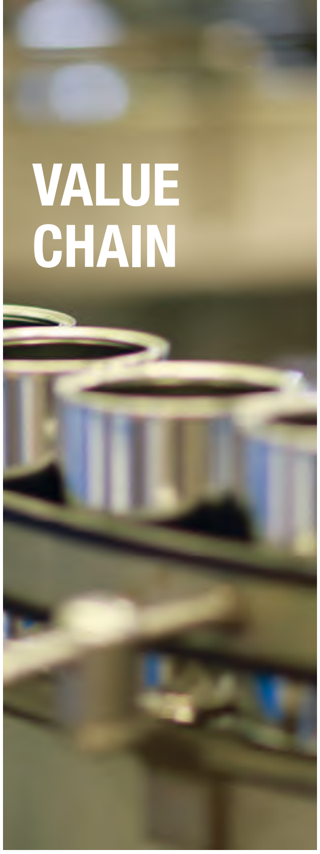
2022 sustainable solutions for health and well-being

Customers and end-users benefited from a number of sustainable solutions launched in 2022, designed with safety, health and well-being in mind.

Reduce harmful substances – launched new food packaging coatings that are free from BPA, including Aqualure G1 50.

Anti-bacterial benefits – a new all-in-one decorative paint rolled out in China, offering anti-bacterial protection due to its silver ion technology.

Safer handling – launched a new exterior wood finishes primer for high moisture resistant MDF, which is safer for users as it contains fewer substances of concern.



In this section you'll find information about:

- ♦ Our sustainable product portfolio
- ♦ Sustainability and risk management with our suppliers
- ♦ Human rights
- ♦ Our approach to managing sustainability
- ♦ EU taxonomy

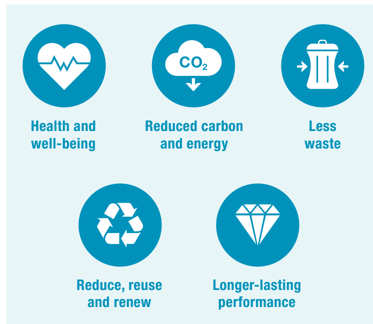
Sustainable solutions

In 2020, we set an ambition to increase revenue from sustainable solutions to more than 50% by 2030. We consider sustainable solutions to be those that bring tangible sustainability benefits to our customers, and market demand for them is growing. By identifying the sustainable solutions in our portfolio, we can engage in a more collaborative way with our customers – many of whom have set their own sustainability targets.

By focusing on the sustainability benefits we offer, we continue to influence the growing acceptance of more sustainable solutions in our markets. We work closely with our suppliers and customers to deliver these products and services, while ensuring economic value at every stage.

The Sustainable Product Portfolio Assessment (SPPA) framework is what we use to identify the sustainability value we bring to our customers. The SPPA framework is based on the World Business Council for Sustainable Development's (WBCSD) Portfolio Sustainability Assessment, which we co-developed with other chemical companies. It's now the leading sustainable portfolio framework tool in the chemical industry. The SPPA gives a holistic view of the sustainability characteristics of our product portfolio. Together with our customer-focused product stewardship process, it helps us tailor value-selling strategies to specific customer needs. By taking this harmonized approach to our portfolio management, we're able to create a unique baseline for future portfolio ambitions.

Our products fall into one of three categories: Sustainable solutions, Performers or Transitioners. A sustainable solution is a product that meets at least one of the sustainability criteria pictured below, without adverse effects throughout the value chain.



In 2022, 40% of our revenue came from sustainable solutions. During the year, we launched new products with clear sustainability benefits and further reduced the use of certain chemical substances of concern, in line with our strategy. Several examples of sustainable solutions can be found throughout this report, including in the Sustainability statements.

Our products fall into one of three categories:

Sustainable solutions – Products that provide sustainability advantages to our customers

Performers – Products that have no immediate negative or positive sustainability impact

Transitioners – Products that have known sustainability risks

During the year, more product management teams were trained on the use of the SPPA. We also expanded the coverage of our SPPA versus 2021, with the remainder extrapolated based on the sustainable solutions' percentage of the relevant business unit. The reporting period for sustainable solutions is November 2021 to October 2022.

We continue to influence the growing acceptance of more sustain-able solutions.

We continued our cross-functional Raw Material Sustainability Group (RMSG). The RMSG steers and provides governance to sustainability aspects concerning raw materials. Several subject matter experts are part of this group, for example in the area of product stewardship. Product stewardship is our approach to ensuring product safety and its sustainability aspects are considered throughout the value chain – from raw material extraction, R&D, manufacturing, transport, marketing and application, through to end-of-life. We monitor and drive continuous improvement with our Product Stewardship Continuous Improvement Tool. Our Priority Substance Program, which we use to identify and control the use of hazardous substances, is embedded in our processes to comply with regulations.

The development and implementation of more sustainable solutions in the built environment was a specific focus in 2022. To enhance the capabilities of our technical and sales teams, we organized company-wide training on green building certifications and the customer benefits of our sustainable solutions in realizing more sustainable buildings.

In 2022, we held a webcast for our top 200 suppliers as part of our collaborative approach to limiting climate change. Wijnand Bruinsma (Director of Sustainability), Jan Paul van der Velde (Chief Procurement Officer) and Petra Lehmann (Global Procurement Sustainability Manager) kicked off the discussion about working together to find solutions that contribute to our ambition of halving our carbon emissions.

We work with our suppliers to create value and continuously improve our sustainability and theirs. As 46% of our carbon emissions come from our upstream activities, this is an area where we can make a big impact through collaboration and innovation with our suppliers.

Together for Sustainability (TfS)

In addition to the joint ideas we're working on with key suppliers, in 2022 we continued to shape, assess and improve our suppliers' sustainability practices by using and building on Together for Sustainability (TfS) programs and partnerships. Throughout the year, we increased the number of suppliers in our program from 1,028 to 1,432.

We systematically see that it takes time for suppliers newly brought into the program to operate at the sustainability level we require from them. Therefore, we allocate significant time to support suppliers to reach our minimum requirements and thereafter to continuously improve. Because the number of suppliers in our program increased significantly, we see a drop in the percentage of suppliers meeting our expectations against this (higher) baseline. In absolute numbers, we still see an increase from 582 (2021) to 747 (2022) suppliers meeting our expectations. Our ambition is to have close to a 100% participation rate by 2025 (currently at 77%).

Despite the challenging geopolitical situation and ongoing COVID-19 lockdowns, we've been able to deliver on our TfS target of conducting 25 audits in risk regions during 2022. Where needed, we requested corrective action.

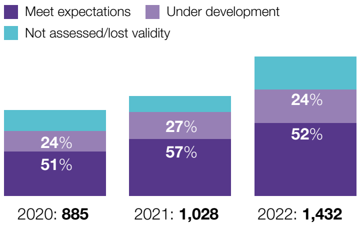
Supplier Sustainability Balanced Scorecard

We continue to use our Supplier Sustainability Balanced Scorecard (SSBS) to collect eco-performance KPIs. In 2022, we brought our SSBS in line with our SBTi target by requesting product carbon footprint from our suppliers, in addition to waste, energy and greenhouse gas emissions information, to see if they're moving in the right direction when it comes to meeting their own sustainability goals. In 2022, we deployed the program to 50 suppliers, and over the next few years we intend to reach 100 participating companies, representing 80% of our upstream carbon emissions. We continue to work together with our suppliers to achieve our SBTi targets and will approach the remaining suppliers through the TfS carbon emission program.

Building capabilities

We're able to play a role in helping smaller suppliers understand the complexity of the sustainability agenda.

Suppliers in sustainability program



We invited 170 people representing our suppliers to attend webinars we co-hosted in multiple languages with EcoVadis, and we encourage our suppliers to use the Together for Sustainability (TfS) academy, which opened in early 2022. For our buyers, we provided dedicated training on carbon footprint, which was attended by more than 100 of our product-related buyers.

Risk in our supply chain

To better understand and manage risks around the globe from a complex supply base, we implemented “risk-methods” in 2022. This tool helps us efficiently identify and mitigate risk in our supply chain, for example by using artificial intelligence and automated alerts to manage risks, including climate related risk.

Business Partner Code of Conduct

Started many years ago, our Business Partner Code of Conduct remains a core part of our commercial agreement with our suppliers to do business based on our core values of safety, integrity and sustainability.

Suppliers with an annual spend of more than €1,000 are requested to sign our Code of Conduct as part of our onboarding procedure. This confirms their compliance with environmental, social, human rights and governance requirements. Signatories cover 99% (2021: 99%) of the product related spend and 93% (2021: 89%) of the non-product related spend.

Human rights

As part of our core values, we’re committed to respecting internationally recognized human rights in all our operations and throughout our value chain. We understand that through our roles as employer, manufacturer, business partner and member of many communities, we can potentially impact the lives of millions of people.

While we’re committed to making a positive impact through our products and programs, we’re also aware of the potential negative impact we may cause, contribute to or be linked to. In 2021, we finalized our second in-depth global salient human rights issues assessment. While we respect all human rights equally, we prioritized certain issues based on their severity and likelihood. This has resulted in the following salient human rights issues for us to focus on. In 2022, we continued to assess and work on our human rights initiatives.

Health and safety

The safety of our people, those we work with and those we offer our products to is of the utmost importance. That’s why we have policies and programs in place to identify and assess health and safety hazards (See Health and safety). As part of our human rights assessment, we identified two-wheeler driving as a risk area. Please refer to the People safety and health section on mitigation and implementation in 2022.

Working conditions

We take our commitment to providing good working conditions seriously, both for our employees and those visiting our sites. This year, we introduced our own Global Working Hours standard in Europe, Middle East, Africa, Latin America and North Asia, and are continuing to roll them out in the remaining regions. This way we can ensure that we’re working a safe number of hours everywhere in the world, even if local laws allow people to work longer. We’ve conducted an impact analysis in all of our regions and started making region-specific implementation plans to make sure that we don’t unintentionally cause difficulties for our people and their livelihoods.

In order to safeguard and further improve access to safe water, sanitation and hygiene at our manufacturing sites, our sites annually perform a WASH self-assessment using the World Business Council for Sustainable Development’s tool for business. Of the manufacturing locations assigned for 2022, 83% completed the WASH assessment. No material deviations to the requirements based on the assessments were identified in 2022.

Discrimination and harassment

Everyone should be comfortable and feel they are treated with dignity and respect. We believe an inclusive environment paves the way to a high-performing organization. So we don’t tolerate any sort of discrimination and we investigate allegations of discrimination and harassment. For further details about our D&I strategy, please refer to Diversity and inclusion.

Salient human rights assessment

	Upstream supply chain	Own operations	Logistics	Downstream (customers, end users)
Health and safety	●	●	●	●
Working conditions	●	●	●	●
Discrimination and harassment		●		
Negative impacts on local communities	●	●		
Modern slavery	●		●	

Paint the Future accelerates sustainable startup solutions

Three startups have signed letters of intent to continue working with us on sustainable business opportunities following our latest global Paint the Future challenge.

The accelerator event was held in March, with the 2022 edition attracting a total of 245 submissions from 62 countries. The three winning startups were SolCold from Israel, Aerones from Latvia and the Czech Republic's SprayVision.

SolCold's solution is a sustainable, self-cooling coating based on anti-Stokes. It uses the sun's energy to keep the inside temperature much cooler, without having to use any electricity.

Aerones brings a robotic solution to wind turbine maintenance. Their crawling robot allows technicians to safely and efficiently perform inspections, cleaning and repairs at height.

SprayVision's solution brings a data-driven approach to optimizing spray application of paint, offering customers full control over the process. It helps to reduce environmental impact by saving material and improving quality.

"The winning startups joined our go-to-market acceleration program, which connected them to a global network of people and resources," explains Menno van der Zalm, Director of the AkzoNobel Incubator. "We've been working closely together to validate their solutions for our customers and develop a joint value case."

Impact on local communities

We aim to be a good neighbor and contribute to the well-being of communities. To do so, we work closely with them to manage the social impact of our business activities, address any concerns about our operations and enhance the benefits we're able to bring.

Modern slavery

We have zero tolerance for modern slavery, such as child or forced labor, and conduct due diligence into our high-risk supply chains. In 2022, we sent 330 surveys to suppliers that indirectly or directly use barytes, calcium carbonate, cobalt, fluorspar, mica, talcum and tin, as those materials have a potential high impact on human rights based on our 2021 research on our raw material portfolio. We paused due diligence on copper until the Responsible Mineral Initiative (RMI) and the Copper Mark publish their criteria guide in March 2023.

For cobalt, tin and mica, we used templates from the Responsible Minerals Initiative. Of those 104 suppliers who confirmed using tin and/or cobalt necessary for the functionality of the product, 83% disclosed their smelters. In total, 83% of these smelters were either listed as active or conformant smelters in the Responsible Minerals Assurance Process.

At this time, there are no conformant mica processors listed on the Responsible Mineral Initiative platform. However, through our Responsible Mica Initiative membership, we – together with many stakeholders and peer companies – commit to:

- Having 100% of processors compliant with the RMI Global Workplace standard
- Establishing a fair and responsible mica supply chain (including fair living income) in the Indian states of Jharkhand and Bihar
- Eliminating unacceptable working conditions and eradicating child labor in India's mica supply chains by 2030

All our mica pigment suppliers sourcing mica in India are members of the Responsible Mica Initiative and therefore share the same commitment.

For the other materials mentioned above and that are not included in the Responsible Minerals Assurance Process, we sent our own survey to 91 suppliers, over and above the 81 we surveyed last year, to increase transparency of these supply chains.

The results gave us further insight into our supply chain complexity and risks. We can now set up new actions, such as planning mine audits where insufficient controls seem to be in place. By the end of the year, we had an 85% response rate on all materials (response rate on conflict mineral tin was 89%).

Stunning street art brightened up four neighborhoods in the Tunisian district of Jbel Jelloud, thanks to our "Let's Colour" program and the amazing talent of 32 graffiti artists. It was all part of the fifth Chokri Belaid World Forum for Arts and Culture. They used 900 liters of our Astral paint to create more than 7,000 square meters of frescoes.

Table of material topics

Topic	Report 2022 section	Impacts on the economy, environment and people
Climate change adaptation	Climate change adaptation and water risk	Medium
Diverse, inclusive and healthy organization	Employees	Medium
Emissions and energy (climate change mitigation)	Carbon emissions in own operations and carbon emissions in our value chain	High
Health and safety (employees and customers)	Health and safety	High
Human rights	Human rights	Medium
Sustainable product portfolio	Sustainable solutions	High
Community involvement	AkzoNobel Cares	Low
Materials and waste	Waste and water management and recycled content in plastic packaging	High
Responsible procurement	Sustainability and risk management with our suppliers	Medium
Water and waste water	Waste and water management	Low

Sustainability governance
The Executive Committee is responsible for incorporating our 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 (see the Corporate governance statement).

Materiality assessment
We use the principle of materiality to review our strategic priorities and assess the topics included in this integrated report. We annually determine the most material topics for our industry, based on the material topics as identified by reporting frameworks (e.g. Global Reporting Initiative (GRI) and Sustainability Accounting Standards Board (SASB)) and sustainability indexes (e.g. EcoVadis and Sustainalytics). The significance for each of these material topics is determined and validated annually and reported in our annual report. More details can be found in our Reporting principles.

Reporting principles and frameworks
When combining disclosures in this Report 2022 with disclosures on our website, we report in accordance with 2021 GRI standards, though we're still maturing our materiality process. We provide an overview of the significance of our material topics in our reporting principles, based on a desktop approach from the Sustainability Team, to align with the GRI 2021 standards. We're also in the process of further implementing the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD). We provide index tables for GRI, SASB and TCFD on our website.

While we work towards improving the maturity of our non-financial information, a selection of key KPIs is subject to limited assurance. We use our internally developed reporting principles to make our reporting more precise and aligned with our business operations. We used the GRI standards to develop and update our reporting principles. The complete reporting principles can be found on our website (Reporting Principles Sustainability statements 2022: https://www.akzonobel.com/en/about-us/sustainability-/reporting-principles-) and a summary is included in the Appendix of this Report 2022. Grupo Orbis is not yet included in the sustainability metrics, except for female executives and AkzoNobel Cares.

The preparation of our Sustainability statements requires management to make judgements, estimates and assumptions that affect reported amounts, especially for the KPIs "Sustainable solutions" and "Scope 3 carbon footprint". The estimates and assumptions are based on experience and various other factors believed to be reasonable under the circumstances. The estimates and underlying assumptions are reviewed on an ongoing basis. More details on the methodology and significant assumptions can be found in the reporting principles on our website.

EU taxonomy disclosure

The Taxonomy Regulation establishes the framework for the EU taxonomy by setting out four conditions that an economic activity must meet in order to qualify as environmentally sustainable. A qualifying activity must:

1. Contribute substantially to one or more of six environmental objectives, being:
   - Climate change mitigation
   - Climate change adaptation
   - Sustainable use and protection of water and marine resources
   - Transition to a circular economy
   - Pollution prevention and control
   - Protection and restoration of biodiversity and ecosystems
2. Do no significant harm to any of the other environmental objectives
3. Be carried out in compliance with minimum (social) safeguards
4. Comply with technical screening criteria. The technical screening criteria specify the performance requirements for any economic activity that determine under what conditions that activity makes a substantial contribution to a given environmental objective and does not significantly harm the other objectives

For the financial year 2022, equal to the financial year 2021, two of the six objectives listed above have been further detailed out and are applicable for reporting: climate change mitigation and climate change adaptation. Companies are required to report on the proportion of turnover (revenues), capital expenditures (CapEx) and operating expenditures (OpEx) that is associated with environmentally sustainable economic activities, and to what extent these activities are aligned (i.e. contributing to one or more environmental objectives).

EU taxonomy CapEx	Amount in €
Additions to property, plant and equipment from capital expenditures and acquisitions	387 mln
Additions to intangible assets from capital expenditures and acquisitions	568 mln
Additions to right-of-use assets from additions and acquisitions	98 mln
Total	**1,053 mln**

EU taxonomy OpEx	Amount in €
RD&I expenses	258 mln
Short-term lease costs	11 mln
Maintenance and repair costs	102 mln
Total	**371 mln**

The key performance indicators relevant under EU taxonomy are Turnover, CapEx and OpEx. For the purpose of the calculation of eligible activities, the following financial information has been derived from AkzoNobel's Consolidated financial statements:

- Turnover under EU taxonomy is equal to consolidated external revenues as reported in our Consolidated statement of income, amounting to €10,846 million
- CapEx under EU taxonomy is the sum of additions in property, plant and equipment, intangible assets and right-of-use assets from both investments and acquisitions resulting from business combinations, amounting to €1,053 million. CapEx as included in the Consolidated financial statements excludes the impact from right-of-use assets, as well as the impact from acquisitions resulting from business combinations. Additions to right-of-use assets are included in the movement schedule on right-of-use assets as included in Note 13 of the Consolidated financial statements. The impact from acquisitions is included in the movement schedules on Intangibles and Property, plant and equipment as included in Note 11 and Note 12 respectively
- OpEx is calculated in accordance with the EU taxonomy as direct non-capitalized costs incurred for the day-to-day servicing of assets, consisting of research and development costs, short-term leases, maintenance and repair costs and other similar costs, amounting to €371 million. This definition differs from OpEx as included in our Consolidated statement of income

AkzoNobel's core activity, manufacturing paints and coatings, is currently not defined as an eligible activity for EU taxonomy, and hence no technical screening criteria have been developed to measure alignment to the environmental objectives. As a consequence, eligible activities are limited in 2022 and mainly related to supporting CapEx on sustainable solutions for production sites, consisting of investments in green electricity solutions, on-site waste water treatment systems and construction of production buildings and warehouses.

For the determination of eligible CapEx and OpEx, we've performed the following activities in 2022:

- Reviewed AkzoNobel's activities and pre-identified potential eligible activities
- Provided trainings to personnel involved in data-gathering, explaining key characteristics of the EU taxonomy guidelines and potential eligible activities
- Performed a detailed analysis of the individual taxonomy-eligible economic activities in cooperation with key Finance and Sustainability personnel
- Set up a multi-disciplinary team in charge of supporting and answering questions from personnel involved in data-gathering, as well as reviewing the reported data at a central level
- Consulted with external experts and peers to ensure a correct and consistent interpretation of the legal requirements

The outcomes of the EU taxonomy assessment for 2022 in relation to eligibility to the climate change mitigation and climate change adaptation environmental objectives resulted in no eligible Turnover and an insignificant amount for CapEx (and related OpEx) related to investments in waste water treatment systems and solar panels. The reported amount for CapEx is eligible in relation to the climate change mitigation objective. Considering the insignificance of eligible CapEx, alignment of CapEx to environmental objectives has not been further assessed. Please find below the template disclosure table as included in Annex II of the Delegated Act.

The non-eligibility of our activities is determined by the limited scope of the EU taxonomy for 2022 and 2021. Despite this inherent non-eligibility, we continue to focus our efforts towards sustainable solutions (see Sustainable solutions) and we've made progress towards our ambition of 50% carbon emission reduction by 2030 (see Climate change).

Eligible Turnover (A)

Description of activity	Taxonomy code	Related Turnover	% of total Turnover	Substantial contribution criteria	Do no significant harm (DNSH) criteria	Minimum social safe-guards	Taxonomy aligned Turnover	Taxonomy non-aligned Turnover
Not applicable, no eligible Turnover identified	N/A	€nil	0%	N/A	N/A	N/A	N/A	N/A

Non-eligible Turnover (B)

Taxonomy non-eligible Turnover		€10,846 mln	100%					
Total (A+B)		**€10,846 mln**	**100%**					

Eligible CapEx (A)

Description of activity	Taxonomy code	Related CapEx	% of total CapEx	Substantial contribution criteria(%)*	Do no significant harm (DNSH) criteria (Y/N)*	Minimum social safe-guards (Y/N)*	Taxonomy aligned CapEx*	Taxonomy non-aligned CapEx
Production of electricity from solar PV	4.1	€1 mln	<1%	0%	N	N	€nil	€1 mln
Water collection, treatment and supply	5.1	€1 mln	<1%	0%	N	N	€nil	€1 mln
Construction of new buildings	8.1	€13 mln	1%	0%	N	N	€nil	€13 mln
Sub-total (A)		**€15 mln**	**1%**				**€nil**	**€15 mln**

Non-eligible CapEx (B)

Taxonomy non-eligible CapEx		€1,038 mln	99%					
Total (A+B)		**€1,053 mln**	**100%**					

Eligible OpEx (A)

	Taxonomy code	Related OpEx	% of total OpEx	Substantial contribution criteria	Do no significant harm (DNSH) criteria	Minimum social safe-guards	Taxonomy aligned OpEx	Taxonomy non-aligned OpEx
Not applicable, no eligible OpEx identified	N/A	€nil	0%	N/A	N/A	N/A	N/A	N/A

Non-eligible OpEx (B)

Taxonomy non-eligible OpEx		€371 mln	100%					
Total (A+B)		**€371 mln**	**100%**					

* As eligible CapEx is insignificant in absolute amounts and as a percentage of total CapEx, no further assessment has been performed regarding alignment. As a result, a condensed view of the substantial contribution criteria and DNSH criteria is shown, not separating out the six environmental objectives as included in the template disclosure of Annex II of the Delegated Act.

Social

Area	Unit	2018	2019	2020	2021	2022	Ambition 2025
Employees							
▶ Organizational health score	number	58	61	69	72	72	Top quartile 76[1]
▶ Female executives[2]	%	20	18	21	22	26	30
People and process safety							
▶ Fatalities employees	number	0	2	0	1	0	–
▶ Total reportable injury rate employees/ temporary workers	/200,000 hours	0.20	0.24	0.23	0.21	0.24	–
▶ Lost time injury rate employees/ temporary workers	/200,000 hours	0.09	0.08	0.09	0.11	0.13	–
▶ Occupational illness rate employees	/200,000 hours	0.012	0.003	0.010	0.003	0.003	–
▶ Fatalities contractors (temporary workers plus independent)	number	0	0	0	0	0	
▶ Total reportable injury rate contractors	/200,000 hours	0.18	0.19	0.17	0.12	0.21	–
▶ Lost time injury rate contractors	/200,000 hours	0.07	0.09	0.11	0.08	0.06	
▶ Life-changing injuries	number	3	3	2	2	1	
▶ Loss of primary containment – Level 1	number	6	3	6	5	2	–
▶ Loss of primary containment – Level 2	number	63	64	52	67	51	–
▶ Regulatory actions – Level 4	number	1	0	0	0	0	–
▶ Security incidents – Level 3	number	0	0	0	4	0	
HSE management							
Management audits plus reassurance audits	number	25	32	28	29	33	–
AkzoNobel Cares							**2020-2030**
Members of local communities empowered with new skills	number	4,276	4,078	2,669	11,193	24,225	100,000+
Projects	number	126	225	170	182	239	2,000+

Environmental

Area	Unit	2018	2019	2020	2021	2022	Ambition 2030
Energy use and emissions							
▶ Energy use[3]	1000TJ	6.20	6.02	5.69	6.33	5.91	–
– per ton of production	GJ/ton	1.91	1.88	1.83	1.89	1.90	30% less[4]
▶ Renewable energy (own operations)	%	31	31	33	37	41	–
▶ Renewable electricity (own operations)	%	38	37	40	45	50	100
▶ Greenhouse gas emissions – Direct CO_2(e) emissions (Scope 1)	kiloton	62.9	58.3	57.2	64.5	60.1	–
– per ton of production	kg/ton	19.42	18.18	18.42	19.27	19.35	–
▶ Greenhouse gas emissions – Indirect CO_2(e) emissions (Scope 2)	kiloton	226.0	183.1	168.2	172.1	147.5	–
– per ton of production	kg/ton	69.77	57.13	54.22	51.41	47.45	–
Total greenhouse gas emissions – Scope 1 and Scope 2 combined CO_2(e) emissions	kiloton	288.9	241.4	225.4	236.6	207.6	50% less[4]
▶ – per ton of production	kg/ton	89.19	75.31	72.64	70.68	66.80	
▶ Volatile organic compounds	kiloton	1.57	1.19	0.95	0.96	0.83	–
– per ton of production	kg/ton	0.49	0.37	0.31	0.29	0.27	–

[1] Since we're striving to achieve top quartile on an ongoing basis, the OHI ambition is not tied to the 2025 time frame.
[2] We've updated our definition for female executives in 2022. Previous years are calculated with the old methodology. The restated number for 2021 would have been 23%.
[3] 2021 number includes a baseline shift of 199 TJ, or 3.5%, due to central procurement of electricity, elevating part of the stores organization above the materiality level.
[4] Versus 2018 baseline.

The indicators that fall within the scope of limited assurance of the external auditor are marked with the following symbol: ▶

A summary of our reporting principles can be found in the Appendix.

The full reporting principles are available on https://www.akzonobel.com/en/about-us/sustainability-/reporting-principles-

Environmental

Area	Unit	2018	2019	2020	2021	2022	Ambition 2030
Resource efficiency							
▶ Total waste – per ton of production	kiloton kg/ton	67 20.97	67 21.00	62 19.96	67 19.87	59 18.95	–
▶ Circular use of materials[1]	%	52	55	57	58	56	100
Total reusable waste	kiloton	33	34	32	35	29	–
Total non-reusable waste – per ton of production	kiloton kg/ton	34 10.63	33 10.28	30 9.57	31 9.39	30 9.68	–
▶ Hazardous waste total – per ton of production	kiloton kg/ton	30 9.13	29 9.07	28 8.93	31 9.19	28 9.15	–
Hazardous waste non-reusable – per ton of production	kiloton kg/ton	15 4.59	14 4.46	15 4.70	17 4.95	17 5.36	–
▶ Total waste to landfill	kiloton	11.6	9.8	6.5	1.5	1.3	
▶ Hazardous waste to landfill	kiloton	0.69	0.45	0.23	0.11	0.14	–
Hazardous waste to landfill per ton of production	kg/ton	0.21	0.14	0.07	0.03	0.05	–
▶ Non-hazardous waste to landfill	kiloton	10.93	9.40	6.22	1.39	1.12	
▶ Total fresh water use – per ton of production	million m^3 m^3/ton	9.27 2.86	8.05 2.51	9.12 2.94	9.56 2.86	8.63 2.78	–
▶ Total fresh water consumption (excluding water related to product) – per ton of production	million m^3 m^3/ton	– –	– –	– –	1.27 0.38	1.14 0.37	–
Supplier management							
Business Partner Code of Conduct product related	% of spend	98	98	98	99	99	–
Business Partner Code of Conduct non-product related	% of spend	83	84	89	89	93	–
▶ Suppliers participating in sustainability program	% against baseline	60	65	75	84	77	–
▶ Suppliers in sustainability program – under development	% against baseline	22	18	24	27	24	–
▶ Suppliers in sustainability program – in line with our expectations	% against baseline	38	47	51	57	52	–

Product portfolio

Area	Unit	2018	2019	2020	2021	2022	Ambition 2030
Sustainable product portfolio and product safety							
▶ Sustainable solutions[2]	% of revenue	–	–	–	39	40	>50
Eco-premium solutions[2]	% of revenue	22	22	21	–	–	–
Value chain emission							
▶ Cradle-to-grave carbon footprint (Scope 1, 2 and 3) – selected Scope 3	million tons	14.3	13.8	12.8	14.7	13.4	–
▶ Scope 3 upstream[3]	million tons	6.5	6.3	5.9	6.8	6.2	–
▶ Scope 3 downstream[4]	million tons	7.5	7.3	6.7	7.7	7.0	–
▶ Scope 3 upstream and downstream combined	million tons	14.0	13.6	12.6	14.5	13.2	50% less[5]

[1] The 2020 and 2021 figures for circular use of materials have been restated, reflecting an incorrect classification of by-product for one of our production sites.
[2] As of 2021, we report on sustainable solutions instead of eco-premium solutions. The reporting period for both eco-premium as well as sustainable solutions is November-October.
[3] Category 1: purchased goods and services. The reporting period is October-September.
[4] Category 10: processing of sold products; Category 11: use of sold products; Category 12: end-of-life treatment of sold products; VOC. The reporting period is October-September.
[5] Versus 2018 baseline.

The indicators that fall within the scope of limited assurance of the external auditor are marked with the following symbol: ▶
A summary of our reporting principles can be found in the Appendix.
The full reporting principles are available on https://www.akzonobel.com/en/about-us/sustainability-/reporting-principles-

LEADERSHIP AND GOVERNANCE

An overview of our leadership and its activities during the year, along with details of our corporate governance structure, risk management, executive remuneration, integrity and compliance management, and AkzoNobel and the capital markets.

Grégoire (Greg) Poux-Guillaume • CEO and Chair of the Board of Management and Executive Committee (1970, FR) – Greg joined AkzoNobel in November 2022 as CEO and Chair of the Board of Management, bringing with him 30 years of experience in various industrial businesses and private equity. He was previously CEO of Sulzer (2015 to 2022) and before that, CEO of GE Grid Solutions. Greg is Chair of the Board of Directors of medmix Ltd., a publicly listed MedTech company in Switzerland. He'll step down as Chair as per the Annual General Meeting of medmix Ltd. in April 2023, but may stand for re-election as a non-executive member of the Board of Directors.

Karen-Marie Katholm • Chief Integrated Supply Chain Officer and member of the Executive Committee (1967, DK) – Karen-Marie joined AkzoNobel in September 2021, having held various global leadership roles across sourcing, supply chain and operations. Before moving to AkzoNobel, she was Integrated Operations Leader for DuPont Nutrition & Biosciences – having joined Danisco A/S (later DuPont) in 2009. Karen-Marie has more than 20 years of experience working at various large and international food manufacturers, such as Orkla, United Biscuits and Arla Foods. She's also a non-executive member of the Boards of Directors of NTG Nordic Transport Group A/S and Chr. Augustinus Fabrikker.

Michael Friede • Chief Commercial Officer – Performance Coatings and member of the Executive Committee* (1980, DE) – Michael joined AkzoNobel in July 2021 as Chief Commercial Officer – Performance Coatings. Before that, he worked in various countries within the chemical industry for companies such as Covestro and Bayer AG. He held roles in general management, sales and marketing, procurement and within corporate functions. In September 2021, Michael was appointed to the Board of Pearl Polyurethane Systems LLC as a non-executive member.

* Until March 1, 2023

Joëlle Boxus • Chief Human Resources Officer and member of the Executive Committee (1971, BE) –
Joëlle rejoined AkzoNobel as Chief Human Resources Officer in 2020. She had previously been global HR leader for AkzoNobel's former Specialty Chemicals business. Joëlle managed the separation of Specialty Chemicals before becoming part of the Executive Committee of the newly established company. In 2018, she returned to Belgium to become Chief Human Resources Officer at Etex N.V. before rejoining AkzoNobel.

Dr. Hilka Schneider • General Counsel and member of the Executive Committee (1970, DE) –
Hilka joined AkzoNobel in January 2022. With expertise in M&A, corporate law and governance, she worked for various industries as an external lawyer, and then in-house at DHL and Demag Cranes (now Konecranes). Before joining AkzoNobel, Hilka was Group Director Legal, Compliance and Board Office and a member of the Group Executive Committee at travel company TUI.

Maarten de Vries • CFO and member of the Board of Management and Executive Committee (1962, NL) –
Maarten joined AkzoNobel in 2018. He spent the previous three years as CFO at Intertrust Group and TNT Express. He was a member of the Management Board of Intertrust Group and the Executive Board of TNT Express.

The Board of Management's statement on the financial statements, the management report and internal controls.

We prepared this Report 2022 in line with International Financial Reporting Standards (IFRS), as adopted by the EU, and the financial reporting requirements included in Part 9 of Book 2 of the Dutch Civil Code.

To the best of our knowledge:
- The financial statements in this Report 2022 give a true and fair view of the assets and liabilities; financial position and profit or loss of our company and the undertakings included in the consolidation taken as a whole
- The management report in this Report 2022 includes a fair review of the position at December 31, 2022, the development and performance during the financial year 2022 of AkzoNobel, and the undertakings included in the consolidation taken as a whole, and describes our principal risks

The Board of Management is responsible for the establishment and adequate functioning of a system of governance, risk management and internal controls within our company. Consequently, a broad range of processes and procedures has been implemented, designed to provide control by the Board of Management over the company's operations. These include measures regarding the general control environment, such as a Code of Conduct, policies and procedures and authority rules, as well as specific measures, such as a risk management system, a system of controls and a system of letters of financial representation by responsible management at various levels within our company. All these processes and procedures are aimed at providing a reasonable level of assurance that we have identified and managed the significant risks of our company, and that we meet our operational and financial objectives in compliance with applicable laws and regulations. For a detailed description of the company's internal risk management, please refer to the Risk management section.

The Integrity and Compliance function makes policies, rules and procedures available through the Policy portal, manages the online and face-to-face compliance training program, provides legal expert support and manages investigations related to our SpeakUp! complaints procedure. For a more detailed description of the integrity and compliance framework, please refer to the Integrity and compliance management section.

The Internal Control function maintains AkzoNobel's Internal Control Framework, monitors the compliance and includes updates regarding the emergence of new risks. They support the annual review of the effectiveness of the system of governance, risk management and internal controls of the Board of Management. Internal Audit provides comfort to the Board of Management, as well as the Supervisory Board, that our system of risk management and internal controls – as designed and represented by management – is adequate and effective. While we routinely work towards continuous improvement of our processes and procedures regarding financial reporting, the Board of Management confirms that according to the current state of affairs, to the best of its knowledge:
- The Report 2022 provides sufficient insights into any failings in the effectiveness of the internal risk management and control systems. There have been no material failings in the effectiveness of internal risk management and control systems
- These systems provide reasonable assurance that the financial reporting does not contain material inaccuracies
- It is justified that the financial reporting is prepared on a going concern basis
- There are no material risks or uncertainties that could reasonably be expected to have a material adverse effect on the continuity of the company's operations for the 12-month period after report preparation

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

Amsterdam, February 27, 2023
The Board of Management

Greg Poux-Guillaume, CEO and Chair of the Board of Management

Maarten de Vries, CFO and member of the Board of Management

2022 was an eventful and demanding year for AkzoNobel. In November, we officially welcomed our new CEO, Greg Poux-Guillaume, and said goodbye to Thierry Vanlancker. Thierry led the company through a period of significant change. He took over in 2017, when the company was under attack from shareholders due to years of underperformance, which culminated in a hostile takeover bid from a competitor.

During Thierry's five years as CEO, AkzoNobel was transformed. The Specialty Chemicals business was sold – with the proceeds being distributed to shareholders – and we became a focused paints and coatings company. The new AkzoNobel was organizationally simplified, integrated business processes were installed and employee engagement was lifted to a high level. The company focused on profitability, and margins were increased to standard industry levels through cost discipline and strong focus on pricing. On behalf of the whole Supervisory Board, I want to thank Thierry for his leadership and wish him every success for the future.

We were very pleased to welcome Greg as our new CEO. He's an experienced business leader with an impressive track record and we're confident we found the best match for the company. In the short term, Greg and his team will focus on lifting both productivity and the competitiveness of the supply chain, and strengthening our market positions. The Supervisory Board is confident Greg and the Executive Committee will be successful in leading the company on the next phase of its journey.

After three years of strong progress on our financial results, 2022 was very challenging. Markets contracted from Q2 onwards, as the end of COVID-19 restrictions in Europe impacted the do-it-yourself sector, and continued lockdowns in China caused additional pressure. The war in Ukraine also sent energy prices soaring and significantly reduced economic activity in our main markets. Like other companies in our industry, we'd benefited from strong demand for decorative paints during COVID-19. However, global supply chain challenges forced us to increase stocks of raw materials, finished products and staffing to secure stable supplies to customers. As a result of the macro-economic turmoil and sudden market downturn, major efforts were made during the second half of 2022 to adjust working capital and costs to the new realities. Unfortunately, these challenges weren't fully resolved before year-end and we couldn't avoid a significant negative impact on profitability.

Nevertheless, our teams were able to defend AkzoNobel's market positions, while implementing the necessary price increases. The company also continued to move forward and remained focused on its strategic ambitions. Despite the global uncertainty, AkzoNobel is investing in its long-term growth potential, evidenced by two acquisitions completed during the year – Grupo Orbis in Latin America and the wheel liquid coatings business of Lankwitzer Lackfabrik GmbH. We also signed an agreement to acquire the African paints and coatings activities of Kansai Paint (expected to be completed in 2023, pending the relevant approvals).

These acquisitions represent significant undertakings, especially during a period of global economic uncertainty. They'll require additional investments in the short to medium term, but will also boost AkzoNobel's leading positions, offering important long-term growth opportunities. The Supervisory Board was pleased to see the company making continued efforts to further strengthen its global activities. It was also encouraging to see progress being made in sustainability and innovation, which will be key to accelerating growth.

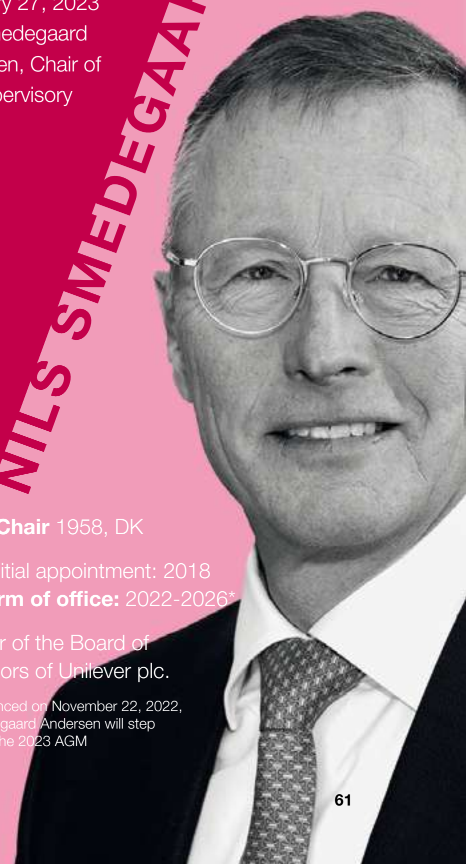
During the year, as well as engaging in a thorough process to find Thierry Vanlancker's successor, we also strengthened the Supervisory Board by recruiting two new colleagues with significant chemicals industry insight – Ester Baiget and Hans Van Bylen. They both bring a wealth of knowledge and expertise. We also announced our intention to nominate Ben Noteboom as my successor at the AGM in April 2023.

The management team and all our employees should be proud of the results achieved in recent years. Admittedly, the last three quarters of 2022 were difficult and we can't be fully satisfied with the financial results. However, the Supervisory Board is convinced the right measures have been taken to prepare for 2023. I'd like to thank my Supervisory Board colleagues, the Board of Management and Executive Committee for all their efforts during a challenging year. Most importantly, I want to thank all our employees for their unwavering support and commitment.

Finally, thank you to everyone for supporting me during my tenure. Having joined at a time when the company was under significant external pressure, I've had the privilege of working with you to create a strong, focused paints and coatings company with an exciting future. With a new CEO in place, the company is well positioned for the next stage of its journey. I'm therefore happy to step down at the 2023 AGM and hand over to Ben Noteboom, who will lead the organization with the new CEO. I'm confident that with your support, they'll successfully take the company forward.

Amsterdam,
February 27, 2023
Nils Smedegaard Andersen, Chair of the Supervisory Board

NILS SMEDEGAARD ANDERSEN



Chair 1958, DK

Initial appointment: 2018
Term of office: 2022-2026*

Chair of the Board of Directors of Unilever plc.

*As announced on November 22, 2022, Nils Smedegaard Andersen will step down after the 2023 AGM

BYRON GROTE

Deputy Chair
1948, US and UK

Initial appointment: 2014
Term of office: 2022-2024

Non-executive Director of Tesco plc., IHG International Hotel Group and Inchcape plc.

ESTER BAIGET

1971, ES

Initial appointment: 2022
Term of office: 2022-2026

CEO and President of Novozymes A/S; member of Business Council for United Nations, Board of Trustees and Sustainability Champion of US Council for International Business; Chair of Climate Partnership for Life Science and Biotech Ministry of Industry; Board member of B tech.

HANS VAN BYLEN

1961, BE

Initial appointment: 2022
Term of office: 2022-2026

Independent Director and Chair of the Board of Directors at Ontex Group N.V.; member of the Supervisory Board at Lanxess AG; non-executive member of the Board of Directors at Etex N.V.

DR. PAMELA KIRBY

1953, UK

Initial appointment: 2016
Term of office: 2020-2024

Non-executive Director at Reckitt Benckiser plc. and Bunzl Plc.

JOLANDA POOTS-BIJL

1969, NL

Initial appointment: 2019
Term of office: 2019-2023

CFO of Royal van Oord; member of the Supervisory Board of Pon Holdings B.V.

DICK SLUIMERS

1953, NL

Initial appointment: 2015
Term of office: 2019-2023

Deputy Chair of Supervisory Board of Euronext N.V.; Chair of the Supervisory Boards of Euronext Amsterdam and NIBC Bank N.V.; member of Boards of Directors of FWD Group Limited and State Academy of Finance and Economics; Trustee of Erasmus University Trust Fund; Senior Advisor to Bank of America Europe DAC.

PATRICK THOMAS

1957, UK

Initial appointment: 2017
Term of office: 2021-2025

Chair of Johnson Matthey plc.; member of the Supervisory Board of Covestro A.G.

MEETINGS AND ATTENDANCE

The Supervisory Board values the attendance of its meetings by all members. If Supervisory Board members are unable to attend a Supervisory Board or committee meeting, they inform the relevant Chair of their reasons. Supervisory Board members always receive the materials for each specific meeting, allowing them to offer input and discuss any agenda items with the relevant Chair. In 2022, the Board of Management attended all regular and all additional meetings. The Executive Committee attended the majority of the meetings. Almost all plenary sessions of the Supervisory Board were preceded or succeeded by executive sessions of the Supervisory Board, with and without the CEO in attendance. The Chair had regular one-on-one calls with all Supervisory Board members to discuss individual impressions on the functioning of the Supervisory Board and items covered.

The Supervisory Board aims for all (regular) meetings to be held physically. However, during 2022, some meetings were held virtually due to COVID-19 related measures. The virtual meetings were held with video conference capabilities, enabling Supervisory Board members to perform their role appropriately.

Strategy updates

During 2022, the Supervisory Board continued to allocate adequate time to discuss strategic activities. It received regular updates from the Executive Committee on the progress made towards the ambitions of the Grow & Deliver strategy, as well as on the underlying programs supporting the strategy. The Supervisory Board continued the discussion and advised on the strategic action items that were defined in the two-day strategy meeting held in December 2021. These discussions included reviews of the growth plans for Decorative Paints and Performance Coatings and deep dives on other strategic opportunities. The Supervisory Board further reviewed and advised on AkzoNobel's acquisition of the African paints and coatings activities from Kansai Paint. With a focus on long-term value creation, the Supervisory Board also reviewed and advised on the internal Focus 2 initiatives that were launched mid-year to mitigate the macro-economic uncertainty.

Russia/Ukraine

Regular updates were also received regarding the situation in Ukraine and Russia and the impact on AkzoNobel and its employees. The Supervisory Board reviewed the actions taken to implement the EU sanctions, including the suspension of the majority of the coatings business in Russia, as well as the localization of the residual Russian business.

Functional updates

Throughout the year, the Supervisory Board reviewed and discussed functional updates, including Finance, Integrated Supply Chain, Human Resources, Innovation, and Health, Safety, Environment and Security. The Supervisory Board received comprehensive market updates and advised on contingency plans. Additionally, the Supervisory Board reviewed the outcomes and developments of the Organization Health Index survey.

Sustainability

The Supervisory Board views sustainability as an intrinsic value driver in the work of all businesses and functions. During 2022, the Supervisory Board continued to assess sustainability as part of strategy and targets and advised on further embedding related considerations in the decision-making. During the semi-annual progress updates on sustainability, the Supervisory Board reviewed and advised on the progress made towards the company's sustainability ambitions. The Supervisory Board reviewed the company's response to climate change, focusing on efforts to reduce emissions across the whole value chain (including Scope 1, 2 and 3). It received updates on the multiple programs initiated, as well as on the company's efforts to further strengthen sustainability governance internally.

The company's sustainability ambitions and progress are further considered as part of the functional updates, and as part of the Supervisory Board's review of the company's innovation efforts and programs. Further details are included in the Sustainability statements.

Supervisory Board attendance record

	Regular SB	Additional SB	AC	RC	NC
Nils Smedegaard Andersen	9/9	3/4[3]		7/7	7/8[3]
Ester Baiget[1]	5/5	3/4	3/3		
Jolanda Poots-Bijl	8/9	3/4	7/8		
Hans Van Bylen[2]	5/5	3/4		4/4	4/4
Byron Grote	9/9	4/4	8/8		1/1[3]
Pamela Kirby	9/9	3/4		7/7	8/8
Dick Sluimers	9/9	2/4		7/7	8/8
Patrick Thomas	9/9	4/4	8/8		

The table indicates the meeting attendance for the Supervisory Board (SB), the Audit Committee (AC), the Remuneration Committee (RC) and the Nomination Committee (NC) for regular and additional meetings. The attendance record shows the nine regular, scheduled meetings and the four additional meetings of the Supervisory Board. Additional meetings were scheduled ad hoc when needed to ensure the Supervisory Board was sufficiently informed and could make considered decisions regarding (potential) acquisitions, the CEO succession and the Chair succession.

[1] Appointed to the Supervisory Board as per April 22, 2022, and appointed to the Audit Committee as per September 1, 2022.

[2] Appointed to the Supervisory Board, Remuneration Committee and Nomination Committee as per April 22, 2022.

[3] Nils Smedegaard Andersen did not take part in the deliberation and decision-making regarding his succession. Byron Grote, as Deputy Chair, acted as Chair during these meetings.

Performance and management planning

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

Discussions on corporate performance were held at each regular Supervisory Board meeting and included business reviews and performance updates from corporate functions. Forward-looking targets were also addressed in light of these reviews, and both the proposed budget and operating plan for 2023 were diligently reviewed by the Supervisory Board in Q4, taking into account the macro-economic uncertainty. Following this assessment, the Supervisory Board has approved the proposed budget and operating plan for 2023.

During the year, the Supervisory Board was pleased to see the company continuing to benefit from management's strategic initiatives, including its focus on strong margin management when facing continued raw material cost inflation. The nature of this performance and the company's capital allocation priorities were all considered in the Supervisory Board's approval of the share buyback program and the dividend proposal (further details on the 2022 dividend proposal can be found in the Financial information).

Risk management

The Supervisory Board views risk management as an essential mechanism to safeguard the business and assets of the company, and to secure long-term performance and value creation. As the Supervisory Board sought to assure

Supervisory Board activities 2022

Q1
- Review Q4 2021 financials and performance
- 2021 financial statements, annual report and profit allocation
- Assurance report sustainability statements 2021
- 2021 external audit report
- Final 2021 dividend
- Share buyback program
- Investor Relations update
- Grow & Deliver update
- Business updates
- M&A strategy update
- Risk management: Risk session outcomes
- HSE full-year report
- Review Remuneration Policy for Board of Management
- Supervisory Board succession planning
- CEO succession planning
- CFO reappointment

Q2
- Review Q1 2022 financials and performance
- Share buyback program
- Investor Relations update
- Grow & Deliver update
- Growth plan (Paints)
- Business updates
- M&A strategy update
- HSE and security update
- Russia/Ukraine update
- Commercial excellence update
- Sustainability strategy/ESG update
- Human Resources update (incl. Operational Health Index)
- CEO succession planning

Q3
- Review Q2 2022 financials and performance
- Investor Relations update
- Grow & Deliver update
- Growth plan (Coatings)
- Business updates
- M&A strategy update
- Integrated Supply Chain strategy update
- Innovation/Research and Development update
- HSE and security update

Q4
- Review Q3 2022 financials and performance
- Interim dividend 2022
- Dividend policy
- Review capital allocation priorities
- Budget 2023
- Investor Relations update
- Grow & Deliver update
- Business updates
- M&A strategy update
- HSE and security update
- Sustainability strategy/ESG update
- Supervisory Board succession planning

itself of the robustness of the company's risk mitigation and internal controls, it received multiple risk management updates during the year.

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

Corporate governance

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

Talent management and succession planning

Succession planning was an important topic for the Supervisory Board in 2022. With Thierry Vanlancker's second term as CEO coming to an end at the AGM in 2023, the Supervisory Board initiated a thorough internal and external search to find a successor. The search and selection process was led by the Nomination Committee, with the assistance of an independent and renowned search firm.

On the recommendation of the Nomination Committee, the Supervisory Board nominated Greg Poux-Guillaume to be appointed as member of the Board of Management and CEO with effect from November 1, 2022, for an extended four-year term, which was approved at the EGM held on September 6, 2022. Further information can be found in the report of the Nomination Committee.

During 2022, the Supervisory Board also nominated Maarten de Vries to be reappointed as member of the Board of Management for a second four-year term, which was approved at the AGM held on April 22, 2022.

The Supervisory Board also took the time to discuss its own composition and succession plan in order to ensure its continued effectiveness. These discussions led to the nominations of Ester Baiget and Hans Van Bylen to be appointed as additional members of the Supervisory Board, following a search and selection process managed by the Nomination Committee, and with the assistance of an independent and renowned search firm.

The Supervisory Board further nominated Nils Smedegaard Andersen and Byron Grote to be reappointed as members of the Supervisory Board. Byron Grote was initially appointed as a member of the Supervisory Board in 2014, and reappointed for a second four-year term in 2018. He has been Chair of the Audit Committee since April 2015 and Deputy Chair of the Supervisory Board since October 2016. Given his extensive experience with AkzoNobel – and to ensure the continuity and effectiveness of the Supervisory Board and the Audit Committee while allowing for appropriate succession planning – the Supervisory Board nominated Byron Grote to be reappointed as a member of the Supervisory Board for a third term of two years. Nils Smedegaard Andersen and Byron Grote did not take part in the deliberations and voting regarding their own reappointments. The aforementioned appointments and reappointments were approved at the AGM held on April 22, 2022.

With Nils Smedegaard Andersen stepping down after the 2023 AGM, the Supervisory Board further announced the nomination of Ben Noteboom to be appointed as member of the Supervisory Board for a four-year term as of the 2023 AGM, with the intention to subsequently elect him as Chair. A thorough search and selection process was conducted by the Nomination Committee, led by Deputy Chair Byron Grote, with the assistance of an independent and renowned search firm. Nils Smedegaard Andersen did not take part in the deliberation and decision-making regarding his succession. Byron Grote, as Deputy Chair, acted as Chair during these meetings.

The requirements of the Dutch Corporate Governance Code, the Supervisory Board's profile and the skills matrix were considered throughout these processes. Further information can be found in the report of the Nomination Committee.

The Supervisory Board further discussed and supported changes to the composition of the Executive Committee. With David Prinselaar stepping down as Chief Manufacturing Officer per March 1, 2022, Karen-Marie Katholm took on the role for both

Committees of the Supervisory Board

	Audit Committee	Remuneration Committee	Nomination Committee
Nils Smedegaard Andersen (Chair)		Member	Chair
Byron Grote (Deputy Chair)	Chair		
Ester Baiget[1]	Member		
Jolanda Poots-Bijl	Member		
Hans Van Bylen[2]		Member	Member
Pamela Kirby		Member	Member
Dick Sluimers		Chair	Member
Patrick Thomas	Member		

[1] Per September 1, 2022.
[2] Per April 22, 2022.

Audit Committee activities 2022

Q1	Q2	Q3	Q4
• Review Q4 2021 financial statements and annual results • Review 2021 annual report and accounts • External audit report • Assurance report sustainability statements 2021 • Final dividend 2021 • Share buyback program • Review risk management and internal control, including 2021 report • HSE audit findings • Integrity and compliance report 2021 • Exposure report • IT/cybersecurity update • Pension update • Sustainability reporting update • Internal Audit Q4 2021 report	• Review Q1 2022 financial statements • Investor Relations update • Integrity and compliance mid-year report • Review evaluation external auditor • Audit fee 2022 • Review year-to-date audit findings • Review and approval PwC audit plan • Internal Audit Q1 2022 report • Internal Audit strategy update • IT/cybersecurity update • Treasury update • Share buyback program	• Review Q2 2022 financial statements • Internal Audit Q2 2022 report • Investor Relations update • Review year-to-date audit findings	• Review Q3 2022 financial statements • Interim dividend 2022 • Dividend Policy • Internal Audit Q3 2022 report • Tax strategy update • Integrity and compliance Q3 2022 report • Internal Control framework update • Finance transformation update • Review budget 2023 and outlook • Hard close audit report • Internal Audit plan 2023 • Sustainability reporting update • Review capital allocation priorities

the Supply Chain and Manufacturing Operations under the title of Chief Integrated Supply Chain Officer.

The Supervisory Board also discussed an update to the organizational structure taking effect in 2023. With Michael Friede stepping down as Chief Commercial Officer – Performance Coatings as of March 1, 2023, Jan-Piet van Kesteren and Daniel Campos were appointed to the Executive Committee to jointly represent the Decorative Paints businesses, and Simon Parker and Patrick Bourguignon were appointed to the Executive Committee to jointly represent the Performance Coatings businesses. Their appointments to the Executive Committee took effect per February 1, 2023.

Independence of the Supervisory Board

Supervisory Board members are required to act critically and independently of one another, the Board of Management, the Executive Committee and the company's stakeholders. Each member of the Supervisory Board meets the independence requirements of the Corporate Governance Code and completed the annual independence questionnaire addressing the relevant requirements for independence.

Supervisory Board evaluation

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

The Chair had one-on-one calls with all Supervisory Board members to discuss individual impressions on the functioning of the Supervisory Board and items covered in 2022. In a separate meeting without the Board of Management, the Supervisory Board discussed the results of the evaluation questionnaires. The Supervisory Board also discussed the functioning of the Board of Management, the performance of its individual members and reflected on the improvement areas agreed during last year's evaluation.

The evaluation concluded that the Supervisory Board and its committees continue to operate proficiently. The search and selection processes relating to the Board of Management and Supervisory Board succession matters were professionally organized, with positive outcomes and close involvement of all Supervisory Board members. Sufficient time was allocated to discuss the topics that reflected the future strategic priorities for the company. Focus items going forward included the transition to a new Chair in 2023, as well as continued attention for executive succession planning and talent management.

Financial statements and profit allocation

The Board of Management submitted the report and financial statements, including the report of the Board of Management, to the Supervisory Board for review and approval. The financial statements of Akzo Nobel N.V. for the financial year 2022 were audited by PricewaterhouseCoopers Accountants N.V. (PwC).

The financial statements and the report were extensively discussed by the Audit Committee with the external auditors, in the presence of the CFO, and by the full Supervisory Board with the Board of Management and the Executive Committee. Based on these discussions, the Supervisory Board is of the opinion that the 2022 financial statements of Akzo Nobel N.V. form an adequate basis to account for the supervision provided (see the Financial information). The Audit Committee monitors the follow-up by management on the recommendations made by the external auditors. The Supervisory Board recommends that the AGM adopts the financial statements as presented in this Report 2022 and, as proposed by the Board of Management, the proposed total dividend for 2022 of €1.98 (2021: €1.98), including a final dividend of €1.54 per share. An interim dividend of €0.44 (2021: €0.44) per share was paid in November 2022. This reflects the continued commitment to providing a stable to rising dividend. The dividend will be paid in cash.

In addition, it is requested that the AGM discharges the members of the Board of Management from their responsibility for the conduct of business in 2022 and the members of the Supervisory Board for their supervision in 2022.

AUDIT COMMITTEE

All Audit Committee members have extensive accounting and financial management expertise. Issues discussed in Audit Committee meetings were reported back to the full Supervisory Board in subsequent meetings.

External audit

PwC, AkzoNobel's independent external auditor, reported in-depth to the Audit Committee on the scope and outcome of the annual audit of the financial statements, including the Consolidated financial statements and the Company financial statements and related notes, as well as on the scope and outcome of the limited assurance engagement on the selected non-financial indicators, as included in the Sustainability statements, to provide limited assurance. The Audit Committee held independent meetings with the external auditor and critically reviewed and constructively challenged their audit approach, fees, risk assessment and audit plan for the year ahead.

The Audit Committee performed an annual review of the services of the external auditor, and at each meeting considered and assessed the status of the auditor's independence. Further details on the external auditor can be found in the Corporate governance statement.

Risk management and internal control systems

The Audit Committee reviewed the company's overall approach to governance, risk management and internal controls, its processes, outcomes, financial reporting and disclosures. It received regular updates from auditors and functions and was provided with comprehensive risk and internal control reports during the year, including an annual in-depth update on the Internal Control Framework. In its review, the Audit Committee considered the impact of changes to systems and processes, such as the centralization of the Accounting Operations processes in the GBS centers and the localization of the residual business in Russia. The Audit Committee also met regularly with senior executives.

In fulfilling its oversight responsibilities in relation to risk management and internal control systems, the Audit Committee also received updates from functions such as Finance, Treasury, Information Management and Tax throughout the year. In addition, the Audit Committee reviewed the annual operating plan (including budget) and AkzoNobel's dividend proposals. During 2022, the Audit Committee received several updates on the IT security framework, including the corporate security program and the security program for the manufacturing sites. The Audit Committee received an update on sustainability reporting and advised on the company's roadmap and internal governance in anticipation of the upcoming sustainability reporting frameworks.

Integrity and compliance

The Executive Committee is responsible for maintaining a culture of integrity and ensuring an effective integrity and compliance program and control framework. Part of these responsibilities are delegated to specific committees and the Integrity and Compliance team. The Supervisory Board's Audit Committee oversees this responsibility and reviews the regular integrity and compliance reports.

Internal audit

The Internal Auditor presented all main audit findings to the Audit Committee and discussed the progress of the audit plan. During the year, the Audit Committee approved Internal Audit's plan and strategy, and also agreed on the budget and resource requirements for the function. The Audit Committee also met separately with the Internal Auditor during the year to discuss the results of the audits performed and the status of the follow-up on action plans identified. In 2022, the Audit Committee was satisfied with the effectiveness of the Internal Audit function.

Results and financial statements

Before each publication of the quarterly results and the financial statements, the Audit Committee reviewed the financial results. In addition, the Audit Committee reviewed and commented on the interim and final dividend proposals and on reports and press releases to be published. This was in addition to the work undertaken by the company's Disclosure Committee in reviewing the company's disclosure of potentially share price sensitive information. Based on these discussions, the Audit Committee advised the Supervisory Board on the publications and disclosures, as well as on proposals regarding the share buyback program and the interim and final dividends. All quarterly and annual releases of financial results were approved by the full Supervisory Board prior to publication and release.

To ensure its effectiveness and expertise, the Audit Committee was provided with regular updates on IFRS

Supervisory Board skills and profiles

	N.S. Andersen (m)	E. Baiget (f)	H. Van Bylen (m)	J. Poots-Bijl (f)	B. Grote (m)	P. Kirby (f)	D. Sluimers (m)	P. Thomas (m)
Independent	●	●	●	●	●	●	●	●
Consumer goods key end-user segment	●		●		●	●		
Industrial key end-user segment	●	●	●	●	●	●	●	●
Buildings and infrastructure key end-user segment		●		●				●
Transportation key end-user segment	●			●	●	●	●	●
(International) business, commerce, finance/economics	●	●	●	●	●	●	●	●
Scientific/information technology experience		●		●	●	●		●
Public sector experience				●			●	
Management experience	●	●	●	●	●	●	●	●
Business strategy planning	●	●	●	●	●	●	●	●
Investor relations	●	●	●	●	●	●	●	●
Manufacturing experience	●	●	●	●	●	●	●	●
Supply chain/logistics experience	●	●	●	●	●	●		
Social, environmental or sustainability experience (ESG)	●	●	●	●	●	●	●	●
Finance expert				●	●		●	
Four or less external directorships	●	●	●	●	●	●	●	●
Dutch/EU national	●	●	●	●			●	
Non-EU national					●	●		●
Pensions experience				●			●	
Business-to-business sales experience		●	●			●		●
R&D experience		●			●	●		●
Legal experience						●		
Industrial/employment relations			●					●
Risk management				●	●	●	●	
Consulting				●		●	●	

(f) = female, (m) = male

developments and the anticipated impact of these developments on the financial statements. In addition, the Audit Committee reviewed and assessed management assertions made in regard to relevant accounting treatments. The external auditor, as required by auditing standards, also considers the risk of management override of controls. Nothing has come to the attention of the Audit Committee to suggest any material misstatement related to suspected or actual fraud involving management override of controls.

REMUNERATION COMMITTEE

Management performance review

The work of the Remuneration Committee during Q1 focused on 2021 performance, individual performance reviews of Board of Management members and the Executive Committee. The Remuneration Committee also reviewed various incentive plans, the economic circumstances and the relative performance compared with top peers. Ahead of the nomination of Greg Poux-Guillaume as member of the Board of Management, the Remuneration Committee assessed and made recommendations to the Supervisory Board regarding the main elements of his management agreement.

2021 Remuneration report

The 2021 Remuneration report was submitted to the AGM held on April 22, 2022, for its advisory vote. There was no majority in favor. The Remuneration Committee and the Supervisory Board took this feedback into account. The learnings are addressed in the Remuneration report of this Report 2022.

Remuneration Policy review

In 2022, the Remuneration Committee and Supervisory Board reviewed the remuneration policies for the Board of Management and the Supervisory Board to assess whether these were still in

Remuneration Committee activities 2022

Q1	Q2 & Q3	Q4
• Review of management performance 2021 • Approval of 2021 pay-out under Short-Term Incentive Plan and vesting of shares under Long-Term Incentive Plan • 2021 Remuneration report • Review Remuneration Policy for Board of Management • Review of management base salaries for 2022 • Target setting 2022 • CFO reappointment	• CEO succession • Review of feedback Annual General Meeting 2022 • Review of Long-term Incentive Plan and Share-Matching Plan	• Preparation of 2022 Remuneration report • Review of 2022 (preliminary) performance outlook

line with the company's strategy and financial targets, taking into account the input received from stakeholders. Following such review, the Supervisory Board, based on the recommendation of the Remuneration Committee, proposed to replace Operating Cash Flow by Free Cash Flow as one of the applied metrics for the Short-Term Incentive. This change was approved at the AGM held on April 22, 2022. Further information can be found in the Remuneration report.

Management salary review

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

NOMINATION COMMITTEE

Board of Management and executive succession

During 2022, the Nomination Committee recommended the reappointment of Maarten de Vries as member of the Board of Management and CFO for consideration by shareholders at the AGM of April 22, 2022.

With Thierry Vanlancker's second term as CEO coming to an end at the AGM in 2023, a thorough internal and external search was initiated. After meeting several reputable executive search firms, a firm was selected, and various meetings were held to discuss and agree on the profile and the search process. The Supervisory Board was looking for an experienced CEO with B2B knowledge who played a pivotal role in listed companies and with global experience. A diverse range of candidates, including internal candidates, was considered. Following extensive review, the long list of candidates was shortened and several interviews were held by the Nomination Committee and the other members of the Supervisory Board.

Upon completion of these interviews, the Nomination Committee felt that Greg Poux-Guillaume was the best candidate for the role and made its recommendation. After discussion, the Supervisory Board supported the recommendation to nominate Greg Poux-Guillaume as a member of the Board of Management for consideration by shareholders at the EGM held on September 6, 2022.

Furthermore, the Nomination Committee was consulted and gave its advice regarding executive succession planning, talent management and the company's diversity ambitions.

Related information

Further details about the remuneration of members of the Board of Management and Executive Committee can be found in the Remuneration report and in Note 26 of the Consolidated financial statements.

Supervisory Board succession

During 2022, the Nomination Committee continued to discuss the size, structure and composition of the Supervisory Board. A thorough external search was conducted, taking into account the Supervisory Board's skills matrix, profile, Diversity Policy and succession plan. The process was supported by an independent and renowned search firm. A list of candidates was presented for consideration. Following review, the list was shortened, and several candidates were interviewed by the Nomination Committee and other members of the Supervisory Board. Upon completion of these interviews, the Nomination Committee made its recommendation.

Nomination Committee activities 2022

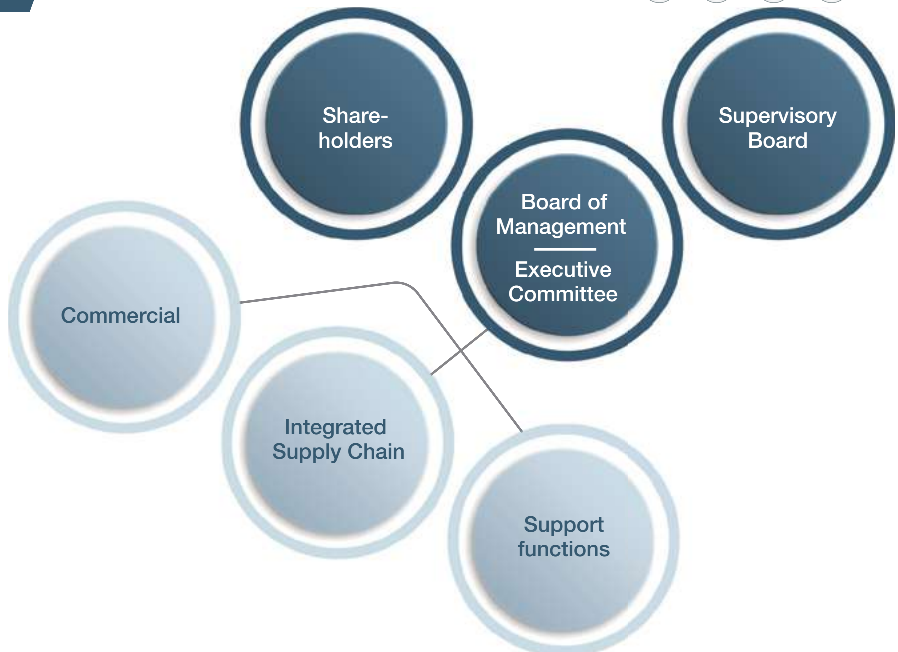
Q1	Q2, Q3 and Q4
• Supervisory Board succession planning • Review (re)appointment scheme • Board of Management and Executive Committee succession planning and talent management	• Supervisory Board succession planning • Update skills matrix • CEO succession • Board of Management and Executive Committee succession planning and talent management • Review (re)appointment scheme

After discussion, the Supervisory Board supported the recommendation to nominate Ester Baiget and Hans Van Bylen for appointment as additional members of the Supervisory Board. The Nomination Committee further recommended the reappointments of Nils Smedegaard Andersen and Byron Grote as members of the Supervisory Board. Upon the appointment of the two new members at the AGM held on April 22, 2022, the number of Supervisory Board members was increased to eight. With Nils Smedegaard Andersen stepping down after the 2023 AGM, the Nomination Committee further recommended the nomination of Ben Noteboom as member of the Supervisory Board as per the 2023 AGM, with the intention to subsequently elect him as Chair. A thorough search and selection process, led by Deputy Chair Byron Grote, was conducted with the assistance of an independent and renowned search firm. Nils Smedegaard Andersen did not take part in the deliberation and decision-making regarding his succession. Byron Grote, as Deputy Chair, acted as Chair during these meetings. The Supervisory Board has updated its skills matrix, as shown on page 67. It contains full details of the current Supervisory Board composition. The schedule of Supervisory Board succession and the profiles of the Supervisory Board members can also be found on our website.

ADDITIONAL REMARKS

All Supervisory Board members would like to express their appreciation to the Board of Management and Executive Committee, and to all the company's employees around the world, for their outstanding dedication and hard work during the year.

AkzoNobel aspires to the highest standards of corporate governance and seeks to consistently enhance and improve corporate governance performance, emphasizing transparency and a sustainable culture of long-term value creation.



Akzo Nobel N.V. is a public limited liability company (naamloze vennootschap) established under the laws of the Netherlands, with common shares listed on Euronext Amsterdam. AkzoNobel has a sponsored level 1 American Depositary Receipt (ADR) program and ADRs can be traded on the international OTCQX platform in the US.

The company's management and supervision are organized under Dutch law in a so-called two-tier system, comprising a Board of Management (solely composed of executive directors) and a Supervisory Board (solely composed of non-executive directors). The Supervisory Board supervises and advises the Board of Management and ensures a strong external presence in the governance of the company. The two Boards are independent of each other and are accountable to the Annual General Meeting of shareholders (AGM) for the performance of their functions.

Our corporate governance framework is based on the company's Articles of Association, the requirements of the Dutch Civil Code, the Dutch Corporate Governance Code (the "Code") and all applicable laws and regulations, including securities laws. The Code contains principles and best practices for Dutch companies with listed shares. Deviations from the Code are explained in accordance with the Code's "comply or explain" principle. For the full version of the Code, visit www.mccg.nl

With the exception of those aspects of our governance which can only be amended with the approval of the AGM, the Board of Management and the Supervisory Board may make adjustments to the way the Code is applied, if this is considered to be in the best interests of the company. Where changes are made, these will be reported and explained in the annual report for the relevant year and discussed at the subsequent AGM.

The company also subscribes to the principles of the VNO-NCW Tax Governance Code. Further information on this is available on our website. For the full version of the Tax Governance Code, visit www.vno-ncw.nl/taxgovernancecode

BOARD OF MANAGEMENT AND EXECUTIVE COMMITTEE

The Board of Management is entrusted with the management of the company. When it comes to the management of our business, it operates in the context of an Executive Committee. In 2022, the Executive Committee was comprised of the members of the Board of Management (the Chief Executive Officer (CEO) and the Chief Financial Officer (CFO)), the Chief Integrated Supply Chain Officer, Chief Commercial Officer – Performance Coatings, the General Counsel and the Chief Human Resources Officer.

The composition of the Executive Committee ensures that functional, operational and commercial expertise is entrenched at the highest level of the organization. Among other responsibilities, the Board of Management defines the company's strategic direction. It establishes and maintains internal policies and procedures for effective risk management and control, manages the realization of the company's operational and financial targets, its sustainability performance and its pursuit of long-term value creation. In fulfilling their duties, Board of Management members are assisted by the Executive Committee and guided by the interests of the company and its affiliated enterprises, taking into consideration the relevant interests of the company's stakeholders.

The Board of Management takes precedence; all Executive Committee decisions require a majority of the members of the Board of Management. The Board of Management can decide to reserve decisions for itself. The members of the Board of Management remain accountable for all decisions made by the Executive Committee. The Board of Management is accountable for its performance to the Supervisory Board and is accountable to the shareholders of the company at the AGM. The Executive Committee members who are not also members of the Board of Management report to the CEO.

The Supervisory Board has regular, direct interaction with all members of the Executive Committee and all Executive Committee members attend most Supervisory Board meetings.

The CEO leads the Executive Committee in its overall management of the company. He is the main point of liaison with the Supervisory Board. The CFO is responsible for overseeing AkzoNobel's finances, its corporate control, investor relations and information management.

The tasks, responsibilities and procedures of the Board of Management and Executive Committee are set out in their Rules of Procedure. These rules have been approved by the Supervisory Board and are available on our website. Authority to represent the company is vested in the two members of the Board of Management, acting jointly. The Board of Management has also delegated a level of authority to corporate agents, including members of the Executive Committee. The list of authorized signatories is filed with, and available from, the Dutch Chamber of Commerce.

The Directors of the company's business units and the Corporate Directors in charge of the different functions report to individual Executive Committee members with specific responsibility for their activities and performance.

Appointment

Board of Management members are appointed and removed from office by the AGM. The current Board of Management members were first appointed by EGMs (Extraordinary General Meetings) held in 2022 and 2017, with the CFO having been reappointed for another four-year term at the AGM in 2022. The other members of the Executive Committee are appointed by the CEO, after consultation with the Supervisory Board. Board of Management members are in principle appointed for a term not exceeding four years, with the possibility of reappointment.

As described later in this section, the Meeting of Holders of Priority Shares has the right to make binding nominations for the appointment of members of the Board of Management and the Supervisory Board. However, as the company subscribes to the principles of the Code in general, members of the Supervisory Board and the Board of Management are (with the exception of those circumstances described later in this section) appointed on the basis of non-binding nominations by the Supervisory Board. In such cases, resolutions to appoint a member of the Supervisory Board or the Board of Management require a simple majority of the votes cast by shareholders.

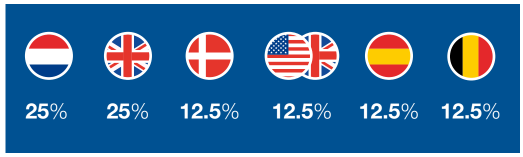
Under certain conditions specified in the Articles of Association, shareholders may also be entitled to nominate Supervisory Board or Board of Management members for appointment. Such appointments require a two-thirds majority, representing at least 50% of the outstanding share capital, in order to be adopted at an AGM (or EGM).

Diversity

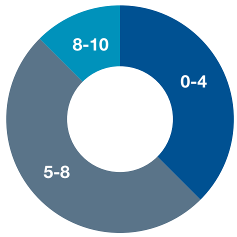
AkzoNobel believes in the strength of diversity and, in accordance with the Code, a Diversity Policy has been adopted for the composition of the Board of Management and Executive Committee. The objective of the Diversity Policy is to enrich the Board of Management's perspective, improve performance, increase member value and enhance the probability of achievement of the company's goals and objectives. The Diversity Policy addresses concrete targets relating to diversity, including nationality, age, gender, education and work background.

A consistent and structured approach is applied to succession planning for the Board of Management and Executive

SUPERVISORY BOARD



Tenure in years



Committee, taking into account the implementation of the Diversity Policy. AkzoNobel currently diverges from the gender target of at least 30% female and at least 30% male Board of Management members. It is believed that due to the size of the Board of Management (being only two male members), this divergence is justified and has ensured the best candidates for the roles were nominated by the Supervisory Board and appointed by shareholders.

Following the resignation of David Prinselaar, AkzoNobel had a 50/50 male/female diversity ratio at Executive Committee level in 2022. More information on our overall diversity and inclusion efforts, including our plans and initiatives to reach the gender balance targets for our Board of Management and our sub-top, can be found in the Sustainability statements.

Culture

The Board of Management and Executive Committee promote openness and engagement through a SpeakUp! grievance mechanism and have established a Code of Conduct, policies, rules and procedures incorporated in the company's Policy framework, in order to drive a culture of good governance, consistency and functional excellence. The values of good governance, sustainability and teamwork adopted by the Board of Management are incorporated in these documents. The Board of Management believes these values contribute to a culture focused on long-term value creation and actively encourages these values through leading by example.

Early in the year, our Swedish colleague, Almida de Val, won a bronze medal in the mixed doubles curling event at the Beijing Winter Olympics. She was given special permission to spend time away from her day job as an automation and software engineer for our Adhesives business in Årsta. Almida proudly brought her medal to work so colleagues could share in her success.

A strong company culture fostering a solid and well-embedded balance between performance and organizational health is highly valued by the Board of Management and Supervisory Board, and is fundamental to AkzoNobel's strategy. Our company culture forms an important part of discussions involving internal organizational changes and Human Resources strategy updates, as well as any functional updates. Since 2018, Insight surveys have been conducted involving all employees, focused on our wider organizational health (see the Sustainability statements). The Executive Committee and Supervisory Board regularly discuss the results of the survey, the targets and the actions taken to achieve such targets.

Outside directorships

Specific rules on outside board positions of members of the Executive Committee – which are more stringent than the requirements of the Dutch Civil Code – can be found in the Rules of Procedure.

Conflicts of interest

During 2022, no transactions were reported under which a member of the Board of Management or Executive Committee had a conflict of interest which was of material significance to the company and to the relevant member.

Remuneration

The current Remuneration Policy for the Board of Management was last amended in full following approval by the AGM held on April 22, 2021. The proposal to replace Operating Cash Flow with Free Cash Flow as one of the applied metrics for the short-term incentive was approved by the general meeting at the AGM held on April 22, 2022. The details of this policy can be found in the Remuneration report. The service contracts of the members of the Board of Management contain change of control provisions. Further details can be found in the Remuneration report and Note 26 of the Consolidated financial statements. The service contracts of the Board of Management are compliant with the Code. The main elements of these contracts are available on our website.

Operational Control Cycle

The Executive Committee holds regular meetings to discuss the implementation of the company's strategy and functional agendas. Additional meetings are held to discuss specific topics as required. The Board of Management and Executive Committee have delegated authorities to individual Executive Committee members and to certain committees and councils. To help plan for success and ensure alignment within the entire AkzoNobel organization on the strategic and operational plan, an Integrated Business Planning (IBP) process is in place across the company's global businesses and functions. IBP provides, on a monthly basis, visibility on the long-term integrated business and financial plan, which covers the product portfolio, demand and supply. It therefore ensures early attention and remedial actions, where appropriate, on any potential gaps. The monthly IBP cycle ends with the Corporate Management Business Review (CMBR), which is chaired by the CEO. The Executive Committee attends the CMBR meetings, where it reviews the consolidated long-term company perspective, including risks and opportunities, decides on escalation and possible scenarios and supervises the key performance indicators with corrective actions, if applicable.

COMMITTEES

Sustainability Council

The Executive Committee has established a Sustainability Council to advise on sustainability developments. The council monitors the integration of sustainability into management processes and oversees the company's sustainability targets and performance. It further ensures the alignment of sustainability activities across functions and businesses. The council, which meets on a quarterly basis, consists of business unit and functional directors, the Chair of the NextGen Council, as well as the CEO.

During 2022, a Sustainability Reporting Steering Committee was set up to oversee sustainability reporting. This committee aligns different functions within the organization with the aim of harmonizing and implementing upcoming legislation. The Sustainability Reporting Steering Committee reports into the Sustainability Council as an advisory body. Due to the increased importance of sustainability reporting, the topic will be embedded into the Sustainability Council in 2023.

Significant sustainability aspects material to the company are reviewed annually, with input from internal and external stakeholders. The Sustainability Council focuses on topics with the biggest impact on accelerating AkzoNobel's strategy to create shared value, building on our core values of safety, integrity and sustainability. Progress regarding sustainability objectives, development, target setting and implementation is reviewed quarterly by the Executive Committee, and semi-annually by the Supervisory Board.

The Audit Committee takes an active role in assessing the quality and reliability of sustainable performance reporting and external auditor PwC has been engaged to perform a limited assurance engagement on specific indicators included in the Sustainability statements. Their report can be found in the Financial information.

Integrity and Compliance governance committees

The Executive Committee is responsible for maintaining a culture of integrity and ensuring an effective Integrity and Compliance program and framework and has delegated part of the responsibilities to specific committees. The Supervisory Board's Audit Committee oversees this responsibility. More details on the Integrity and Compliance governance committees can be found on page 81.

Executive Pensions Committee

The Executive Pensions Committee oversees the general pension policies of AkzoNobel's various pension plans and their financial consequences for the company. The committee is chaired by the CFO and includes the Chief Human Resources Officer and Corporate Directors of Legal, Treasury, Pensions and Rewards.

Disclosure Committee

The Board of Management has established a Disclosure Committee, which consists of senior executives with a background in corporate law, finance and investor relations. The task of the Disclosure Committee is to establish and maintain disclosure controls and procedures, and to advise the CEO, CFO and General Counsel on the accurate and timely disclosure of material financial and non-financial information.

SUPERVISORY BOARD

This section provides an overview of the responsibilities and governance of the Supervisory Board. For an understanding of the activities of the Supervisory Board over the past year, refer to the Statement of the Chair of the Supervisory Board and the Report of the Supervisory Board. The responsibility of the Supervisory Board is to supervise the policies adopted by the Board of Management and the Executive Committee and to oversee the general conduct of the business of the company. In practice, this means supervising:

- The corporate strategy
- The achievement of the company's operational and financial objectives
- The design and effectiveness of internal risk management and control systems
- The main financial parameters, compliance with applicable laws and regulations and risk factors

The Supervisory Board advises the Board of Management and Executive Committee, while taking into account the interests of the company and its stakeholders. Major investments, acquisitions and functional initiatives are subject to Supervisory Board approval.

The Supervisory Board is governed by its Rules of Procedure (available on our website). The Rules of Procedure include the profile and charters of the Committees, which set out the tasks and responsibilities of the Supervisory Board, and its operational processes.

Composition

In compliance with the Dutch Civil Code, the Supervisory Board has a balanced composition reflecting the nature and variety of the company's businesses, their international spread and expertise in fields such as finance, economics, information technology, societal, environmental and legal aspects of business, government and public administration.

The Supervisory Board maintains a skills matrix, which provides an overview of the skills and experience of the individual members. The skills matrix can be found on page 67.

In addition, in accordance with the Code, a Diversity Policy has been adopted for the composition of the Supervisory Board in its Rules of Procedure. The objective of this policy is to ensure a balanced composition, taking account of nationality, age, gender, education and work background. For 2022, there are no divergences to report. With five male and three female members, the Supervisory Board complies with the requirements pur- suant to the Dutch Gender Diversity Bill.

When nominating and selecting new candidates for the Supervisory Board, account is taken of the Supervisory Board profile and skills matrix, the requirements of the Act on Management

This is Wat Arun (The Temple of Dawn) in Bangkok, Thailand. Built in the early 19th century, it was restored with products supplied by our Dulux brand. The “Let’s Colour” project – carried out together with Bangkok’s Fine Arts Department – saw volunteers from AkzoNobel team up with around 50 people from the local community. They repainted the chapel and the fence surrounding the main stupa, applying the same white and gold shades that were originally used.

and Supervision, the principles and provisions of the Code, as well as the Diversity Policy.

Appointment

Members of the Supervisory Board are nominated, appointed and dismissed in accordance with procedures identical to those previously outlined for the members of the Board of Management. In accordance with the Code, Supervisory Board members are eligible for re-election once for a period not exceeding four years. Members may be re-elected a second time for a period of two years. This period may be extended by two years at the most. In the event of a reappointment after an eight-year period, reasons must be given in the Report of the Supervisory Board. Terms of appointment are based on a reappointment scheme, available on our website. In 2022, two appointments and two reappointments to the Supervisory Board were proposed to, and approved by, the AGM held on April 22, 2022.

Induction and training

Following appointment to the Supervisory Board, new members receive a comprehensive induction tailored to their individual needs. This includes extensive briefings about all major business and functional aspects of the company and its corporate governance and compliance requirements. The induction includes meetings with the CEO, CFO, all other Executive Committee members and relevant members of senior management, as well as site visits. This enables new Supervisory Board members to quickly build up an understanding of AkzoNobel’s businesses and strategy, as well as the key risks and issues the company faces. In addition, the Chair ensures the Supervisory Board is provided with regular updates, attends business unit deep dives and ensures that the Supervisory Board undertakes training, for example in the area of compliance and ethics.

Conflict of interest

Members of the Supervisory Board shall not participate in the discussions and decision-making on a subject or transaction in relation to which they have a conflict of interest with the company. Decisions to enter into transactions under which Supervisory Board members have conflicts of interest that are of material significance to the company, and to the relevant Supervisory Board member, require the approval of the Supervisory Board. Any such decisions will be recorded in the annual report for the relevant year, with reference to the conflict of interest and a declaration that the relevant best practice provisions of the Code have been complied with. During 2022, no transactions were reported under which a member had a conflict of interest which was of material significance to the company and to the relevant member.

Remuneration of the Supervisory Board

Supervisory Board members receive a fixed annual remuneration and attendance fee, which is determined by the AGM. According to the Code, it is not possible for members to be remunerated in shares. An amendment to the Remuneration Policy for the Supervisory Board was approved at the AGM held on April 22, 2021. More information on the remuneration of the members of the Supervisory Board and the Remuneration Policy of the Supervisory Board can be found in the Remuneration report and Note 26 of the Consolidated financial statements.

SUPERVISORY BOARD COMMITTEES

The Supervisory Board has established three permanent committees – the Audit Committee, Nomination Committee and Remuneration Committee. Information on the activities, composition and attendance of the Supervisory Board members at the meetings of the committees during the year is set out in the Report of the Supervisory Board. Each committee has a charter describing its role and responsibilities, as well as the manner in which it discharges its duties and reports to the full Supervisory Board. These charters are included in the Supervisory Board Rules of Procedure. The committees report on their deliberations and findings to the full Supervisory Board.

SHAREHOLDERS AND THE ANNUAL GENERAL MEETING

The AGM is an integral part of the governance of the company and its system of checks and balances. The AGM reviews the annual report and decides on the adoption of the financial statements and the dividend proposal, as well as the discharge and (re)appointment of members of the Supervisory Board and Board of Management. The AGM is convened by public notice and the agenda, notes to the agenda and the procedure for attendance and voting at the meeting are published in advance and posted on our website. Matters proposed for consideration, approval or adoption are tabled as separate agenda items and explained in writing in advance of the meeting.

These proposals include, where relevant:

- Adoption of the financial statements
- Dividend proposal
- Discharge of members of the Supervisory Board and Board of Management
- (Re-)election of members of the Board of Management and Supervisory Board
- Advisory vote on Remuneration report
- Other important matters, such as major acquisitions or the sale or demerger of a substantial part of the company, as required by law
- Authorization of the Board of Management to issue new shares
- Authorization of the Board of Management to repurchase shares
- Remuneration of members of the Supervisory Board
- Material changes to the Remuneration Policy of the Board of Management
- Amendments to the Articles of Association (for more details see art. 57 of the Articles of Association, available on our website)

The company provides remote voting possibilities to its shareholders. Holding shares in the company on the record date determines the right to exercise voting rights and other rights relating to the AGM. All resolutions are made on the basis of the "one share, one vote" principle (assuming an equal par value for each class of shares). All resolutions are adopted by absolute majority, unless the law or the company's Articles of Association stipulate otherwise. Holders of common shares in aggregate representing at least 1% of the total issued capital, or, according to the Official List of Euronext Amsterdam N.V., representing a value of at least €50 million, may submit proposals for the AGM agenda. Such proposals must be adequately substantiated and submitted in writing, or electronically, to the company at least 60 calendar days in advance of the meeting. Draft minutes of the AGM are made available on the company website within three months of the meeting date. The final minutes are made available online within six months of the meeting date.

Share classes

AkzoNobel has three classes of shares: common shares, cumulative preferred shares and priority shares. Common shares are traded on the Euronext Amsterdam stock exchange. Common shares are also traded over-the-counter on OTCQX in the US in the form of American Depositary Receipts (each American Depositary Receipt representing one-third of a common share). On December 31, 2022, a total of 174.4 million common shares and 48 priority shares had been issued. This includes shares held in treasury which cannot be voted on and which are not eligible for dividend. Shareholders owning 3% or more of the issued capital and/or voting rights must report this to the Dutch Authority for the Financial Markets (AFM) as soon as the threshold is reached or exceeded. Relevant reporting by shareholders can be found in the "Register of substantial holdings and gross short positions" at www.afm.nl

The majority of shares in AkzoNobel N.V. are included in a global certificate and held through the system maintained by the Dutch Central Securities Depository (Euroclear Nederland). In the past, Akzo Nobel N.V. also issued (physical) bearer share certificates (Bearer Certificates). A limited number of Bearer Certificates have not yet been surrendered to Akzo Nobel N.V., although holders of Bearer Certificates are entitled to a corresponding number of shares in Akzo Nobel N.V. It is noted that, as a result of Dutch legislation which became effective as of July 2019, the relevant shares were registered in the name of Akzo Nobel N.V. by operation of law as per January 1, 2021. Pursuant to this legislation, owners of Bearer Certificates will continue to be entitled to a corresponding number of shares in Akzo Nobel N.V. until January 2, 2026. On that date, their entitlement will expire by operation of law.

Related information

For more details about AkzoNobel shares and Bearer Certificates, contact Investor Relations:

investor.relations@akzonobel.com

The priority shares are held by the Foundation Akzo Nobel (Stichting Akzo Nobel). The priority shares are limited in transferability and profit entitlement (see Note F of the Company financial statements). The Foundation's Board consists of members of AkzoNobel's Supervisory Board who are not

Prague's world famous Lennon Wall was repainted by 27 artists as part of an international cultural project. Filled with Lennon-inspired graffiti, the wall is a symbol of love, peace and freedom and is regarded as a highlight of the city's tourist trail. Our Dulux brand donated 150 liters of paint for the project, with the whole wall being repainted in a single day.

members of the Audit Committee. The Meeting of Holders of Priority Shares has the nomination right for the appointment of members of the Board of Management and the Supervisory Board, as well as the right to approve amendments to the Articles of Association of the company.

No cumulative preferred shares have been issued to date. Cumulative preferred shares merely have a financing function, which means if necessary, and possible, they will be issued at or near the prevailing quoted price for common shares.

The AGM held on April 22, 2022, authorized the Board of Management for a period of 18 months after that date or, if earlier, until the date on which the AGM again extends the authorization – subject to approval from the Supervisory Board – to issue shares in the capital of the company free from preemptive rights, up to a maximum of 10% of the issued share capital. The Board of Management was also given a mandate to acquire and to cancel held or acquired common shares in the company's share capital. The maximum number of shares that the company will hold in its own share capital at any time shall not exceed 10% of its issued share capital.

Anti-takeover provisions and control

According to the Code, the company is required to provide an overview of its actual or potential anti-takeover measures, and to indicate in what circumstances it is expected that they may be used. The priority shares may be considered to constitute a form of anti-takeover measure, in relation to the right of the Meeting of Holders of Priority Shares to make binding nominations for appointments to the Board of Management and the Supervisory Board. The Foundation Akzo Nobel has confirmed that it intends to make use of such rights in exceptional circumstances only. These circumstances include situations where, in the opinion of the Board of the Foundation, the continuity of the company's management and policies is at stake.

Our Nordsjö paint brand and family-owned Danish furniture company, Montana, devised a colorful way to celebrate 40 years of working together. We supplied the products for a makeover of their factory in the village of Haarby. It was turned into an eye-catching landmark by famous artist, Camille Walala, whose bold and playful patterns reflect the colorful, modular furniture for which Montana is renowned.

This may be the case if a public bid for the common shares of the company has been announced, or has been made, or the justified expectation exists that such a bid will be made, without any agreement having been reached in relation to such a bid with the company. The same shall apply if one shareholder, or more shareholders acting in a concerted way, hold a substantial percentage of the issued common shares of the company without making an offer. Or if, in the opinion of the Board of the Foundation Akzo Nobel, the exercise of the voting rights by one shareholder or more shareholders, acting in a concerted way, is materially in conflict with the interests of the company. In such cases, the Supervisory Board and the Board of Management, in accordance with their statutory responsibility, will evaluate all available options with a view to serving the best interests of the company, its shareholders and other stakeholders.

The Board of the Foundation Akzo Nobel has reserved the right to make use of its binding nomination rights for the appointment of members of the Supervisory Board and of the Board of Management in such circumstances. Although a deviation from provision 4.3.3 of the Code, the Supervisory Board and the Board of Management are of the opinion that these provisions will enhance the continuity of the company's management and policies. In the event of a hostile takeover bid, or other action which the Board of Management and Supervisory Board consider adverse to the company's interests, the two Boards reserve the right to use all available powers (including the right to invoke a response time in accordance with provisions 4.1.6 and 4.1.7 of the Code), while taking into account the relevant interests of the company and its affiliate enterprises and stakeholders.

AUDITORS

The external auditor is appointed by the AGM on proposal of the Supervisory Board. The appointment is reviewed every four years and the results of this review and assessment are reported to the AGM. The external auditor attends all meetings of the Audit Committee, and the meeting of the Supervisory Board at which the financial statements are approved. During these meetings, the auditor discusses the outcome of the audit procedures and the reflections thereof in the auditors' report. In particular, the key audit matters are highlighted. The auditor receives the financial information and underlying reports of the quarterly figures and can comment on and respond to this information. The external auditor is present at the AGM and shareholders may ask questions with regard to the audit.

Auditor independence

The Audit Committee and Board of Management report their dealings with the external auditor to the Supervisory Board annually, and also discuss the auditor's independence.

Other services

One area of particular focus in corporate governance is the independence of the auditors. The Audit Committee has been delegated direct responsibility for the compensation and monitoring of the auditors and the services they provide to the company. Pursuant to the Audit Profession Act, the auditors are prohibited from providing the company with services in the Netherlands other than "audit services aimed at providing assurance concerning the information supplied by the audited client for the benefit of external users of this information and also for the benefit of the Supervisory Board as referred to in the reports mentioned."

The company has taken the position that no additional services may be provided by the external auditor and its global network that do not meet these requirements, unless local statutory requirements so dictate. In order to anchor this in our procedures, the Supervisory Board adopted the AkzoNobel Rules on External Auditor Independence and Selection and the related AkzoNobel Procedure on Auditor Independence. These documents are available on our website.

Internal Audit

The Internal Audit function is mandated to provide the Board of Management, Executive Committee and Audit Committee with independent, objective assurance on the adequacy of the design and operating effectiveness of the internal control framework described below. The Internal Auditor reports to the Board of Management and has direct access to the Audit Committee and its Chair. The function performs its mandate based on a risk-based audit plan, which is approved by the Board of Management and the Audit Committee. It reports a summary of the audit findings quarterly to the Board of Management, Executive Committee and the Audit Committee, which culminates in an annual assessment of the quality and effectiveness of the company's internal control systems.

SHARE DEALING RULES AND RULES ON DISCLOSURE CONTROL

In accordance with Dutch law and regulations (including the European Market Abuse Regulation), the company maintains insider lists and exercises controls around the dissemination and disclosure of potentially price sensitive information.

All employees and the members of the Board of Management, Executive Committee and Supervisory Board, are subject to the AkzoNobel Share Dealing Rules, which limit their opportunities to trade in AkzoNobel securities. Transactions in AkzoNobel shares carried out by Board of Management, Executive Committee and Supervisory Board members (including their closely associated persons) are, as and when required, notified to the Dutch Authority for the Financial Markets (AFM). The Board of Management, Executive Committee and Supervisory Board members require authorization from the General Counsel prior to carrying out any transactions in respect of AkzoNobel securities, even in a so-called "open period". In relevant cases, the General Counsel can prohibit carrying out transactions in respect of other companies' securities. In addition, all employees are subject to the AkzoNobel Rules on Disclosure Control.

INTERNAL CONTROLS AND RISK MANAGEMENT

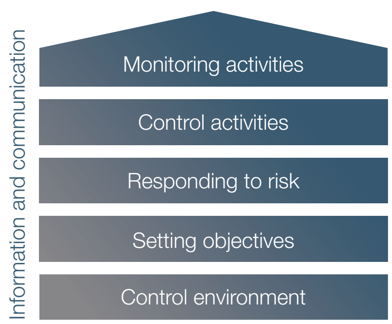
Internal controls

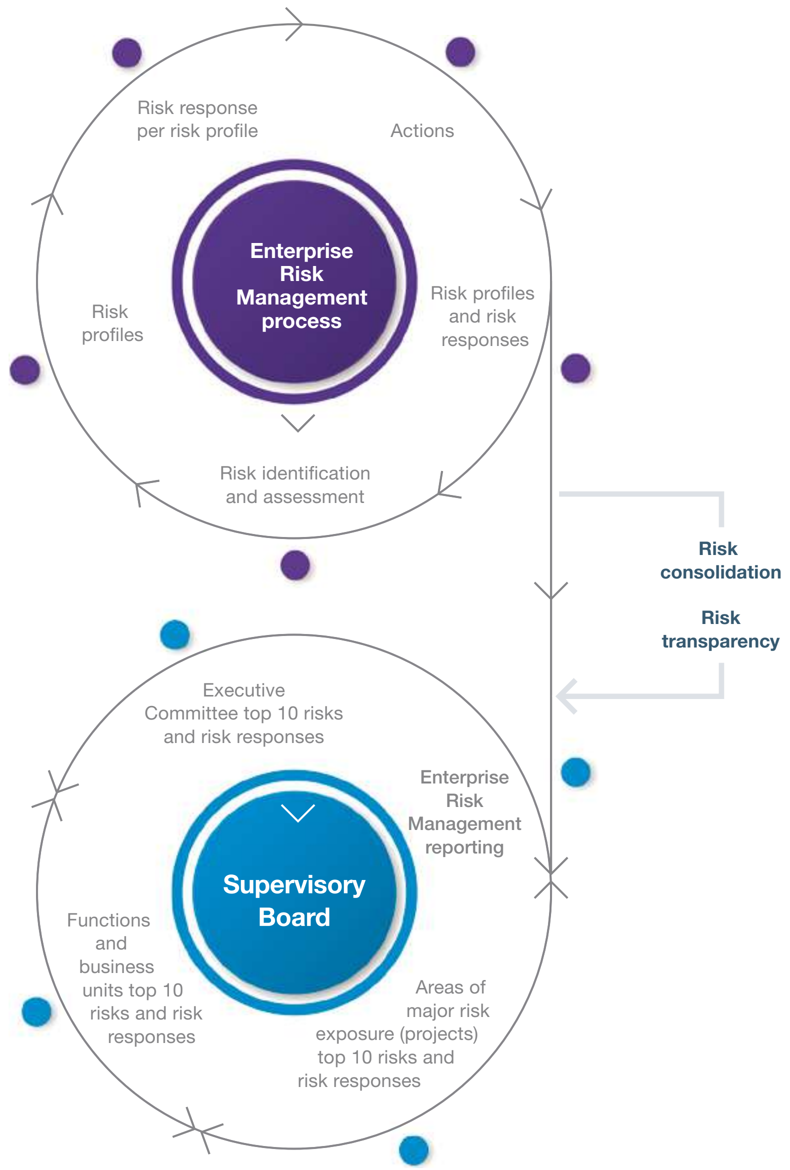
The company has adequate processes and procedures for internal controls. The Board of Management and Executive Committee have established several Risk, Control and Compliance Committees, which are explained on page 81. In 2022, we continued to invest in enhancing our Internal Control Framework and processes, including further leveraging system embedded and system enabled controls, standard role design and segregation of duties monitoring, helping us to prevent fraud and reputational damage. An integrated Risk and Internal Control department supports all businesses and functions in their work.

Risk management

Our risk management system is explained in more detail in the next chapter. Reference is made to the Statement of the Board of Management relating to internal risk management and control systems.

The AkzoNobel internal control framework





Vision and governance

Doing business involves taking risks. We strive to be a successful and respected company and seek to take a balanced risk approach. Risk management is an essential element of our corporate governance and strategy development. We continuously strive to foster a high awareness of business risks and internal control to provide transparency in our processes and operations.

AkzoNobel complies with the risk management requirements of the Dutch Corporate Governance Code 2016. The Board of Management and Executive Committee are responsible for managing the risks associated with our strategic objectives and the establishment and adequate functioning of appropriate risk management and control systems (see Statement of the Board of Management).

Risk management framework

Our risk management framework is in line with the Enterprise Risk Management – Integrated Framework of COSO and the Dutch Corporate Governance Code. It is an embedded, company-wide activity, focused on the areas of main risk exposure and provides reasonable assurance that our business objectives can be achieved and our obligations to customers, shareholders, employees and society can be met. The process consists of risk appetite setting by the Executive Committee to serve as input for our strategy and general risk management approach, followed by structured risk assessments applying a top-down and bottom-up approach, and the management and monitoring of identified risks. The risk management framework is discussed twice a year with the Supervisory Board.

For more information on our risk management framework, visit the Risk management section on our website.

Risk management in 2022

AkzoNobel's risk appetite differs depending on the type of risk, ranging from a "risk averse" to a "risk-taking" approach. We believe we must operate within the dynamics of the paints and coatings industry and take the risks needed to ensure our relevance in the market. At the same time, topics related to our core values and company purpose require a different risk appetite.

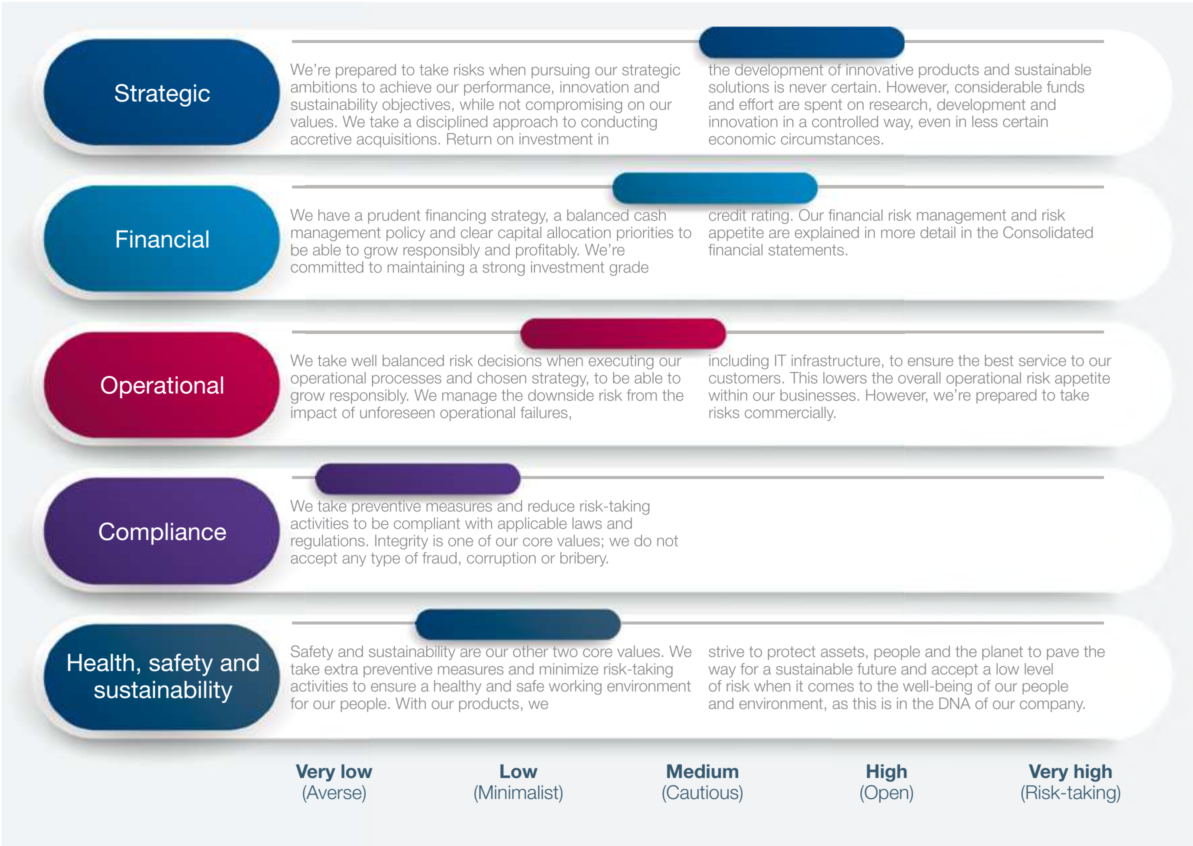
During 2022, we held a significant number of enterprise risk workshops across the organization, as well as one workshop focused on fraud risk. Risks were identified by responsible management teams and functional experts, followed by the definition of adequate mitigating actions. We consider risk assessment and mitigation to be a continuous process, carried out against the background of an evolving risk landscape, which includes short, medium and longer term challenges.

The symbols alongside the risk descriptions opposite represent management's assessment of risk development, compared with 2021.

For information related to financial risk management, see Note 27 of the Consolidated financial statements.

For (longer term) risks related to climate change, refer to the Sustainability statements.

Risk-taking preferences 2022



Cybersecurity =

The risk of significant business disruption and/or inadequate recovery following a cybersecurity attack, leading to potential loss of sensitive information, intellectual property, hard cash or reputational damage.

Mitigating actions

- Continually reinforcing a cybersecurity culture (intensified training, awareness creation)
- Renewing and upgrading legacy systems and increasing security
- Increasing collaboration with suppliers on various detection and response activities and measures
- Introduction of the updated Information and Cybersecurity Policies framework
- Introduction of new detection and automatic response security solutions
- Definition of short-term operational technology cybersecurity governance established in our factories
- Site factory segregation: measures for improving the network segregation of our factories
- Establishment of a new Security function within the company

Macro-economic crisis ▲

The risk of a prolonged macro-economic downturn, leading to local currency devaluation, high inflation, customer de-stocking and a reduction in volume and margin.

Mitigating actions

- Balanced geographic presence with revenue generated from all regions and continued investment focus on higher growth markets to optimize geographic spread
- Continued focus on operational cost, complexity reduction and margin management, and deployment of commercial and procurement excellence programs
- Continue to drive BU strategic mandates underpinning the company strategy

Integrated Business Planning maturity ▲

The risk that we do not reach the required service levels due to inadequate end-to-end planning processes and supply chain infrastructure (forecasting, manufacturing capability, logistic network, IBP process, footprint changes, technology product transfer), leading to loss of existing business and inability to win new business.

Mitigating actions

- Increase agility and velocity in the end-to-end process through simplification, cross-company initiatives, digitization and data-driven modeling
- Roll-out of complexity reduction programs and improving efficiency of the product portfolio and supply chain process

Supply shortages ▼

The risk of supply shortages of key raw materials, packaging and/or spare parts, resulting in production interruptions, additional cost and muted organic growth.

Mitigating actions

- Maintain and further improve strong industry and market intelligence analysis of suppliers and raw material markets
- Drive supply chain network design, end-to-end from supplier to end customer
- Assess climate change impact and develop mitigation plans for own operations, key suppliers' locations and logistics (see the Sustainability statements)

Attract, retain and develop talent ▲

The risk that we are unable to attract, retain or develop talent (in an overheated labor market) to ensure a fit for future workforce with the right capabilities, resulting in a threat to the organization's competitive advantage and ability to achieve our strategic objectives.

Mitigating actions

- Strengthen AkzoNobel's value proposition, based on our commitment to employee growth and the company's purpose
- Focus on talent acquisition, talent development, talent retention and succession planning in several ongoing programs
- Continuation of employee well-being programs and embedding the Talent Management Framework to drive talent and leadership development

Geo-political instability ▲

The risk that increasing geo-political turbulence results in declining customer and industry confidence, as well as a decline in key markets and significant losses to our sales and profitability.

Mitigating actions

- Balanced geographic presence with revenue generated from all regions and continued investment focus on higher growth markets to optimize geographic spread
- Geo-political assessment as part of investment decisions and medium-term operational planning (e.g. taskforce for Russia/Ukraine war)
- Continue to drive BU strategic mandates underpinning the company strategy
- Driving demand planning through Integrated Business Planning

Pricing and margin management ▼

The risk of lower margins resulting from higher raw material prices and inflation (including freight and energy) and increased competitive pressure, combined with insufficient margin management.

Mitigating actions

- Continue to drive BU strategic mandates underpinning the company strategy and increase collaboration between BUs to enable agility
- Investment in sales capability and deployment of commercial excellence programs
- Continuation of close monitoring of raw material prices and availability

Ability to execute =

The risk of misalignment between the business and functions and short term versus long term, leading to inability to support and drive the business agenda and growth plans, resulting in not delivering on our strategy.

Mitigating actions

- Global process organization in place to increase common competencies and align on key end-to-end process improvements, as well as increased collaboration between relevant functions in IBP
- Changing the leadership team: flattening the organization, increasing business representation in the Executive Committee and consolidation of Commercial and Strategic functions

Business continuity ▲

The risk of being unable to respond adequately to a significant business interruption (e.g. system outage, fire, shipping issues, supply disruption) leading to financial and reputational damage.

Mitigating actions

- Continue to enhance our business continuity processes and plans, supported by taking Integrated Business Planning to a next maturity level and increasing cross-functional and business collaboration

Product portfolio =

The risk of lacking a fit for purpose product portfolio, leading to a cost base that's too high and an inability to compete in the market.

Mitigating actions

- Continue to reduce the complexity of our product portfolio and further increase integrated decision-making
- Continue to deploy our sustainable product portfolio management to further develop low carbon and more circular solutions (see the Sustainability statements)

Symbols indicate the following:
Risk assessed to increase. ▲
Risk assessed to remain fairly stable. =
Risk assessed to decrease. ▼

We're committed to leading with integrity in our industry. It's one of our three core values for doing business. We continue to further advance and expand our Integrity and Compliance program to help ensure compliance with laws and regulations, empower and enable our employees to make fair and honest decisions and bring integrity to life.

Below is a summary of the 2022 priorities and key activities, and the outcomes thereof, as required pursuant to the Dutch Decree on the publication of non-financial information.

GOVERNANCE AND ORGANIZATION

The Executive Committee is responsible for maintaining a culture of integrity and ensuring an effective Integrity and Compliance program and control framework. The Supervisory Board's Audit Committee oversees this responsibility. The Executive Committee has delegated certain responsibilities to the following working committees and Integrity and Compliance team:

Integrity and Compliance governance committees

The Integrity and Compliance governance committees are at the core of our Integrity and Compliance governance model. We assess the need for committees depending on organizational changes, changes in the risk profile of business units and regulatory and legislative changes. In 2022, we had committees in place in all eight business units, the Integrated Supply Chain organization and our key countries. The committees consist of business unit leadership and key corporate function leaders, including the Integrity and Compliance managers. The committees drive the operationalization of the Integrity and Compliance program into the organization, with a strong focus on prevention. The committees discuss trends, identify and address risks and share learnings from investigations in order to drive continuous improvement. The committees meet at least on a quarterly basis.

Integrity and Compliance SpeakUp! Committee

This committee reviews investigations into SpeakUp! reports involving alleged violations of our Code of Conduct and applicable laws. The committee also decides on discipline and control improvement actions, as well as monitoring and responding to any trends identified in investigations. The Integrity and Compliance SpeakUp! Committee refers for decision to the Executive Committee all cases that involve senior management, that are over a specific monetary value, or otherwise, as identified by the Director of Integrity and Compliance. The centrally established Integrity and Compliance SpeakUp! Committee ensures transparency and consistency of disciplinary actions throughout the organization. In 2022, there were no individual matters or disciplinary actions discussed with the committee that would warrant separate disclosure in the annual report. Should there be material compliance matters, or material internal control weaknesses or improvements in the future, these will be addressed through the Risk, Control and Compliance Committees (see below) and discussed with the Audit Committee and external auditor, and where appropriate disclosed in accordance with the applicable legal requirements.

Risk, Control and Compliance Committees (RCC)

The RCCs are responsible for supervising the effectiveness of the control environment and reviewing weaknesses in this environment, as well as progress on improvement actions. There are eight business unit RCCs and seven functional RCCs, in addition to a group RCC. They each met quarterly in 2022.

Human Rights Committee

Responsible for supervising the company's human rights framework and driving the further expansion of the human rights program. We reconfirmed, and continued to address, the issues identified during our second in-depth salient human rights issues assessment in 2021. For more information on our human rights framework and program, see the Sustainability statements.

Privacy Committee

Responsible for supervising the company's privacy framework and driving the further improvement of the privacy program. For more information on our key privacy activities, see the Privacy program paragraph.

Integrity and Compliance team

The Integrity and Compliance team is led by the Director of Integrity and Compliance, who reports to the General Counsel. The team includes experts in integrity and compliance program design, legal experts in the field of competition law, anti-bribery and anti-corruption, data privacy and human rights, as well as our Integrity and Compliance managers in all regions driving the implementation of the program.

To ensure the company maintains and strengthens its culture of integrity, the Integrity and Compliance team – together with various other functions and stakeholders across the organization – focuses its efforts on the following key areas:

- Help leaders set a strong tone at the top and lead by example
- Drive awareness and ownership of all employees through effective policy management, training and communication

- Design and implement effective controls
- Risk management
- Investigations of SpeakUp! matters with a focus on identifying control action items and sharing lessons learned

The regional Integrity and Compliance managers contribute to further strengthening the culture of integrity. This includes identifying and addressing local risks and cooperating with the business and functional teams to tailor the program to local needs and follow-up on internal audit findings and SpeakUp! cases. In 2022, the heads of Integrity and Compliance, Internal Control and Internal Audit met at least quarterly to discuss findings and trends, and to align actions. The Director of Integrity and Compliance also met at least quarterly with the Export Control and Sanctions team to discuss the priorities in this area and the impact of the geo-political developments.

RISK MANAGEMENT

We have redefined our risk management approach to enable the Integrity and Compliance governance committees to play a key role in integrity and compliance risk assessments moving forward. A new integrity and compliance risk assessment process will be rolled out in 2023, whereby the Integrity and Compliance governance committees will be asked to identify and prioritize key risks and define action plans and owners to mitigate these risks.

POLICY MANAGEMENT

The Policy portal is our one-stop-shop for key policies, rules and procedures relating to our global processes and key topic areas. Maintenance of the portal and improvement of the user-friendliness, as well as the quality of the documents hosted on the Policy portal, is an ongoing process.

COMMUNICATION

We have reshaped our communication program by simplifying and shortening our messages to reach more colleagues and raise greater awareness. To continuously ensure a strong tone from the top, we initiated a core values update in our regular CEO webcast to highlight key integrity topics. Although no major risks or issues were identified in the SpeakUp! cases, we launched SpeakUp! Insights, a quarterly case-sharing program through which we ask our leaders to discuss the learnings with their teams and encourage speaking up. Focusing on the same theme, we also introduced a monthly SpeakUp! story program, where we use a storytelling approach to share cases with the broader organization through various communication channels. In addition, a focused SpeakUp! campaign was launched to encourage employees to speak up if they see any wrongdoing around them.

TRAINING AND EDUCATION

Dedicated training on key integrity and compliance topics continued to be delivered on a largely remote/virtual basis, although we're slowly moving back to more face-to-face trainings. The training we offered covered various topics, including our Code of Conduct, anti-bribery and anti-corruption, operating a diverse and respectful workplace, competition law, export control, and information security and data privacy. As part of the integration of Grupo Orbis, we conducted Code of Conduct training for all their employees, as well as specific training on key risks to targeted audiences. We also updated our mandatory compliance training curriculum and focused on improving the deployment process of mandatory training and audience selection to ensure employees are trained on topics of special relevance to them.

COMPETITION LAW PROGRAM

Compliance with competition law and competing fairly remains a key topic within the company. A particular focus has been business-facing communications relating to fair competition, aspects of pricing initiatives and risks around information exchange. Proposed strategic initiatives and commercial developments, especially in key markets, have been carefully reviewed from a competition perspective. The competition law aspects of M&A activity, and subsequent integrations, continue to be a focus area.

PRIVACY PROGRAM

Digital privacy compliance remains a key topic, with special focus on privacy compliance on websites and customer consent. In 2022, a new (and partly automated) process for handling customer data subject requests was piloted.

ANTI-BRIBERY AND ANTI-CORRUPTION PROGRAM

We don't make, offer, or authorize bribes or conduct any other form of unethical business practice. We developed special training and guidance materials, as well as redesigning and piloting our gift and conflict of interest tool (including a pre-approval workflow), to strengthen controls, data gathering and data analysis.

MONITORING

We have several processes to monitor compliance with our rules and procedures by employees and business partners. Employees are informed about this through the Employee Privacy Statement. Managers are also required to self-assess and confirm compliance with company rules and procedures as part of the internal control self-assessment. Our supplier performance is monitored through the EcoVadis self-assessments and on-site third-party audits that we carry out via the Together for Sustainability initiative. From a competition law perspective, we also ran amnesty programs for newly acquired businesses as part of the integration process into the wider group.

The Internal Audit function performs numerous audits on our operations. Their audit plan is risk-based and takes account of prior compliance and internal control findings. Internal audits were also held or covered specific risks – at the request of the Integrity and Compliance function – to validate compliance with our rules and procedures in certain units, or on certain risk areas.

GRIEVANCE AND INVESTIGATION

Our SpeakUp! grievance mechanism offers employees and third parties a means to raise concerns relating to compliance with our Code of Conduct and violations of applicable laws and regulations.

Our dedicated investigation team follows an investigation protocol which adheres to strict principles of confidentiality, respect for anonymity, non-retaliation, objectivity and the right to be heard. The investigation program has been updated to reflect the EU Whistle-blower Directive, as transposed into national laws. In 2022, the total number of reports across all channels increased slightly. This was driven by several factors, including increased communication on the SpeakUp! process, and use of the system to report concerns or general enquiries unrelated to the Code of Conduct, which are referred to the appropriate subject matter expert. All reports and alerts led to 25 dismissals and various other disciplinary measures and control improvements, confirming the value of the company's grievance framework.

SpeakUp! reports

	2020	2021	2022
Total reports and alerts registered	250	305	350
Reports received through SpeakUp!	180	232	251
Integrity	61	94	72
Safety	21	17	23
Sustainability	98	121	156
Dismissals resulting from SpeakUp! reports	6	6	6
Conclusions to SpeakUp! reports closed in calendar year:			
Substantiated	27	33	36
Unsubstantiated	70	50	63
Other (e.g. referred)	46	106	119

In 2022, 99 reports were received outside our SpeakUp! mechanism, leading to 19 dismissals. Grupo Orbis cases are not reported through our SpeakUp! system and are not included in the cases reported in this Report 2022. Groupo Orbis cases are reported to AkzoNobel on a quarterly basis and material cases, if any, will be escalated. To date, no material cases have been reported.

REPORTING

During 2022, the Director of Integrity and Compliance reported four times to the Executive Committee and three times to the Audit Committee of the Supervisory Board on the status of the Integrity and Compliance program, material developments and initiatives, as well as material cases. Material investigation matters, if any, are also discussed with our external auditor on a quarterly basis.

Visit the SpeakUp! website
https://akzo.no/SpeakUp

There were no individual matters or disciplinary actions discussed with the Integrity and Compliance SpeakUp! Committee that would warrant separate disclosure in the annual report. Should there be material compliance matters or material internal control weaknesses or improvements in the future, these will be addressed through the RCCs and discussed with the Audit Committee – as well as with the external auditor – and, where appropriate, disclosed in accordance with the applicable legal requirements.

Promoting gender equality

Our ongoing efforts to promote gender equality and boost career opportunities gained extra momentum in 2022, thanks to the Women in Color (Mulheres na Cor) program we launched in Brazil.

The vocational course is dedicated to empowering women to build careers in the decorative paints and vehicle refinishes industries – which are traditionally male-dominated – and we were delighted to see 14 participants graduate as decorative painters before the end of the year.

Launched in 2021, when women were initially offered training in vehicle refinishing, the latest edition of the program built on that success and switched the focus to decorative painting. According to a survey from the Brazilian Association of Professional Painters, women represent only 10.5% of their members, clearly indicating that it's a market where women are still looking for greater representation.

During the ten-week course, the women received comprehensive 360° tuition totaling more than 200 hours. The training was provided by SENAI, one of the five largest professional education organizations in the world and the largest in Latin America. An additional 30 hours of training was conducted by our own Coral Academy.

One of the graduates, Júlia dos Santos Silva, explained that she saw the program not just as an opportunity to learn a new profession, but a chance to obtain the necessary skills to paint and beautify her own house, without relying on anyone else. "I want to earn my own money and I learned that it is possible to take care of the house, my children and also work," she said.

Following the graduation, one of the program's partners – a company that provides professional painting services for buildings – hired seven of the women. Some of the other graduates have also started work as independent professionals offering house painting services and have been included on "Colored Pages", Coral's online portal designed to help people find a painter. In addition, Coral has launched the campaign "Renovate with them", which aims to encourage society to hire women as painters and rethink how to support gender equality.

Graduates from our Women in Color program assisted artist Mari Pavanelli when she painted a special mural onto a community center in São Paulo.

Dear stakeholders

On behalf of the Remuneration Committee, I'm pleased to introduce our 2022 Remuneration report. We received feedback from shareholders and proxy voting agencies on the voted down Remuneration report of 2021 at the AGM in 2022, which listed specific concerns and suggestions for what AkzoNobel can improve.

The feedback we received included the following:
- The performance on Short-Term Incentive (STI) metrics was not sufficiently detailed
- More details were requested regarding the non-financial metrics in the incentive plans
- For the 2019-2021 Long-Term Incentive (LTI) plan, the Supervisory Board used discretionary power to evaluate performance against the ROI target of 20%, as communicated in early 2020 in context of the Grow & Deliver strategy, whereas the ROI target communicated at the start of the performance period was 25%

We've taken this feedback into account by detailing the information on Short-Term Incentives, by providing more information on the non-financial objectives and by applying no discretion in 2022. This was despite unforeseeable events, such as the war in Ukraine, which rapidly impacted the likeliness of realizing these targets.

2022 presented us with a volatile business climate, with the continued impact of the COVID-19 pandemic, the geo-political consequences of the war in Ukraine, shortages and significant price increases in raw materials and freight.

After a strong first quarter, this climate had a severe impact on the results of the company, with profit warnings in the second and third financial quarters of the year. Therefore, we could not deliver on objectives set in more auspicious times.

All components of the financial metrics of the 2022 STI for the Board of Management ended well below the 0% threshold and delivered no pay-out on the financial metrics of the plan for the CEO and CFO.

In 2022, STI compensation was limited to only the non-financial objectives, with details provided in the section on STI, keeping in mind that some of these objectives will be directional ("improve significantly"), as they address components (for example, pricing and cost actions) that can only be evaluated in the context of evolving market conditions.

The achievement on the Long-Term Incentive metrics was below threshold for both applicable metrics – TSR and ROI – and, as a result, no shares that had been conditionally granted under the 2020-2022 Long-Term Incentive plan will vest for the Board of Management.

For 2023, we have set challenging, but realistic, targets in order to strike a better balance between our commitment to stakeholders and our ability to reward and retain.

Dick Sluimers
Chair of the Remuneration Committee

Amendment regarding the Board of Management Remuneration Policy, following stakeholder feedback

At the Annual General Meeting (AGM) held on April 22, 2022, an amendment to the STI metrics in the Remuneration Policy was approved with a majority of 91.94% of the votes. The amended Policy became effective (retroactively) from January 1, 2022, and will remain effective until a new Policy is approved, which will be proposed to shareholders no later than at the 2025 AGM.

In 2021, in favor of transparency and strategy alignment, the AGM approved the adjusted OPI and operating cash flow (OCF) metrics as the two financial STI metrics that are applicable throughout the effective period of the Policy. Taking into account external (e.g. shareholder) feedback, OCF has been replaced by free cash flow (FCF) in the amended Policy that was approved at the 2022 AGM. The reason being that OCF is an internal metric which is not externally published, and focuses only on adjusted EBITDA, CapEx and working capital. Therefore, OCF is viewed as what the Board of Management can "operationally control directly". Feedback was also received from shareholders who favor FCF over OCF, because FCF is an externally published metric, and is therefore well recognized by investors. Ultimately, the Board of Management is expected to steer on FCF as it also includes elements such as interest, tax and cash out from provisions.

The annual report on remuneration

This report includes a summary of the Remuneration Policy (the Policy) for our Board of Management and Supervisory Board, as well as our annual report on remuneration, which sets out how our Policy was applied in 2022 – and how it will be applied in 2023.

On April 22, 2021, the Board of Management Policy and the Supervisory

Board Policy were approved by the AGM, with a majority of 86.3% and 99.0% of the votes respectively.

The 2021 Remuneration report received 42.7% of favorable votes at the AGM (advisory vote). In communication between AkzoNobel, investors and other stakeholders, the main concern expressed was related to the disclosure of the financial and non-financial STI targets, as well as a discretionary decision to evaluate performance against the ROI target of 20%, as communicated in early 2020 in context of the Grow & Deliver strategy.

This Report 2022 includes improvements in transparency on the relevant STI metrics, as requested, and no discretionary power has been used to adjust performance. This document is subject to an advisory vote at the AGM in 2023.

Visit our website for a full description of the Remuneration Policy for the Board of Management and Supervisory Board.

Remuneration for the Board of Management

Summary of the Remuneration Policy for the Board of Management

The Remuneration Policy is designed to incentivize the Board of Management to achieve the company's objectives, while considering market competitive standards, ratio between fixed and variable pay, the perspectives of shareholders and other key stakeholders and environmental, social and governance (ESG) related contributions of the company.

The focus on pay-for-performance is achieved by including both short and long-term incentives that are aligned with the company strategy to realize long-term sustainable value creation. Variable remuneration provides an incentive to realize long-term value creation. For the short term, the Supervisory Board sets operational targets over a one-year period that are crucial to the company and are pre-conditions to value creation. The biggest portion of the remuneration packages of Board of Management members is directly aimed at strategic priorities that contribute to building sustainable long-term value creation, with targets for return on invested capital, adjusted EBITDA, revenue growth and specific ESG goals.

Goal setting is crucial to drive pay for performance in alignment with the company's strategy, and to ensure that decisions made – and results delivered – are aligned with the interests of AkzoNobel's stakeholders. The Supervisory Board sets goals, their respective weight and targets (i.e. metrics) for the respective performance year under the STI and LTI scheme, considering: (1) Company strategy; (2) Focus on long-term value creation; (3) Historical performance, business future outlook and circumstances and priorities; (4) Stakeholder expectations. Goals must be stretching yet achievable.

The Remuneration Committee conducts scenario analyses of the possible financial outcomes of meeting different performance levels (threshold and below, at target and maximum), and how it affects the structure and value of the Board of Management's total remuneration. Unintended consequences of providing incentives that are too attractive and support inappropriate risk-taking are avoided by selecting a total direct compensation pay mix at target consisting of around 25% of base salary and defining maximum opportunities and targets which closely reflect AkzoNobel's overall performance.

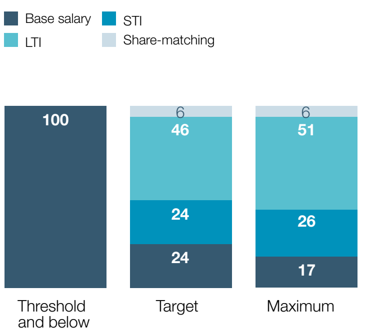
When implementing the Policy, the Remuneration Committee consults external remuneration professionals to obtain appropriate benchmark data, and on other matters where it requires independent advice. The remuneration principles that apply for the Board of Management are aligned with those applied more broadly in the company. This provides a shared sense of purpose and direction at different management levels and a shared reward when success is achieved.

Labor market peer group

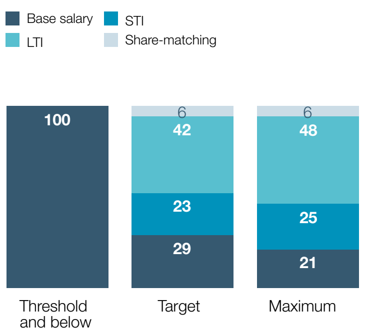
As an international company, AkzoNobel must remain attractive to high caliber members of the Board of Management. The reference group consists of companies of similar scale, complexity and geographic reach to AkzoNobel. Despite being a global company, only companies headquartered in Europe (consisting of AEX-listed companies and industry peers) are included to reflect local pay practices.

The labor market peer group against which remuneration levels are compared consists of the following European-only companies:

CEO pay-mix 2022 in %



CFO pay-mix 2022 in %



Purpose	Design and link to strategy	Value
Total direct compensation Is the basis for benchmark efforts (i.e. the reference to the labor market peer group).	Base salary and variable income. Variable income concerns the performance-related Short-Term Incentive (STI), the Long-Term Incentive plan (LTI) and the Share-Matching Plan. In addition, Board of Management members are entitled to certain benefits.	Value of each respective item is specified in more detail below.
Base salary Basic pay for the job.	• Aims to provide a fair and competitive basis for the total pay level to attract high caliber leaders • In-depth benchmark at least every three years • Remuneration increases above the median market level are reserved for Board of Management members who consistently outperform their targets	• Annualized amounts, effective as of January 1, 2022 • CEO: €1,225,000 • CFO: €727,750
Short-Term Incentive (STI) Aligning short-term business objectives and business drivers towards long-term value creation. Driving pay for performance.	• The Supervisory Board sets strategically important operational targets for the respective performance year and determines the extent to which they have been achieved • By ensuring that long-term value creation is properly reflected in stretched yet achievable targets, the realization of strategic business objectives is addressed • For on-target STI, 70% is linked to financial objectives and 30% is related to quantifiable non-financial objectives	• On-target performance: 100% of annual base salary for CEO and 80% for CFO • Maximum opportunity of 150% of target, i.e. CEO capped at 150% and CFO at 120% of annual base salary • Threshold: no STI pay-out below threshold
Long-Term Incentive (LTI) Encouraging long-term, sustainable economic and shareholder value creation – both absolute and relative to competitors – and to align Board of Management interests with those of shareholders, as well as ensuring retention of the members of the Board of Management.	• Performance shares are awarded every year, to be converted into shares upon realization of pre-defined targets, observing a three-year vesting period. Performance is measured over three financial years, starting with the year of grant • Performance targets are based on company strategy, driving long-term value creation. 80% of LTI targets are linked to financial goals and 20% are linked to environmental, social and governance (ESG) goals • An additional two-year holding period after vesting applies	• The on-target grant equals 200% of base salary for the CEO and 150% for the CFO • Maximum vesting opportunity is 150% of the number of performance shares granted, which equals 300% for the CEO and 225% for the CFO • Threshold: no vesting if performance below threshold
Shareholding requirement Aligning reward to the interests of stakeholders and emphasizing confidence in performance and strategy.	• Members of the Board of Management are expected to build up a shareholding in the company; the minimum shareholding requirement must be accrued in five years • Considered are shares privately purchased and vested shares granted under AkzoNobel share-based compensation plans	The minimum share-holding requirement is 300% of annual base salary for the CEO and 150% for the CFO.
Share-Matching Plan Aligning reward to the interests of stakeholders and emphasizing confidence in performance and strategy.	• The Share-Matching Plan awards shares to members for shares they have invested in from their STI proceeds and held over a three-year period • When they retain these shares for three years, the company will match such shares one on one, subject to continued employment	• Board members are required to invest 25% of their STI proceeds (net after tax and other deductions) • They may invest up to an additional 25% (maximum investment is 50% of total net STI)
Pension and other benefits Post-retirement remuneration and other benefits, creates alignment with market practice.	• A company paid contribution, based on age, to allow participation in a private pension plan, as applicable to Netherlands-based employees • Other benefits include sick pay (aligned with Netherlands-based employees) and a monthly transportation allowance of €2,000 • Greg Poux-Guillaume is also eligible for certain transitional benefits (temporary housing and travel reimbursements) to facilitate his transfer from Switzerland to the Netherlands	Pension contributions for the CEO equal 16.7% of base salary and for the CFO equal 22.9% of base salary.

AEX-listed

- ASML
- DSM
- Philips
- Randstad
- RELX
- Signify
- Wolters Kluwer

European industry

- Air Liquide
- Arkema
- Clariant
- Covestro
- Evonik Industries
- Givaudan
- Henkel
- Holcim Group
- Sika
- Solvay

As AkzoNobel aims to outperform its sector peers and attract high caliber members of the Board of Management, the competitive reference point for total remuneration is set at a total remuneration package that positions between median and third quartile of the labor market peer group (around the median of the labor market peer group for base salary and STI, and between median and third quartile for LTI).

Overview of the Remuneration Policy elements

The table above specifies the elements of the Remuneration Policy, describing purpose, design, the link to our company strategy and (potential) value.

Remuneration for the Board of Management in 2022

Actual remuneration for the reported financial year is aligned with the Policy. Thierry Vanlancker handed over his responsibilities as CEO and Chair of the Board of Management to Greg Poux-Guillaume on November 1, 2022. Greg Poux-Guillaume joined AkzoNobel on October 1, 2022, to ensure a smooth transition.

The table on the next page gives an overview of the actual remuneration of the members of the Board of Management who were in office in 2022. A split between the proportions fixed

Remuneration of Board of Management for the reported financial year

		Fixed remuneration				Variable remuneration				Post-contract compensation		Termination and other benefits[7]	Total remuneration	
		Base salary		Fringe benefits		One-year variable		Multi-year variable LTI						
in €	LTI value based on	2021	2022	2021	2022	2021	2022[3,4]	2021	2022	2021	2022	2022	2021	2022
Greg Poux-Guillaume (CEO)[1]	IFRS 2 expenses[5]	N/A	204,167	N/A	25,400	N/A	204,167	N/A	88,425	N/A	34,067	–	N/A	556,225
	Market value at year-end[6]	N/A	204,167	N/A	25,400	N/A	204,167	N/A	N/A	N/A	34,067	–	N/A	467,800
Thierry Vanlancker (former CEO)[2]	IFRS 2 expenses[5]	1,150,000	1,178,750	33,500	33,200	888,950	469,260	3,973,511	1,644,454	225,400	231,000	1,619,598	6,271,361	5,176,262
	Market value at year-end[6]	1,150,000	1,178,750	33,500	33,200	888,950	469,260	3,216,345	–	225,400	231,000	–	5,514,195	1,912,210
Maarten de Vries (CFO)	IFRS 2 expenses[5]	710,000	727,750	33,500	33,200	439,064	231,788	1,261,556	(30,316)	139,200	166,700	–	2,583,320	1,129,122
	Market value at year-end[6]	710,000	727,750	33,500	33,200	439,064	231,788	916,268	–	139,200	166,700	–	2,238,032	1,159,438

1 Appointed per November 1, 2022.
2 Stepped down per November 1, 2022.
3 In 2023, the Board members will invest 50% of their STI proceeds (net after tax) under the Share-Matching Plan.
4 As approved by the EGM on September 6, 2022, Greg Poux-Guillaume would be entitled to an at target, pro-rated bonus pay-out for the performance year 2022.
5 Costs relating to share awards include non-cash expenses of performance-related share plan and Share-Matching Plan.
6 Market value at year-end for multi-year variable LTI is based on the number of shares that became unconditional during the year, multiplied by the share price of €62.56 at December 30, 2022 (December 31, 2021: €96.50).
7 No excessive tax levies are applicable on this payment. Termination and other benefits for Thierry Vanlancker refers to the amounts which will be paid in 2023 (severance payment, salary and fringe benefits until April 21, 2023). The actual amount paid in 2022 is €1,912,210, which is 65% lower than the amount received in 2021.

versus variable remuneration paid is shown below. Fringe benefits consist of social security contributions and car arrangements. For Greg Poux-Guillaume, fringe benefits also include temporary housing contributions. Post-contract compensation is intended for build-up of retirement benefits instead of pension contributions. IFRS 2 expenses relating to share awards include non-cash expenses of the performance-related share plan and Share-Matching Plan. The values stated in the table for the market value at year-end for multi-year variable LTI are based on the number of shares that became unconditional during the year, multiplied by the share price. This share price was €62.56 on December 31, 2022, for the shares that became unconditional in 2022. As no shares became unconditional in 2022, the value in the table is zero.

End of service terms Thierry Vanlancker as CEO and Chair of the Board of Management

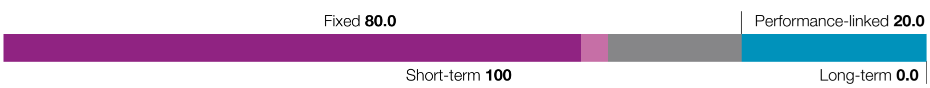
Thierry Vanlancker was reappointed at the AGM in 2021 until the AGM in 2023. As his successor was found sooner, the Supervisory Board agreed with Thierry Vanlancker that he would step down as CEO and Chair of the Board of Management as of November 1, 2022. He continues as advisor until the end of his management agreement at the 2023 AGM. The termination of his management agreement, of which the key elements were published upon his reappointment at the AGM in April 2021, is executed in accordance with the management agreement and AkzoNobel's Remuneration Policy for the Board of Management. This means that Thierry Vanlancker continues to be entitled to his base salary until the end of the management agreement. Thierry Vanlancker's entitlements to the short and long-term incentives over the financial year 2022 are further described below. The 2021 and 2022 long-term

CEO fixed vs performance-linked

in %

CFO fixed vs performance-linked

in %



2022 number of performance-related shares for Thierry Vanlancker

	Plan	Performance/ Vesting period	Award date	End of performance period	End of holding period	Balance at January 1 2022[1]	Awarded in 2022	Vested in 2022	Forfeited in 2022	Dividend in 2022	Balance at December 31, 2022
Thierry Vanlancker (former CEO)	ANS2019	2019 – 2021	January 1, 2019	March 2022	March 2024	14,110	—	(14,110)	—	—	—
	ANS2020	2020 – 2022	January 1, 2020	February 2023	February 2025	19,615	—	—	(20,121)	506	—
	ANS2021	2021 – 2023	January 1, 2021	February 2024	February 2026	27,226	—	—	—	702	27,928
	ANS2022	2022 – 2024	January 1, 2022	February 2025	February 2027	—	25,578	—	—	660	26,238

[1] The balance of shares at January 1, 2022, includes cumulative dividend. For ANS2020, the cumulative dividend over 2020 and 2021 of 4.63% has been added to the original grant of 18,747 shares, and for ANS2021 the 2021 dividend yield of 2.58% has been added to the original grant of 26,713 shares.

incentive grants will vest on a pro-rata basis, calculated over the period until the end date of the management agreement. Thierry Vanlancker is not entitled to the short-term incentive over the financial year 2023, is not entitled to participate in the share-matching related to the 2022 STI payment, and will not receive a conditional share grant in 2023. In compliance with the Dutch Corporate Governance Code and the management agreement, the severance payment upon termination of the management agreement will not exceed one annual base salary.

Based on performance against the financial and non-financial targets as further described in this Remuneration report, Thierry Vanlancker receives a short-term incentive payment of €469,260 (39.81% of salary).

The existing LTI grants (2020-2022, 2021-2023 and 2022-2024 LTI plans) will vest time pro-rated at the regular vesting dates, subject to achieved performance at the end of the respective performance period. Shares that may vest under these plans will be subject to the holding period of two years. In 2020, 18,747 shares were granted conditionally. After applying the final vesting percentage of 0%, the entire 2020 conditional grant has been forfeited. The 26,713 shares that were conditionally granted in 2021 and the 25,578 shares conditionally granted in 2022 will be pro-rated, calculated over the period until the end date of the management agreement, to respectively 20,777 (28/36 of 26,713) and 11,368 (16/36 of 25,578) conditional shares. After vesting, an additional two-year holding period applies.

The 2,708 potential matching shares will be pro-rated as well, resulting in 903 potential matching shares. These shares will be matched upon termination of the management agreement in April 2023.

Base salary

The base salary of the CEO, Greg Poux-Guillaume, was presented at the EGM on September 6, 2022, and effective from his start date in the company on October 1, 2022. The 2022 base salary for the CFO, Maarten de Vries, was presented at the AGM on April 22, 2022, and made retroactively effective from January 1, 2022:

- Greg Poux-Guillaume, CEO: €1,225,000
- Maarten de Vries, CFO: €727,750

Short-Term Incentives (STI)

In 2022, the financial objectives of the short-term incentives were adjusted operating income (OPI) and free cash flow (FCF). The non-financial objectives encompassed initiatives central to the company's transformation plan, such as price and working capital management.

They also anticipated a CEO transition later in the year, for which a smooth handover is essential to maintaining AkzoNobel's momentum. Although the personal objectives are directional in nature, a number of these objectives for 2022 are quantified and therefore allowed for an objective evaluation of progress achieved towards targets, which resulted in a weighted performance score of 132.7%:

- The Board of Management had the objective to focus on margin management by keeping pricing ahead of raw material and logistics cost inflation. In 2022, the company managed to offset raw material and freight increases through price increases and margin expansion of €186 million (target: €100 million), with actual performance on pricing strategy ending up at 143%
- The Board of Management executed disciplined cost control and reduced inventories. In the second half of 2022, the additional reduction in operating expenses amounted to €31 million (target: €25 million). Reduction of inventories amounted to €263 million (target: €200 million), resulting in an actual performance of 122%
- In 2022, gender targets were set for all businesses and functions to increase female representation as part of leadership accountability, with the goal of having 30% female executives by 2025. In 2022, the company landed above its annual target of 25% with 26% female executives. A global engagement survey among employees was conducted, similar to previous years. In 2022, the overall OHI score was 72 (target: 72), with

STI on financial objectives

Performance metric	Weighting		Threshold	Maximum	Performance	Pay-out
Adjusted OPI (in € mln)	40%	Corresponding target	1,000	1,400	789	
		Corresponding award	0%	150%	0.0%	**0.0%**
FCF (in € mln)	30%	Corresponding target	350	975	(29)	
		Corresponding award	0%	150%	0.0%	**0.0%**
Total						**0.0%**

Actual performance on FCF and Adj. OPI, incl. and excl. Grupo Orbis, is below threshold.
The actual performance shown here is including Grupo Orbis.

STI on personal objectives

Personal objective	Description	Performance	Realization	Weighted pay-out (former) CEO	Weighted pay-out CFO
Pricing dynamics	Taking the required pricing actions to offset high raw material prices, based on market opportunities and behavior of competition.	AkzoNobel is perceived as outperforming the competition by industry analysts. The actions taken by the Board of Management resulted in AkzoNobel achieving more than its ambition by realizing €186 million in pricing increases throughout 2022.	143%	Resulting in pay-out of 39.81%	Resulting in pay-out of 31.85%
Cost and inventory actions	Implementation of a various range of cost measures to respond to market circumstances and raw material scarcity.	AkzoNobel has realized €31 million in cost savings through several interventions in 2022. Inventory, while up, was mitigated by a number of successful corrective actions resulting in significant reduction in both OpEx costs and inventories (both above target).	122%		
Organizational health	The Board of Management is expected to drive a healthy and engaged workforce and to foster a culture of diversity and inclusion.	The engagement of the workforce is reflected in a 2022 OHI score (Organizational Health Index) of 72 (second quartile position versus global database) for the overall organization and is in the top decile for the senior executive group. Results have been improving steadily quarter by quarter and are now stabilizing. The number of female executives in the organization at the end of 2022 was 26%. This is a significant improvement from 2021 (22%) and above target for 2022 to achieve our goal of having 30% female executives by 2025.	133%		
Average performance score			**132.7%**		

the senior executive population scoring in the top decile. Finally, the Supervisory Board wanted to ensure a proper and complete handover of responsibilities to the new CEO. On November 1, the Supervisory Board concluded that the handover was completed successfully and that the Board of Management had put in significant effort to ensure a proper induction of the new CEO. This brings the overall weighted performance on the organizational health objectives to 133%

In determining the outcome of the STI elements, the Remuneration Committee applied a reasonableness test in which the actual level of the performance was critically assessed in light of the assumptions made at the beginning of the year. The 132.7% achieved on personal objectives by the Board of Management contrasts with the 0% payout on financial objectives, a discrepancy which could leave the impression of excessively lenient personal targets, but the Supervisory Board does not believe this is the case here.

It's important to note that all targets for 2022 were finalized a few weeks before the start of the war in Ukraine, which severely impacted the wider economy and Europe in particular. Even though the assumptions made at the beginning of 2022 did not foresee the drastic macro-economic developments which impacted the performance of the company, the Supervisory Board took the feedback received from shareholders, and the commitment made following shareholder outreach to not make changes after the fact, to heart. As such, it neither adjusted the targets nor did it apply discretion to the evaluation of those targets. While this had a limited impact on personal objectives – which are largely independent of the economic context and measure performance on a given metric versus that metric's baseline – it had a drastic effect on financial objectives, which are measured against a performance baseline extremely sensitive to the macro-economic context. In other words, while there was strong realization of personal targets which had a positive impact on the financial performance, that impact was diminished by the deterioration of the economic environment very early in the year, which rendered our budget obsolete, but for which we did not adjust our evaluation of performance.

The Supervisory Board recognizes the efforts made by the Board of Management to counter the difficulties

Performance metrics LTI share plan 2022-2024	Weight
AkzoNobel adjusted EBITDA (in € million)	40%
AkzoNobel return on investment (in %)	20%
AkzoNobel revenue growth (in %)	20%
Environmental, social and governance (ESG)	20%

ESG performance metrics	Measurement	Target (100%)
Total reportable injury rate (TRR)	A three-year average, measured per 200,000 hours over all employees, including temporary workers	0.23
Total waste – circular	As the percentage circular waste of total waste	65%
Energy use (GJ/ton)	GJ per ton of production	1.73
Renewable electricity	Use of renewable electricity (own operations) as a percentage of total electricity use	50%

presented by the macro-economic environment and realizes that the impact on financial performance would have been more severe without their efforts and contributions through their personal performance. Despite the below threshold performance on the financial objectives, the Supervisory Board is of the opinion that the Board of Management is deserving of its 132.7% payout on its personal objectives which, for context given the zero pay-out on financial objectives, results in a total STI 2022 pay-out of slightly below 40% of target.

As included in the summary of the main elements of the management contract of Greg Poux-Guillaume, which was published upon his nomination for appointment at the EGM on September 6, 2022, Greg Poux-Guillaume is entitled to an at target, pro-rated bonus pay-out for the performance year 2022.

The Remuneration Committee subsequently determined that bonus payments for the Board of Management would be:

- Thierry Vanlancker, former CEO €469,260 (39.81% of salary)
- Maarten de Vries, CFO: €231,788 (31.85% of salary)
- Greg Poux-Guillaume, CEO: €306,250 (100% of salary)

Share-Matching Plan

The Share-Matching Plan reiterates the importance of share ownership, which underpins alignment over the long term. In addition to the required investment of 25% of STI proceeds (net after tax and other deductions), both the CEO and the CFO decided to invest another 25% – totaling the maximum investment of 50% of total net STI proceeds for 2022.

The Share-Matching Plan was suspended for STI payments made in the years 2019, 2020 and 2021. For this reason, no matching shares have been received by Board of Management members in 2022.

Long-Term Incentives (LTI)

Conditional grant LTI share plan 2022-2024

The Remuneration Committee determines the grant levels to be made in respect of members of the Board of Management, within the limits and plans that have been approved by shareholders. In 2022, Greg Poux-Guillaume received a conditional grant of shares equivalent to 27/36th of the face value of 200% of his annual base salary (pro-rated) as approved by the EGM, while Maarten de Vries received a conditional grant of shares equivalent to the face value of 150% of his annual base salary. The grant price was determined based on the average share price of an AkzoNobel common share in the two weeks following publication of the annual results on February 22, 2022:

- 19,936 shares were conditionally granted to Greg Poux-Guillaume, CEO
- 11,844 shares were conditionally granted to Maarten de Vries, CFO

Vesting of the conditional grant is linked to four performance metrics shown (see the first table on the left).

Revenue growth as weighted average is compared with a defined industry peer group, consisting of the following companies in the paints and coatings sector: Sherwin-Williams, Nippon Paint, PPG, Axalta and BASF Coatings. Organic growth rates to calculate the performance take into consideration price, mix, volume growth and exclude the effects of exchange rates and mergers and acquisitions. For Axalta and Sherwin-Williams, only organic growth percentage of the Performance Coatings business growth is taken into consideration.

The ESG targets consist of four equally weighted targets related to our approach to sustainability (see the second table on the left).

In the course of 2022, the Supervisory Board determined for each target: (i) the performance level below which no shares vest; (ii) the performance level at which the target number of shares vest; and (iii) the performance level at which the maximum number of shares vest.

Vesting of the LTI share plan 2020-2022

Under the LTI share plan 2020-2022, a conditional grant of 12,616 shares was made to the CFO. As the CEO joined AkzoNobel on October 1, 2022, no conditional grant was made in 2020 to the CEO under this LTI share plan.

In line with the Remuneration Policy, vesting of 50% of the shares conditionally granted in 2020 was linked to AkzoNobel's ROI performance, which was reviewed at the end of the performance period by the Supervisory Board.

The Supervisory Board set the threshold for ROI, excluding unallocated cost,

2022 remuneration of the Board of Management – Number of performance-related shares

	Plan	Performance/ Vesting period	Award date	End of perfptmance period	End of holding period	Balance at January 1, 2022[1]	Awarded in 2022	Vested in 2022	Forfeited in 2022	Dividend in 2022	Balance at December 31, 2022
Greg Poux-Guillaume (CEO)	ANS2022	2022 – 2024	October 1, 2022	February 2025	February 2027	—	19,936	—	—	514	20,450
Maarten de Vries (CFO)	ANS2019	2019 – 2021	January 1, 2019	March 2022	March 2024	9,495	—	(9,495)	—	—	—
	ANS2020	2020 – 2022	January 1, 2020	February 2023	February 2025	13,200	—	—	(13,541)	341	—
	ANS2021	2021 – 2023	January 1, 2021	February 2024	February 2026	12,606	—	—	—	325	12,931
	ANS2022	2022 – 2024	January 1, 2022	February 2025	February 2027	—	11,844	—	—	306	12,150

[1] The balance of shares at January 1, 2022, includes cumulative dividend. For ANS2020, the cumulative dividend over 2020 and 2021 of 4.63% applies, and for ANS2021, the 2021 dividend yield of 2.58% applies.

at 17% and the maximum at 25%. As ROI performance was below threshold in 2022, the corresponding vesting percentage for this specific part of the long-term incentive is 0%.

The other 50% of the conditional grant was linked to AkzoNobel's relative total shareholder return (TSR) performance compared with the companies in the following defined industry peer group:

- Asian Paints
- Axalta
- Masco Corp
- Nippon Paint
- Tikkurilla
- PPG
- RPM International
- Sherwin-Williams
- Kansai Paint

In line with last year, following the acquisition of Tikkurilla by PPG, the Remuneration Committee decided to freeze Tikkurilla's share price at €14.23. This share price was calculated as the average closing share price in the four weeks before the acquisition was publicly announced. Independent external experts conducted an analysis to calculate the number of shares that would vest according to the TSR ranking. In order to adjust for changes in exchange rates, all local currencies were converted into euros.

AkzoNobel's TSR performance during the period 2020 to 2022 resulted in the eighth position within the ranking of the peer group companies. This ranking resulted in a vesting of 0% for this part of the long-term incentive, as shown in the table below.

Relative TSR vesting scheme for the conditional grants

Rank	Vesting (as % of 50% of conditional grant)
1	150
2	135
3	120
4	100
5	75
6	50
7	25
8-10	0

Based on the company's combined ROI and TSR performance, the final vesting percentage of the 2020 conditional grant is zero. The Remuneration Committee determined that based on this performance, no shares would vest for Thierry Vanlancker and Maarten de Vries.

Overview – number of performance-related shares

An overview of shares awarded, or due to, Board of Management members is shown above.

Claw back, value adjustment and loans

In 2022, there was no cause for a claw back or value adjustment by the Remuneration Committee. The company does not grant loans, advance payments or guarantees to members of the Supervisory Board, members of the Board of Management or any family member of such persons.

Shareholding requirements and share-matching

Board of Management members are expected to build up a shareholding requirement in the company. The minimum shareholding requirement must be accrued within five years. This includes privately purchased shares and vested shares granted under AkzoNobel share-based compensation plans. The minimum shareholding requirement is 300% of annual base salary for the CEO and 150% of annual base salary for the CFO.

As of December 31, 2022, CEO Greg Poux-Guillaume held zero shares. CFO Maarten de Vries held 21,766 shares. Shares acquired by the CFO during 2022 contribute towards his required shareholding. On December 31, 2022, he fulfilled this requirement by holding the equivalent of 187% of his annual base salary.

Shares obtained by Board of Management members under the performance-related share plan are taken into account for share ownership purposes once they become unconditional. This includes vested shares to be retained during the two-year blocking period after vesting.

Comparative table of remuneration and company performance over last five reported financial years

in €	2018	2019	2020	2021	2022
Remuneration CEO	**Thierry Vanlancker**				**Greg Poux-Guillaume**[1]
Fixed compensation	1,151,900	1,186,500	1,245,800	1,408,900	1,581,800
Total rewards (incl. benefits, excl. one-off special payments)	2,899,883	3,561,212	3,494,689	4,465,361	3,337,352
One-off special payments	n/a	n/a	2,067,000	1,806,000	n/a
Total rewards (incl. benefits and one-off special payments)	2,899,883	3,561,212	5,561,689	6,271,361	3,337,352
% change fixed compensation	1%	3%	5%	13%	12%
% change total compensation	3%	23%	56%	13%	(47%)
Remuneration CFO	**Maarten de Vries**				
Fixed compensation	797,600	819,800	865,500	882,700	927,650
Total rewards (incl. benefits, excl. one-off special payments)	1,515,816	1,843,977	2,168,658	2,583,320	1,129,122
One-off special payments	n/a	n/a	1,391,000	n/a	n/a
Total rewards (incl. benefits and one-off special payments)	1,515,816	1,843,977	3,559,658	2,583,320	1,129,122
% change fixed compensation	12%	3%	6%	2%	5%
% change total compensation	(30%)	22%	93%	(27%)	(56%)
Company performance					
Net profit number	6,674,000,000	539,000,000	630,000,000	829,000,000	352,000,000
Net profit % change	702%	(92%)	17%	32%	(58%)
ROI number (excl. unallocated cost)	16.6	17.2	20.6	19.5	11.3
ROI % change	(8%)	4%	20%	(5%)	(42%)
Adjusted OPI number	798,000,000	991,000,000	1,099,000,000	1,092,000,000	789,000,000
Adjusted OPI % change	(12%)	24%	11%	(1%)	(28%)
Average remuneration on a full-time equivalent basis of employees					
Average salary per employee[2]	56,619	54,825	56,061	54,220	55,840
% change average remuneration	6%	(3%)	2%	(3%)	3%
CEO pay ratio	**56.4**	**65.0**	**99.2**	**115.7**	**59.8**
CEO pay ratio (incl. benefits, excl. one-off special payments)	56.4	65.0	62.3	82.4	59.8

[1] In years of transition, the compensation for the newly appointed Board of Management member has been annualized.
[2] Calculated as employee benefits over average number of employees.

Number of potential matching shares

	Year of share investment	Potential matching shares	Matched in 2022	Forfeited in 2022	Balance at year-end 2022
Maarten de Vries	2022	1,338	-	-	1,338

There were no shares that qualified for share-matching under the Share-Matching Plan in 2022. Reference is made to the table above on outstanding potential matching shares.

Board contracts

Agreements for Board of Management members are in principle concluded for a period not exceeding four years. After the initial term, reappointments may take place for consecutive periods of up to four years each. At the 2022 AGM, CFO Maarten de Vries was reappointed for a four-year period. His reappointment was supported with 99.96% of the votes. At the 2022 EGM, CEO Greg Poux-Guillaume was appointed for a period ending at the AGM to be held in 2027. His appointment was supported with 99.37% of the votes.

The notice period by the Board member, and by the company, shall be subject to a six-month term. In the event that a Board member is not reappointed, or the agreement ends for other reasons than urgent cause or serious culpable acts or omissions by the Board member, a one-off gross severance payment will be made, equal to the annual gross base salary in force at the time of the agreement's termination. Members of the Board of Management normally retire in the year they reach legal retirement age.

Comparative information

Internal pay ratios are a relevant input factor for determining the appropriateness of the implementation of the Remuneration Policy, as recognized in the Dutch Corporate Governance Code. In 2022, the ratio between the annual total compensation for the CEO and the average annual compensation for an employee was 59.8 (2021: 115.7). Further details on the development of these amounts and ratios over time can be found above.

Over the years of transition, between 2018 and 2020 the company's financial performance fluctuated significantly as the table on this page shows. In 2018, net profits were exceptionally high, mainly due to the divestment of Specialty Chemicals, with a deal result of €5,811 million after tax. The transition was also reflected in the development of remuneration. In 2018, the increase in average salary was influenced by the inclusion of a one-off €57 million pension cost for the UK guaranteed minimum pension equalizations.

In 2020, total rewards (including benefits) for the Board of Management included a one-off special payment for the 2020 Performance Incentive Plan, which incentivized improvement on the company's return on sales (ROS). The plan was put in place and approved by the AGM following the divestment of Specialty Chemicals.

In 2021, total rewards (including benefits) for the CEO included a one-off special share grant to compensate for the loss of shares due to the two-year reappointment and the fact that shares granted as from 2021 will only vest on a pro-rated basis.

2022 presented us with the continued impact of the COVID-19 pandemic, the geo-political consequences of the war in Ukraine, shortages and significant price increases in raw materials and transportation. This volatile business climate had a severe impact on the results of the company. Consequently, all financial components of the Short and Long-Term Incentives did not meet the threshold and delivered no pay-out. This reduced performance linked payments in the current financial year.

The annualized total compensation for Thierry Vanlancker reduced by 65% compared with 2021, to €1,912,210 versus €5,514,195 in the previous year. This reflects the fact that his Short-Term Incentive paid out around half and no shares granted under the LTI plan 2020 vested. Compared with 2021, the annualized total compensation for Maarten de Vries reduced by 48%.

AkzoNobel aims to attract and retain high caliber members of the Board of Management. Competitive and motivating remuneration packages are an important element of such attraction and retention. The significant reduction in compensation of the CFO in 2022, coupled with the projected limited vesting of the 2021 Long-Term Incentive plan – which vests at the end of 2023 and was based on the abandoned €2 billion EBITDA target – is a cause for concern. The Supervisory Board decided not to apply any discretion to mitigate this impact in 2022 and does not intend to apply discretion to the 2021 Long-Term Incentive plan, in line with last year's feedback from our stakeholders. Specific retention measures for the CFO may therefore be proposed for shareholder consideration.

Remuneration for the Supervisory Board

Supervisory Board members receive a fixed annual fee for their membership and one or more fixed committee fee(s). In addition, Supervisory Board members receive an attendance fee for any Supervisory Board or committee meetings they attend outside their country of residence (€2,500 for continental meetings and €5,000 for intercontinental meetings). Travel expenses and facilities are borne by the company and reviewed by the Audit Committee.

Fixed base fee			Audit Committee fee		Remuneration Committee/ Nomination Committee fee	
Chair	Deputy Chair	Member	Chair	Member	Chair	Member
€150,000	€93,000	€80,000	€25,000	€20,000	€20,000	€15,000

2022 Remuneration of the Supervisory Board

in €	Remuneration	Attendance fee	Committee allowance fees	Total remuneration
Nils Smedegaard Andersen, Chair	150,000	12,500	20,000	182,500
Byron Grote, Deputy Chair	93,000	12,500	25,000	130,500
Pamela Kirby	80,000	10,000	15,000	105,000
Dick Sluimers	80,000	–	20,000	100,000
Ester Baiget[1]	55,165	5,000	13,791	73,956
Patrick Thomas	80,000	5,000	20,000	105,000
Hans Van Bylen[1]	55,165	5,000	10,343	70,508
Jolanda Poots-Bijl	80,000	–	20,000	100,000
Total 2022	**673,330**	**50,000**	**144,135**	**867,465**
Total 2021	612,670	7,500	130,866	751,036

[1] As of April 23, 2022.

The table on the previous page provides insights into the fixed base fees and committee fees for the Supervisory Board members. Fees are benchmarked versus AEX companies and AkzoNobel's European remuneration peer group. Implementation of the Remuneration Policy for the Supervisory Board in 2022 resulted in the pay-out shown in the second table opposite.
In accordance with the Code, members are not remunerated in shares.
A five-year overview of the total remuneration of the Supervisory Board is presented below.

Remuneration Policy for 2023

The remuneration policies for the Board of Management and Supervisory Board were reviewed by the Supervisory Board in 2020/2021 and approved at the AGM in 2021, taking into consideration input from stakeholders, the requirements of the EU Directive on the encouragement of long-term shareholder engagement (SRD II) and the Dutch regulation implementing this Directive. At the AGM in 2022, an amendment regarding the STI metrics in the Policy was approved. Operating cash flow (OCF) has been replaced by free cash flow (FCF). The amended Policy became effective (retroactively) from January 1, 2022, and will remain effective until a new Policy is approved, which will be proposed to shareholders no later than the AGM in 2025.

Remuneration Policy for the Board of Management

The Supervisory Board has concluded the Remuneration Policy for the Board of Management, last approved at the 2022 AGM, is in line with the company's objectives. The remuneration it provides is balanced and adequate and will remain unchanged. The disclosure on the Policy has been extended to provide additional insight to comply with SRD II. For implementation in 2023, the Supervisory Board has decided that:

- The base salary of the CEO was agreed upon when he was hired on October 1, 2022, and will remain in force until January 1, 2024. The base salary of the CFO will be increased by 3%, in line with the salary adjustments applied for AkzoNobel employees in the Netherlands
  - Greg Poux-Guillaume, CEO: €1,225,000
  - Maarten de Vries, CFO: €749,600
- Metrics applied for STI in 2022 were adjusted OPI and FCF, as per the Remuneration Policy, to support the company's strategy and will continue to apply in 2023
- Metrics applied for LTI will remain the same, in line with the strategic direction of the company, and will continue to include ESG metrics

Remuneration Policy for the Supervisory Board

The Supervisory Board has concluded that the Remuneration Policy for the Supervisory Board – approved at the AGM on April 22, 2021 – is in line with the objectives of the company. The remuneration it provides is balanced and adequate and will remain unchanged. The disclosure on the Policy has been extended to provide additional insight in compliance with SRD II.

Comparative table of remuneration of the Supervisory Board over last five reported financial years

in €	2018	2019	2020	2021	2022
Nils Smedegaard Andersen, Chair[2]	111,373	162,500	157,500	172,500	182,500
Anthony Burgmans[3]	53,215	–	–	–	–
Peggy Bruzelius[4]	119,318	37,710	–	–	–
Byron Grote, Deputy Chair[1]	135,500	130,500	114,250	120,500	130,500
Louis Hughes[3]	32,322	–	–	–	–
Pamela Kirby	92,500	92,500	87,500	95,000	105,000
Dick Sluimers	107,500	107,500	90,000	100,000	100,000
Ben Verwaayen[6]	95,000	92,500	32,775	–	–
Sue Clark[7]	87,995	92,500	87,500	29,492	–
Patrick Thomas	90,659	97,500	92,500	102,500	105,000
Michiel Jaski[7]	78,159	87,500	85,000	31,044	–
Jolanda Poots-Bijl[5]	–	59,166	85,000	100,000	100,000
Ester Baiget[8]	–	–	–	–	73,956
Hans Van Bylen[8]	–	–	–	–	70,508
Total remuneration	**1,003,541**	**959,876**	**832,025**	**751,036**	**867,465**
% change total remuneration	5.24	(4.35)	(13.32)	(9.73)	15.50

[1] Deputy Chair as of October 18, 2016.
[2] As of May 1, 2018.
[3] Until April 30, 2018.
[4] Until April 30, 2019.
[5] As of May 1, 2019.
[6] Until April 24, 2020.
[7] Until April 22, 2021.
[8] As of April 23, 2022.

AkzoNobel and the capital markets

Shares

AkzoNobel's common shares are listed on Euronext Amsterdam. We're included in the AEX Index, which consists of the top 25 listed companies in the Netherlands, ranked on the basis of stock market turnover and free float. During 2022, 159 million AkzoNobel shares were traded on Euronext Amsterdam, with €11.6 billion turnover (2021: volume of 136 million, turnover of €13.2 billion).

We have a sponsored level 1 American Depositary Receipt (ADR) program and ADRs can be traded on the international OTCQX platform in the US. During 2022, 51 million ADRs were traded, with $1.2 billion total turnover (2021: volume of 19 million, turnover of $735 million).

See the table below for stock codes and ticker symbols.

Euronext ticker symbol	AKZA
ISIN common share	NL0013267909
OTC ticker symbol	AKZOY
ISIN ADR	US0101995035

AkzoNobel has 100% free float and a broad base of international shareholders. Based on an independent shareholder analysis, the Distribution of institutional shares chart shows the geographical spread of institutional shareholders, of which the majority are based in the US (61%) and the UK (13%). Around 6% of the company's share capital is held by private investors, many of whom are resident in the Netherlands. Approximately 41% of the company's institutional shareholder base was represented by ESG investors[1], while 13% of the share capital was held by ESG funds[2] at year-end 2022.

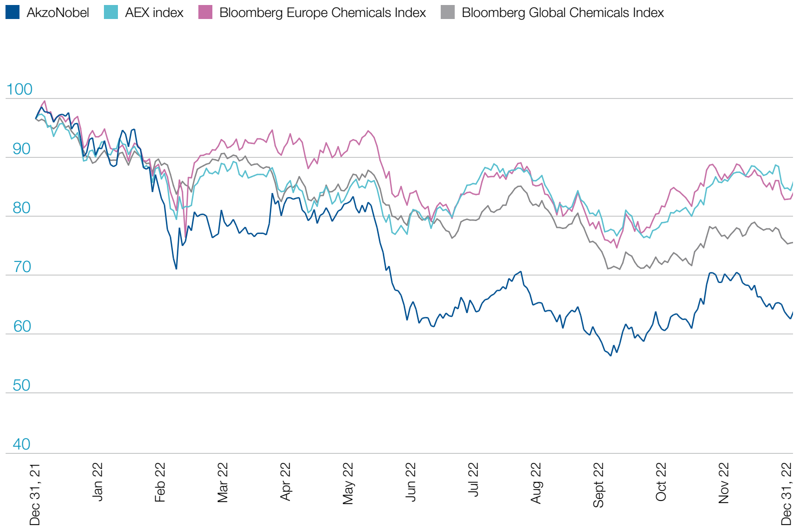
Delivering on our capital allocation priorities, we continued returning cash to our shareholders in the form of share buybacks. In January 2022, we finalized the €1 billion share buyback announced on February 17, 2021. During 2022, we completed another €500 million share buyback program. In total, €632 million worth of shares was repurchased during the year and 7.5 million shares were canceled.

The AkzoNobel share price was down 35% at year-end 2022, compared with year-end 2021. The Bloomberg Global Chemicals Index was down 22%,

[1] As calculated by Nasdaq, according to their methodology, which is to include the sum of: (1) Core sustainable and responsible investor firms where 100% of equity assets are managed with an environmental, social and governance (ESG) approach; (2) Sustainable and responsible investor themed funds managed by a broad range of sustainable and responsible investors.

[2] As calculated by Nasdaq and includes investment funds that take into account the impact companies they invest in have on the environment, their stakeholders and society, alongside potential financial returns.

Benchmark performance indexed to AkzoNobel share price as of December 31, 2021 AkzoNobel share price in €

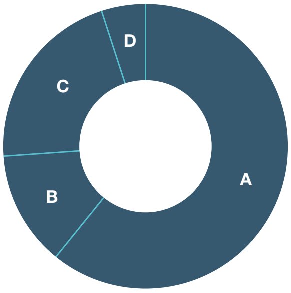


Key share data[3]

	2020	2021	**2022**
Year-end (share price in €)	87.86	96.50	62.56
Year-high (share price in €)[4]	91.60	107.80	98.50
Year-low (share price in €)[4]	48.50	83.50	56.22
Number of shares outstanding at year-end (in millions)	191	182	174
Market capitalization at year-end (in € billions)	16.7	17.5	10.9
Dividend per share (in €)	1.95	1.98	1.98
Dividend yield (in %)	2.2	2.1	3.2

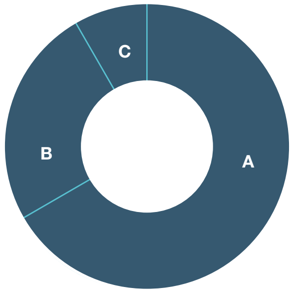
[3] Based on Bloomberg share data.
[4] Based on close value.

Distribution of institutional shares in 2022 in %



A US	61
B UK	13
C Rest of Europe	21
D Rest of world	5

Analyst recommendations



A Buy	16
B Hold	6
C Sell	2

Bloomberg Europe Chemical Index was down by 14%, and the AEX lost 14% at year-end 2022 (see Share price performance graph on previous page).

Analyst recommendations

At year-end 2022, AkzoNobel was covered by 24 equity research analysts. An overview of analyst recommendations is shown in the graph above.

External benchmarks

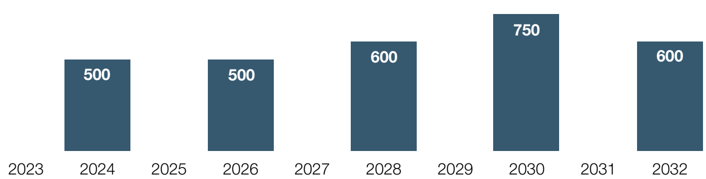
In 2022, AkzoNobel was included as one of the 25 best-in-class companies in the new AEX® ESG Index on Euronext Amsterdam. The index identifies companies that are demonstrating the best environmental, social and governance (ESG) practices – giving investors the opportunity to invest in the most sustainable listed companies. Our inclusion is based on the assessment performed by Sustainalytics.

Following 2022 reviews, our ESG performance was reaffirmed by external rating agencies. For example, AkzoNobel maintained the highest possible rating (AAA) from MSCI for the seventh consecutive year, and the company is considered "low risk" by Sustainalytics – and ESG top rated in our industry. For a full overview, please refer to the ESG rating agencies and benchmarks in the Sustainability statements.

Rating agency	Long-term rating	Outlook
Moody's[1]	Baa1	Negative
Standard & Poor's[2]	BBB	Stable

[1] Rating affirmed on October 11, 2022.
[2] Rating updated on November 22, 2022.

Bonds maturity in € millions (nominal amounts)

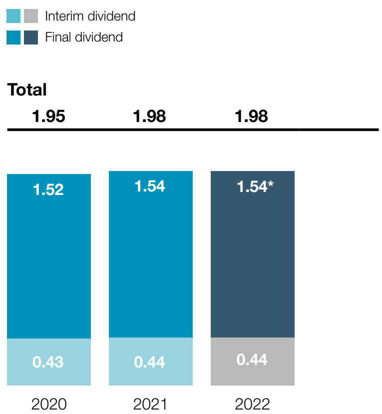


Dividend

Our dividend policy is to pay a stable to rising dividend. In 2022, an interim dividend of €0.44 per share (2021: €0.44) was paid. The Board of Management proposes a 2022 final dividend of €1.54 per share, which would equal a total 2022 dividend of €1.98 (2021: €1.98) per share.

The dividend proposed to the 2023 Annual General Meeting of shareholders, following adoption, will be payable as of May 5, 2023. AkzoNobel's shares will be trading ex-dividend as of April 25, 2023. In compliance with the listing requirements of Euronext Amsterdam, the record date for the final dividend will be April 26, 2023.

Dividend in € per share



* Proposed.

Credit rating and bonds

AkzoNobel is committed to retaining a strong investment grade credit rating. Regular review meetings are held between rating agencies and AkzoNobel senior management. See the table on the left for the credit ratings and outlook at year-end 2022.

The maturity schedule of outstanding bonds is shown on the left.

For further information please visit our website: akzonobel.com/en/investors

FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF INCOME

In € millions, for the year ended December 31	Note		2021		2022
Continuing operations					
Revenue	5	9,587		10,846	
Cost of sales*	6	(5,683)		(6,923)	
Gross profit			**3,904**		**3,923**
Selling and distribution expenses*	6	(2,041)		(2,308)	
General and administrative expenses	6	(582)		(649)	
Research and development expenses	6	(230)		(258)	
Other results	6	67		—	
			(2,786)		**(3,215)**
Operating income			**1,118**		**708**
Financing income and expenses	8	(39)		(124)	
Results from associates and joint ventures	14	26		18	
Profit before tax			**1,105**		**602**
Income tax	9		(246)		(214)
Profit for the period from continuing operations			**859**		**388**
Discontinued operations					
Profit / (loss) for the period from discontinued operations			6		(10)
Profit for the period			**865**		**378**
Attributable to					
Shareholders of the company			829		352
Non-controlling interests			36		26
Profit for the period			**865**		**378**
Earnings per share, in €					
Continuing operations					
Basic	10		4.45		2.07
Diluted	10		4.43		2.06
Discontinued operations					
Basic	10		0.03		(0.06)
Diluted	10		0.03		(0.05)
Total operations					
Basic	10		4.48		2.01
Diluted	10		4.46		2.01

*Cost of sales and selling and distribution expenses for 2021 have been updated to reflect changes in the financial reporting structure related to changes in the organizational set-up and governance structure, leading to a reclassification between cost of sales (decrease) and selling and distribution expenses (increase) of €49 million.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

In € millions, for the year ended December 31	2021	2022
Profit for the period	**865**	**378**
Other comprehensive income / (expense)		
Items that will not be reclassified to the statement of income:		
Post-retirement benefits	(13)	(375)
Income tax	(13)	86
Net effect	**(26)**	**(289)**
Items that may be reclassified subsequently to the statement of income:		
Exchange differences arising on translation of foreign operations	373	(163)
Cash flow hedges	(19)	(15)
Income tax	6	2
Net effect	**360**	**(176)**
Other comprehensive income / (expense) for the period	**334**	**(465)**
Comprehensive income / (expense) for the period	**1,199**	**(87)**
Comprehensive income attributable to		
Shareholders of the company	1,164	(115)
Non-controlling interests	35	28
Comprehensive income / (expense) for the period	**1,199**	**(87)**

CONSOLIDATED BALANCE SHEET, BEFORE ALLOCATION OF PROFIT

In € millions, at December 31	Note		2021		2022
Assets					
Non-current assets					
Intangible assets	11	3,690		4,072	
Property, plant and equipment	12	1,800		1,968	
Right-of-use assets	13	304		291	
Deferred tax assets	9	482		498	
Investments in associates and joint ventures	14	178		193	
Financial non-current assets	15	2,076		1,475	
Total non-current assets			**8,530**		**8,497**
Current assets					
Inventories	16	1,650		1,843	
Current tax assets	9	149		168	
Trade and other receivables	17	2,339		2,447	
Short-term investments	21	58		336	
Cash and cash equivalents	21	1,152		1,450	
Total current assets			**5,348**		**6,244**
Total assets			**13,878**		**14,741**
Equity and liabilities					
Equity					
Shareholders' equity	18	5,425		4,333	
Non-controlling interests	18	211		215	
Group equity			**5,636**		**4,548**
Non-current liabilities					
Post-retirement benefit provisions	19	578		387	
Other provisions	20	234		167	
Deferred tax liabilities	9	567		561	
Long-term borrowings	21	1,994		3,332	
Total non-current liabilities			**3,373**		**4,447**
Current liabilities					
Short-term borrowings	21	1,556		2,543	
Current tax liabilities	9	216		236	
Trade and other payables	22	2,948		2,801	
Current portion of provisions	19, 20	149		166	
Total current liabilities			**4,869**		**5,746**
Total equity and liabilities			**13,878**		**14,741**

CONSOLIDATED STATEMENT OF CASH FLOWS

In € millions, for the year ended December 31	Note		2021		2022
Profit for the period from continuing operations		**859**		**388**	
Adjustments to reconcile profit for the period to net cash generated from operating activities					
Amortization and depreciation	11, 12, 13	351		368	
Impairment losses	11, 12, 13	3		6	
Financing income and expenses	8	39		124	
Results from associates and joint ventures	14	(26)		(18)	
Pre-tax result on acquisitions and divestments	2	(14)		(21)	
Income tax	9	246		214	
Changes in working capital	23	(405)		(509)	
Pension pre-funding	19	23		47	
Changes in post-retirement benefit provisions	19	(55)		(31)	
Changes in other provisions	20	(94)		(33)	
Interest paid		(77)		(78)	
Income tax paid		(222)		(224)	
Other changes		(23)		30	
Net cash generated from / (used for) operating activities			**605**		**263**
Capital expenditures*	11, 12	(288)		(292)	
Interest received		10		14	
Dividends from associates and joint ventures		5		14	
Acquisition of consolidated companies, net of cash acquired	2	(73)		(588)	
Investments in short-term investments	21	(56)		(1,361)	
Repayments of short-term investments	21	247		1,084	
Proceeds from divestments, net of cash divested		22		36	
Other changes		(1)		(2)	
Net cash generated from / (used for) investing activities			**(134)**		**(1,095)**
Proceeds from borrowings	21	1,143		9,511	
Borrowings repaid	21	(590)		(7,322)	
Share buyback	18	(1,135)		(669)	
Dividends paid	18	(391)		(379)	
Buy-out of non-controlling interests	2	(1)		—	
Net cash generated from / (used for) financing activities			**(974)**		**1,141**
Net cash generated from / (used for) continuing operations			**(503)**		**309**
Net cash generated from / (used for) discontinued operations			(1)		(9)
Net change in cash and cash equivalents from continued and discontinued operations			**(504)**		**300**
Net cash and cash equivalents at January 1	21		1,581		1,112
Effect of exchange rate changes on cash and cash equivalents			35		(14)
Net cash and cash equivalents at December 31			**1,112**		**1,398**

* Capital expenditures include investments in intangible assets (refer to Note 11) and investments in property, plant and equipment (refer to Note 12).

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

In € millions	Subscribed share capital	Cash flow hedge reserve	Cumulative translation reserve	Other (legal) reserves and undistributed profit	Shareholders' equity	Non-controlling interests	Group equity
	Attributable to shareholders of the company						
Balance at January 1, 2021	**95**	**—**	**(873)**	**6,524**	**5,746**	**204**	**5,950**
Profit for the period	—	—	—	829	829	36	865
Other comprehensive income / (expense)	—	(19)	374	(13)	342	(1)	341
Tax on other comprehensive income	—	—	6	(13)	(7)	—	(7)
Comprehensive income for the period	**—**	**(19)**	**380**	**803**	**1,164**	**35**	**1,199**
Dividend	—	—	—	(365)	(365)	(27)	(392)
Share buyback[1]	(4)	—	—	(1,131)	(1,135)	—	(1,135)
Equity-settled transactions[2]	—	—	—	16	16	—	16
Acquisition of non-controlling interests	—	—	—	(1)	(1)	(1)	(2)
Balance at December 31, 2021	**91**	**(19)**	**(493)**	**5,846**	**5,425**	**211**	**5,636**
Impact IAS 29 Hyperinflation Türkiye[3]	—	—	—	16	16	2	18
Balance at January 1, 2022	**91**	**(19)**	**(493)**	**5,862**	**5,441**	**213**	**5,654**
Profit for the period	—	—	—	352	352	26	378
Other comprehensive income / (expense)	—	(15)	(165)	(375)	(555)	2	(553)
Tax on other comprehensive income	—	—	2	86	88	—	88
Comprehensive income for the period	**—**	**(15)**	**(163)**	**63**	**(115)**	**28**	**(87)**
Dividend	—	—	—	(347)	(347)	(29)	(376)
Share buyback[1]	(4)	—	—	(656)	(660)	—	(660)
Equity-settled transactions[2]	—	—	—	14	14	—	14
Acquisition of non-controlling interests	—	—	—	—	—	3	3
Balance at December 31, 2022	**87**	**(34)**	**(656)**	**4,936**	**4,333**	**215**	**4,548**

[1] Includes a tax credit of €2 million (2021: €nil).
[2] Includes a tax charge of €2 million (2021: €2 million tax charge).
[3] As per June 2022, Türkiye has been identified as a hyperinflationary economy. IAS 29 "Financial Reporting in Hyperinflationary Economies" has been applied for our activities in Türkiye as from January 1, 2022. Refer to Note 8 for details on the financial impact from applying IAS 29. The opening balance adjustment includes a tax charge of €4 million.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

GENERAL INFORMATION

Akzo Nobel N.V. is a public limited liability company headquartered in the Netherlands. The address of our registered office is Christian Neefestraat 2, Amsterdam; the Chamber of Commerce number is 09007809. We have attached a list of subsidiaries, associated companies and joint ventures, drawn up in conformity with Articles 379 and 414 of Book 2 of the Dutch Civil Code, as an appendix to our annual report. The principal activity of AkzoNobel is the production and selling of paints and coatings.

We have prepared the Consolidated financial statements of Akzo Nobel N.V. in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. The Consolidated financial statements also comply with the financial reporting requirements included in Title 9 of Book 2 of the Dutch Civil Code.

The Management report within the meaning of Article 391 of Book 2 of the Dutch Civil Code consists of the following parts of the annual report:

- 2022 results at a glance
- CEO statement
- How we created value
- Strategy and operations
- Sustainability statements
- Leadership and governance: Our Board of Management and Executive Committee
- Leadership and governance: Statement of the Board of Management
- Leadership and governance: Corporate governance statement
- Leadership and governance: Risk management
- Leadership and governance: Integrity and compliance management
- Leadership and governance: Remuneration report
- Financial information: Note 6 Operating income
- Financial information: Note 27 Financial risk management

On February 27, 2023, the Board of Management authorized the financial statements for issue. The financial statements as presented in this report are subject to adoption by the Annual General Meeting of shareholders on April 21, 2023.

GOING CONCERN

The Consolidated financial statements have been prepared on a going concern basis, resulting from management's assessment of the ability of AkzoNobel to continue its operations for the foreseeable future.

Management has assessed the ability of AkzoNobel to continue as a going concern based on an evaluation of, amongst others, the financial position, expected future cash flows and market developments.

At December 31, 2022, cash and cash equivalents were €1.5 billion. We also assessed the ability of the company to obtain financing, taking into account the company's external credit rating which we are committed to retain at strong investment grade.

Expected future cash flows are based on the latest forecasts. These forecasts take into account internal and external developments relevant in the assessment of the ability of AkzoNobel to continue as a going concern, including but not limited to market developments (see disclosure on e.g. impact from the war in Ukraine and the sanctions on Russia in this Note), developments in the macro-economic environment (e.g. inflation, see disclosure on inflation in this Note) and climate-related developments (see disclosure on climate change in this Note).

Management's assessment did not lead to uncertainties in relation to AkzoNobel's ability to continue as a going concern.

IMPACT OF CLIMATE CHANGE

The potential effects on the financial statements of climate change have been assessed. This includes the impact of physical risks, such as those associated with water scarcity, flooding and weather events and transitional risks that can lead to changes in technology, market dynamics and regulations. Also considered were AkzoNobel's commitments to reduce carbon emissions as approved by the Science Based Targets initiative (SBTi), and related estimates as to investments and the timing thereof.
The resulting impact on the financial statements, including in the areas of fixed assets depreciation and recoverability assessments, was not material to AkzoNobel's financial position and results of operations as of and for the year ended December 31, 2022.

IMPACT FROM THE WAR IN UKRAINE AND SANCTIONS ON RUSSIA

Our business in Ukraine and Russia combined represents about 2% of our revenue (2021: 2%), of which the vast majority concerned Russia.

Following the EU sanctions, the majority of our Performance Coatings activities in Russia was suspended and the residual Russian business is locally operated. AkzoNobel has assessed the potential accounting impact from the localization of the Russian business. Taking into account the applicable IFRS standards, we have concluded that our Russian business can still be included in our scope of consolidation.

No significant impairments of assets occurred in Russia; in Ukraine, the value of the assets is immaterial.

IMPACT OF INFLATION

The financial year 2022 was a year of significant inflation due to geopolitical and macro-economic developments. The impacts from rising inflation have been considered in the financial statements where relevant. Reference is made to Note 6 Operating income on financial developments in the year, Note 11 Intangible assets on the annual impairment testing process, Note 16 on the impact of raw material increases, Note 19 Post-retirement benefit provisions on the impact of inflation rate on the DBO and Note 27 Financial Risk Management on sensitivities in relation to changes in interest rate.

CONSOLIDATION

The Consolidated financial statements include the accounts of Akzo Nobel N.V. and its subsidiaries. Subsidiaries are companies over which Akzo Nobel N.V. has control, because it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect returns through its power over the subsidiary. Non-controlling interests in equity and in results are presented separately.

CHANGES IN ACCOUNTING POLICIES AND FIRST TIME APPLICATION

Accounting pronouncements with potential relevance for AkzoNobel, which became effective for 2022 (amendments to IFRS 3 "Reference to the Conceptual Framework", amendments to IAS 16 "Property, Plant and Equipment: Proceeds before Intended Use", amendments to IAS 37 "Onerous Contracts – Costs of Fulfilling a Contract" and "Annual Improvements to IFRS Standards 2018-2020") had no material impact on our Consolidated financial statements.

DISCONTINUED OPERATIONS

A discontinued operation is a component of our business that represents a separate major line of business or geographical area of operations that has been disposed of or is held for sale, or is a subsidiary acquired exclusively with a view to resale. Assets and liabilities are classified as held for sale if it is highly probable that the carrying value will be recovered through a sale transaction within one year rather than through continuing use. When reclassifying assets and liabilities as held for sale, we recognize the assets and liabilities at the lower of their carrying value or fair value less costs to sell. Assets held for sale are not depreciated and amortized but tested for impairment. In case of discontinued operations, the comparative figures in the Consolidated statement of income and Consolidated statement of cash flows are represented. The balance sheet comparative figures are not represented.

USE OF ESTIMATES

The preparation of the financial statements in compliance with IFRS requires management to make judgments, estimates and assumptions that affect amounts reported in the financial statements. The estimates and assumptions are based on experience and various other factors that are believed to be reasonable under the circumstances and are used to judge the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are reviewed on an ongoing basis. The most critical accounting policies involving a higher degree of judgment and complexity in applying principles of valuation and for which changes in the assumptions and estimates could result in significantly different results than those recorded in the financial statements are the following:

- Scope of consolidation, including purchase price allocations for business combinations (Note 2)
- Income tax and deferred tax assets, including uncertain tax positions (Note 9)
- Impairment of intangible assets, property, plant and equipment and right-of-use assets (Note 11, 12, 13)
- Post-retirement benefit provisions (Note 19)
- Provisions and contingent liabilities (Note 20)

BUSINESS COMBINATIONS (NOTE 2)

In business combinations, identifiable assets and liabilities, and contingent liabilities are recognized at their fair values at the acquisition date. Determining the fair value requires significant judgments on future cash flows to be generated.

Goodwill in a business combination represents the excess of the consideration paid over the net fair value of the acquired identifiable assets, liabilities and contingent liabilities. If the cost of an acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the statement of income.

The fair value of brands, customer relationships and know-how acquired in a business combination is estimated using generally accepted valuation methods. These include the relief-from-royalty method, the incremental cash flow method and the multi-period excess earnings method.

The fair value of property, plant and equipment acquired in a business combination is based on estimated market values.

The fair value of inventories acquired in a business combination is determined based on estimated selling prices in the ordinary course of business less the estimated costs of completion and sale and a reasonable profit margin, based on the effort required to complete and sell the inventories.

STATEMENT OF CASH FLOWS

We have used the indirect method to prepare the statement of cash flows. Cash flows in foreign currencies have been translated at transaction rates. Acquisitions or divestments of subsidiaries are presented net of cash and cash equivalents acquired or disposed of, respectively. Cash flows from derivatives are recognized in the statement of cash flows in the same category as those of the hedged items.

OPERATING SEGMENTS

We determine and present operating segments based on the information that is provided to the Executive Committee, our chief operating decision-maker during 2022, to make decisions about resources to be allocated to the segments and assess their performance. Segment results reported to the Executive Committee include items directly attributable to a segment as well as those items that can be allocated on a reasonable basis. Unallocated items mainly comprise of corporate assets and corporate costs and are reported in "Corporate and other".

FOREIGN CURRENCIES

Transactions in foreign currencies are translated into the functional currency using the foreign exchange rate at transaction date. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency using the exchange rates at the balance sheet date. Resulting foreign currency differences are included in the statement of income in financing income and expenses. Non-monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at acquisition date.

The assets and liabilities of entities with other functional currencies are translated into euros, the functional currency of the parent entity, using the exchange rates at the balance sheet date. The income and expenses of entities with other functional currencies are translated into the functional currency, using the exchange rates at transaction date.

When a subsidiary is operating in a hyperinflationary country, the financial statements of this entity are restated into the current purchasing power at the end of the reporting period. Hyperinflation accounting is applied for Argentina and Türkiye based on the historical cost approach and using the Consumer Price Index (CPI).

CPI rate developments for Argentina and Türkiye are included in the table "CPI rates at December 31".

CPI rates at December 31

Country	2020	2021	2022
Argentina	386	582	1,135
Türkiye	505	687	1,128

For a consolidated overview of financial impacts from hyperinflation accounting, refer to Note 8.

Foreign exchange rate differences resulting from translation into the functional currency of investments in subsidiaries and of intercompany loans of a permanent nature with other functional currencies are recorded as a separate component (cumulative translation reserve) within other comprehensive income. These cumulative translation adjustments are reclassified (either fully or partly) to the statement of income upon disposal (either fully or partly) or liquidation of the foreign subsidiary to which the investment or the intercompany loan with a permanent nature relates. Foreign currency differences arising on the translation of a financial liability designated as an effective hedge of a net investment in a foreign operation are recognized in the cumulative translation reserve (in other comprehensive income).

EXCHANGE RATES OF KEY CURRENCIES

The principal exchange rates against the euro used in preparing the balance sheet and the statement of income are (table shows foreign currency equivalents of 1 euro):

	Balance sheet			Statement of income		
	2021	2022	%	2021	2022	%
US dollar	1.131	1.067	(5.7)	1.182	1.053	(10.9)
Pound sterling	0.837	0.884	5.6	0.860	0.853	(0.8)
Chinese yuan	7.197	7.426	3.2	7.626	7.086	(7.1)

REVENUE RECOGNITION (NOTE 5)

Sale of goods

AkzoNobel's main business consists of straightforward selling of goods (paints and coatings) to customers at contractually determined prices and conditions without any additional services. Although the transfer of risks and rewards is not the only criterion to be considered to determine whether control over the goods has transferred, it is in most situations considered to be the main indicator of the customer's ability to direct the use of and obtain the benefits from the asset and largely also coincides with the physical transfer of the goods and the obligation of the customer to pay.

Variable considerations, including among others rebates, bonuses, discounts and payments to customers, are accrued for as performance obligations are satisfied and revenue is recognized. Variable considerations are only recognized when it is highly probable that these are not subject to significant reversal. In case of expected returns, no revenue is recognized for such products, but a refund liability and an asset for the right to recover the to be returned products are recorded. A provision for warranties is recognized when the underlying products or services are sold, generally based on historical warranty data. Revenue is recognized net of rebates, discounts and similar allowances, and net of sales tax.

Equipment provided to customers

AkzoNobel regularly provides mixing machines, store interior and other assets to its customers at the start of a paints or coatings delivery contract. The delivery of such assets qualifies as a separate performance obligation. Revenue can only be recognized at the moment of transfer of such assets, when there is an agreed sales price or when there is a binding take-or-pay commitment for a minimum quantity of paints or coatings to be acquired by the customer.

Services

AkzoNobel provides certain training, technical or support services to customers as well as shipping and handling activities for its customers. Service revenue is recognized over time when the related services are being provided. When not separately invoiced, part of the sales price of paints or coatings is allocated to such services.

POST-RETIREMENT BENEFITS (NOTE 7, 19)

Contributions to defined contribution plans are recognized in the statement of income as incurred.

Most of our defined benefit pension plans are funded with plan assets that have been segregated in a trust or foundation. We also provide post-retirement benefits other than pensions to certain employees, which are generally not funded. Valuations of both funded and unfunded plans are carried out by independent actuaries based on the projected unit credit method. Post-retirement costs primarily represent the increase in the actuarial present value of the obligation for projected benefits based on employee service during the year and interest on the net defined benefit liability/asset. When the calculation results in a benefit to AkzoNobel, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. An economic benefit is available if it is realizable during the life of the plan, or on the settlement of the plan liabilities. The effect of these so-called asset ceiling restrictions and any changes therein are recognized in other comprehensive income. Remeasurement gains and losses, which arise in calculating our obligations, are recognized in other comprehensive income. When the benefits of a plan improve, the portion of the increased benefits related to past service by employees is recognized as an expense in the statement of income immediately. We recognize gains and losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs.

Interest on the net defined benefit liability/asset is included in financing expenses related to post-retirement benefits. Other charges and benefits recognized are reported in operating income, unless recorded in other comprehensive income.

OTHER EMPLOYEE BENEFITS (NOTE 7, 20)

Provisions for other long-term employee benefits are measured at present value, using actuarial assumptions and methods. Any actuarial gains and losses are recognized in the statement of income in the period in which they arise.

SHARE-BASED COMPENSATION (NOTE 7)

AkzoNobel has a performance-related and a restricted share plan as well as a share-matching plan, under which shares are conditionally granted to certain employees. The fair value is measured at grant date and amortized over the three-year period during which the employees normally become unconditionally entitled to the shares with a corresponding increase in shareholders' equity. Amortization is accelerated in the event of earlier vesting or settlement.

INCOME TAX (NOTE 9)

Income tax expense comprises both current and deferred tax, including effects of changes in tax rates. In determining the amount of current and deferred tax we also take into account the impact of uncertain tax positions and whether additional taxes may be due. Income tax is recognized in the statement of income, unless it relates to items recognized in other comprehensive income or equity.

Current tax includes the expected tax payable and receivable on the taxable income for the year, using tax rates enacted or substantially enacted at reporting date, as well as (any adjustments to) tax payables and receivables with respect to previous years.

Deferred tax is recognized using the liability method on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Consolidated financial statements. We do not recognize deferred tax for the initial recognition of goodwill, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit, and differences related to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future and we can control the timing of the reversal of the temporary difference. Deferred tax assets are recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized.

Measurement of deferred tax assets and liabilities is based upon the enacted or substantially enacted tax rates expected to apply to taxable income in the years in which temporary differences are expected to be reversed. Deferred tax positions are not discounted.

EARNINGS PER SHARE (NOTE 10)

Basic earnings per share is calculated by dividing the profit for the period attributable to shareholders of the company by the weighted average number of common shares outstanding during the year, adjusted for any repurchased shares. Diluted earnings per share is calculated by adjusting the weighted average number of common shares outstanding during the year for the diluting effect of the shares of the performance-related share plan, the restricted share plan and the share-matching plan.

Adjusted earnings per share represents the basic earnings per share from continuing operations excluding identified items, after taxes.

GOVERNMENT GRANTS

Government grants related to costs are deducted from the relevant costs to be compensated in the same period. Government grants to compensate for the cost of an asset are deducted from the cost of the related asset. Emission rights granted by the government are recorded at cost. A provision is recorded if the actual emission is higher than the emission rights granted.

INTANGIBLE ASSETS (NOTE 11)

Intangible assets are valued at cost less accumulated amortization and impairment charges. Intangible assets with an indefinite useful life, such as goodwill and certain brands, are not amortized, but tested for impairment annually using the value-in-use method.

Intangible assets with a finite useful life, such as licenses, know-how, certain brands, customer relationships, intellectual property rights, emission rights, software expenditures (in as far as AkzoNobel controls the software configured or customized) and capitalized development costs, are capitalized at historical cost and amortized on a straight-line basis over the estimated useful life of the assets, which generally ranges from 5 to 40 years for brands with finite useful lives, 5 to 25 years for customer relationships and 3 to 15 years for other intangibles. Amortization methods, useful lives and residual values are reassessed annually. Research expenditures are recognized as an expense as incurred.

PROPERTY, PLANT AND EQUIPMENT (NOTE 12)

Property, plant and equipment are valued at cost less accumulated depreciation and impairment charges. Costs include expenditures that are directly attributable to the acquisition of the asset, including borrowing cost of capital investment projects under construction.

Depreciation is calculated using the straight-line method, based on the estimated useful life of the asset components.The useful life of plant equipment and machinery generally ranges from 10 to 25 years, and for buildings ranges from 20 to 50 years. Land is not depreciated. In the majority of cases, residual value is assumed to be not significant. Depreciation methods, useful lives and residual values are reassessed annually.

Costs of major maintenance activities are capitalized and depreciated over the estimated useful life. Maintenance costs which cannot be separately defined as a component of property, plant and equipment are expensed in the period in which they occur. We recognize conditional asset retirement obligations in the periods in which sufficient information becomes available to reasonably estimate the cash outflow.

LEASES (NOTE 13, 21)

As a lessee, we assess whether a contract is, or contains, a lease at inception. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for a consideration.

At commencement or on modification of a contract that contains a lease component, we allocate the consideration in the contract to each lease component on the basis of its relative stand-alone price. However, for the leases of cars we have elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

We recognize a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at the present value of the lease liability. The right-of-use asset value contains lease prepayments, lease incentives received, the initial direct costs and an estimate of restoration, removal and dismantling costs. For deferred taxes associated with lease accounting under IFRS 16, AkzoNobel determines the temporary differences between the book basis and tax basis of the right-of-use asset and the lease liability on a net basis. It is the company's view that these are integrally linked. As a result, a deferred tax position is reported on the net temporary differences of the right-of-use assets and lease liabilities.

The right-of-use assets are depreciated using the straight-line method from the commencement date to the end of the lease term or shorter economic life. In addition, the value of right-of-use assets is reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The net present value of the lease liability is measured at the discounted value of the lease payments. The liability includes payments to be made in optional periods if it is reasonably certain that we will exercise an option to extend the lease, or that we will not exercise an option to terminate the lease. The lease payments comprise the following:

- Fixed payments (including in substance fixed payments), less any lease incentives
- Variable lease payments that depend on an index or a rate
- The exercise price of a purchase option if it is reasonably certain that the option will be exercised
- Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease; and
- Amounts expected to be payable under residual value guarantees

These lease payments are discounted using the interest rate implicit in the lease contract, if that rate can be readily determined. If that rate cannot be readily determined, the incremental borrowing rate is used. We determine our incremental borrowing rates by obtaining interest rates from various external financing sources and make certain adjustments to reflect the term of the lease and type of the asset leased. At the lease commencement dates, we assess whether it is reasonably certain that we will exercise the extension options. We reassess whether it is reasonably certain that we will exercise the options, if there is a significant event or significant change in circumstances within our control.

At the commencement date, we assess whether it is reasonably certain that:

- An option to extend is exercised; or
- An option to purchase is exercised; or
- An option to terminate the lease is not exercised

In making these assessments, all relevant facts and circumstances that create an economic incentive for us to exercise, or not to exercise, the option, including any expected changes in facts and circumstances from the commencement date until the exercise date of the option are considered.

Short-term leases and leases of low-value assets

We do not record right-of-use assets and lease liabilities on the balance sheet for leases of low-value assets and short-term leases. We recognize the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

IMPAIRMENTS (NOTE 11, 12, 13)

We assess the carrying value of intangible assets, property, plant and equipment and right-of-use assets whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable as a result of e.g. changes in cash flow forecasts, damages, market developments or environmental and climate change risks. In addition, for goodwill and other intangible assets with an indefinite useful life, the carrying value is reviewed at least annually or when circumstances indicate the carrying amount may be impaired. If the carrying value of an asset or its cash-generating unit exceeds its estimated recoverable amount, an impairment loss is recognized in the statement of income on the functional level of the asset impaired. The assessment for impairment is performed at the lowest level of assets generating largely independent cash inflows. For goodwill and other intangible assets with an indefinite life, we have determined this to be at business unit level (one level below operating segment).

Except for goodwill, we reverse impairment losses in the statement of income if and to the extent we have identified a change in estimates used to determine the recoverable amount.

ASSOCIATES AND JOINT VENTURES (NOTE 14)

Associates and joint ventures are accounted for using the equity method and are initially recognized at cost. The Consolidated financial statements include our share of the income and expenses of the associates and joint ventures, whereby the result is determined using our accounting principles. When the share of losses exceeds the interest in the investee, the carrying amount is reduced to nil and recognition of further losses is discontinued, unless we have further legal or constructive obligations.

INVENTORIES (NOTE 16)

Inventories are measured at the lower of cost and net realizable value. Costs of inventories comprise all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to the present location and condition. The costs of inventories are determined using weighted average cost.

PROVISIONS (NOTE 20)

We recognize provisions when a present legal or constructive obligation as a result of a past event exists, it is probable that an outflow of economic benefits is required to settle the obligation and the amount can be reliably estimated. Provisions are measured at net present value. The increase of provisions as a result of the passage of time is recognized in the statement of income under financing income and expenses.

Provisions for restructuring of activities are recognized when a detailed and formal restructuring plan has been approved, and the restructuring has either commenced or has been announced publicly. We do not provide for future operating costs.

FINANCIAL INSTRUMENTS

Classification

All assets are measured at amortized cost, fair value through profit or loss or fair value through other comprehensive income. Financial assets are classified according to a model based on:

- A contractual cash flow characteristics test
- A business model dictating how the reporting entity manages its financial assets in order to generate cash flows as either:
  1. Hold to collect contractual cash flows
  2. Collect contractual cash flows and sell
  3. Neither 1 or 2
- Election of the fair value option in some specific cases in order to eliminate an accounting mismatch

The classification of a financial asset is determined at initial recognition, but if certain conditions are met, an asset might be subject to reclassification.

Valuation and impairment

Financial assets are assessed for impairment either according to the general approach or a simplified approach.

The calculation of impairment under the general approach uses the following stages:

- 12-month expected credit losses; taking into account possible default events within one year
- Lifetime expected credit losses in case of an increase in credit risk; through recognition of expected credit losses over the remaining life of the exposure
- Lifetime expected credit losses, where interest is calculated on the net amount of the receivables less impairment loss

In all above stages, the impairment calculation used is based on external credit ratings of involved parties or default rates published by well-known credit risk agencies.

The financial assets included in the general impairment approach are long-term loans and other long-term receivables.

The calculation of impairment under the simplified approach requires recognition of lifetime expected credit loss (no tracking of changes in credit risk). The financial assets included in the simplified impairment approach are trade receivables and the remaining financial assets.

Measurement

Regular purchases and sales of financial assets and liabilities are recognized on trade date. The initial measurement of all financial instruments is at fair value. Except for derivatives and cash and cash equivalents, the initial measurement of financial instruments is adjusted for directly attributable transaction costs.

Derivative financial instruments (Note 27)

Derivative financial instruments are recognized at fair value on the balance sheet. Fair values are derived from market prices and quotes from dealers and brokers or are estimated using observable market inputs. When determining fair values, credit risk for our contract party, as well as for AkzoNobel, is taken into account.

Changes in fair value are recognized in the statement of income, unless cash flow hedge accounting or net investment hedge accounting is applied. In those cases, the effective part of the fair value changes is deferred in other comprehensive income and released to the related specific lines in the statement of income or balance sheet at the same time as the hedged item.

Financial non-current assets (Note 15) and Trade and other receivables (Note 17)

Loans and receivables are measured at amortized cost, using the effective interest method, less any impairment losses.

Cash and cash equivalents and Short-term investments (Note 21)

Cash and cash equivalents and short-term investments are measured at fair value. Cash and cash equivalents include all cash balances and other investments that are directly convertible into known amounts of cash. Changes in fair values are included in financing income and expenses.

Long-term and Short-term borrowings (Note 21, 27) and Trade and other payables (Note 22)

Long-term and short-term borrowings, as well as trade and other payables, are measured at amortized cost, using the effective interest rate method. The interest expense on borrowings is included in financing income and expenses. The fair value of borrowings, used for disclosure purposes, is determined based on listed market price, if available. If a listed market price is not available, the fair value is calculated based on the present value of principal and interest cash flows, discounted at the interest rate at the reporting date, considering AkzoNobel's credit risk.

NEW IFRS ACCOUNTING STANDARDS

IFRS standards and interpretations thereof not yet in force, which may apply to our Consolidated financial statements for 2023 and beyond, have been assessed for their potential impact.

These include among others IFRS 17 "Insurance Contracts", amendments to IAS 1 "Classification of Liabilities as Current or Non-current", amendments to IAS 8 "Definition of Accounting Estimates", amendments to IAS 12 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction", amendments to IAS 1 and IFRS Practice Statement 2 "Disclosure of Accounting Policies", amendments to IFRS 16 "Lease Liability in a Sale and Leaseback" and amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture". These changes are not expected to have a material effect on AkzoNobel's Consolidated financial statements.

Note 2 SCOPE OF CONSOLIDATION

Material subsidiaries

The Consolidated financial statements comprise the assets, liabilities, income and expenses of 251 legal entities. Due to a legal entity reduction program, focusing on merging entities and liquidating dormant entities, we expect the number of legal entities to reduce in the coming years. We consider legal entities material when they represent, for at least two subsequent years, more than 5% of either revenue or operating income. Material subsidiaries included in the table below are fully owned at year-end 2022 except for Akzo Nobel India Limited, refer to Note 18 for an overview of non-controlling interests.

Material subsidiaries related to continuing operations

Legal entity	Principal place of business/country of incorporation
Akzo Nobel Coatings Inc.	US
Akzo Nobel Paints (Shanghai) Co Ltd.	China
Akzo Nobel India Limited	India
Imperial Chemical Industries Limited	UK
Akzo Nobel Decorative Coatings B.V.	The Netherlands
Akzo Nobel Coatings SPA	Italy

Acquisitions

On April 22, 2022, AkzoNobel acquired 100% of the shares of Colombia based paints and coatings company Grupo Orbis S.A. (Grupo Orbis) for €566 million. The acquisition strengthens our position in Latin America. The transaction includes eight operational manufacturing sites. Since its acquisition, Grupo Orbis contributed €336 million to revenue and €29 million to operating income. Based on financial information received from the acquiree, revenues for the period January 1, 2022 until the date of acquisition amounted to €123 million.

Based on the provisional purchase price allocation, the transaction resulted in €262 million of goodwill (non-deductible for tax purposes), €259 million of other intangible assets and €121 million of property, plant and equipment. The purchase price allocation will be finalized before April 21, 2023. No material changes from the current purchase price allocation are expected.

The purchase price allocation was performed using the implied internal rate of return on management's forecasts. An assessment of the assumptions applied in estimating such forecasts was made, including potential synergies that are expected to be realized as a result of the transaction.

The goodwill is mainly attributable to synergies expected to be achieved from integrating the company into the group. The paints business of Grupo Orbis is being integrated in business unit Decorative Paints Latin America. The coatings businesses ultimately will be incorporated into the respective Performance Coatings business units in 2023. For the interim period, in 2022, these businesses are reported in business unit Performance Coatings Other.

On December 1, 2022, we acquired the wheel liquid coatings business of Lankwitzer Lackfabrik GmbH for €36 million in an asset deal. The provisional purchase price allocation resulted in €7 million of goodwill (deductible for tax purposes), €17 million of other intangible assets and €14 million other fixed and current assets. The goodwill is mainly attributable to synergies expected to be achieved from integrating the acquired business into the group. The purchase price is provisional due to the limited time between the date of acquisition and the reporting date. The contribution of the Lankwitzer business to the 2022 statement of income is not material. This business is being integrated in business unit Powder Coatings.

On June 1, 2022, AkzoNobel announced the intended acquisition of Kansai Paint's African paints and coatings activities. The intended acquisition is expected to further strengthen our activities in the region and provide opportunities for future growth. The acquisition is expected to be completed in the second half of 2023.

On March 1, 2021, AkzoNobel acquired 100% of the shares of Industrias Titan S.A.U. (Titan Paints) in Spain, for €83 million. The acquisition strengthens our paints business and footprint in Spain. The transaction included three production facilities and seven logistics and service centers for decorative paints. Based on the final purchase price allocation, the transaction resulted in €16 million of goodwill (non-deductible for tax purposes), €20 million of other intangible assets and €47 million of property, plant and equipment. The goodwill is mainly attributable to synergies expected to be achieved from integrating the company into the group. Titan Paints is being integrated in business unit Decorative Paints Europe, Middle East and Africa.

Recognized fair values at acquisition

In € millions	Grupo Orbis S.A., Colombia	Lankwitzer Lackfabrik GmbH, Germany	Other	Total 2022
Other intangibles	259	17	–	276
Property, plant and equipment	121	4	–	125
Right-of-use assets	8	2	–	10
Associates and joint ventures	5	–	–	5
Inventories	91	6	–	97
Trade and other receivables	98	2	(1)	99
Cash and cash equivalents	14	–	–	14
Long-term debt	(79)	(2)	–	(81)
Provisions	(9)	–	–	(9)
Deferred tax assets/(liabilities)	(104)	–	–	(104)
Non controlling interests	(3)	–	–	(3)
Trade and other payables	(97)	–	–	(97)
Net identifiable assets and liabilities	**304**	**29**	**(1)**	**332**
Goodwill	262	7	(7)	262
Purchase consideration	**566**	**36**	**(8)**	**594**
Cash and cash equivalents acquired	(14)	–	–	(14)
To be received in 2023 and later years	–	–	8	8
Net cash outflow	**552**	**36**	**–**	**588**

Divestments

In 2022 and 2021, no significant divestments occurred.

Note 3 SEGMENT INFORMATION

Decorative Paints

We provide decorative paints to both the professional and the do-it-yourself markets. We supply a variety of quality products for every situation and surface, including paints, lacquers and varnishes. We also offer a range of mixing machines and color concepts for the building and renovation industry.

The business units in the operating segment Decorative Paints are set up regionally, as the paints business is managed per region. Refer to Note 5 for a disaggregation of revenues per region.

Performance Coatings

We are a supplier of performance coatings that protect and enhance ships, cars, aircraft, yachts and architectural components (structural steel, building products, flooring), consumer goods (mobile devices, appliances, beverage cans, furniture) and oil and gas facilities. The business units in the operating segment Performance Coatings are set up per product/end market as the segment is managed based on product/end market combinations. Refer to Note 5 for a disaggregation of revenues per product/end market.

The tables in this Note include Alternative Performance Measures (APMs). Refer to Note 4 for further information on these APMs.

Information per reportable segment

	Revenue (third parties)		Amortization and depreciation		Operating income		Identified items[1]		Adjusted operating income[1]		EBITDA[1]		Adjusted EBITDA[1]		ROS%[1,2]		OPI margin%[1,2]	
In € millions	2021	2022	2021	2022	2021[3]	2022	2021[3]	2022	2021[3]	2022	2021[3]	2022	2021[3]	2022	2021[3]	2022	2021[3]	2022
Decorative Paints	3,979	4,371	(154)	(154)	622	392	42	(5)	580	397	776	546	727	552	14.6	9.1	15.6	9.0
Performance Coatings	5,603	6,472	(160)	(171)	616	444	2	(49)	614	493	776	615	773	664	11.0	7.6	11.0	6.9
Corporate and other	5	3	(37)	(43)	(120)	(128)	(18)	(27)	(102)	(101)	(83)	(85)	(64)	(59)				
Total	**9,587**	**10,846**	**(351)**	**(368)**	**1,118**	**708**	**26**	**(81)**	**1,092**	**789**	**1,469**	**1,076**	**1,436**	**1,157**	**11.4**	**7.3**	**11.7**	**6.5**

[1] Refer to the glossary for definitions of the APMs.
[2] ROS% and OPI margin for Corporate and other is not shown, as this is not meaningful.
[3] Operating income, adjusted operating income, EBITDA and adjusted EBITDA (and related measures) per segment for 2021 have been updated to reflect changes in the financial reporting structure related to a narrower definition of corporate activities and corporate costs in corporate and other activities.

Information per reportable segment

	Invested capital		Total assets		Total liabilities		Capital expenditures[1]		ROI%[1,2]	
In € millions	2021	2022	2021[3]	2022	2021[3]	2022	2021	2022	2021	2022
Decorative Paints	3,022	3,604	5,591	5,890	1,862	1,581	108	91	20.2	10.8
Performance Coatings	3,671	3,950	5,686	6,270	1,944	2,083	147	167	17.4	12.7
Corporate and other	428	581	2,601	2,581	4,436	6,529	33	34		
Total	**7,121**	**8,135**	**13,878**	**14,741**	**8,242**	**10,193**	**288**	**292**	**16.0**	**9.8**

[1] Refer to the glossary for the definition of capital expenditures and ROI%.
[2] ROI% for Corporate and other is not shown, as this is not meaningful.
[3] As from 2022, total assets and total liabilities per segment exclude intercompany balances. Total assets and total liabilities per segment for 2021 have been restated.

Regional information

	Revenue by region of destination		Intangible assets and property, plant and equipment		Invested capital		Capital expenditures	
In € millions	2021	2022	2021	2022	2021	2022	2021	2022
The Netherlands	335	319	1,206	1,223	1,787	1,900	45	45
Other EMEA countries	4,473	4,714	1,777	1,753	2,555	2,679	100	95
North Asia	1,735	1,728	1,203	1,162	969	965	45	40
South Asia Pacific	1,137	1,371	516	526	639	677	46	54
North America	1,163	1,416	602	648	809	890	37	42
Latin America*	744	1,298	186	728	362	1,024	15	16
Total	**9,587**	**10,846**	**5,490**	**6,040**	**7,121**	**8,135**	**288**	**292**

* Previously reported as South America.

Note 4 ALTERNATIVE PERFORMANCE MEASURES

In presenting and discussing AkzoNobel's (segmental) operating results, management uses certain alternative performance measures not defined by IFRS, which exclude the so-called identified items. Identified items are special charges and benefits, results on acquisitions and divestments, major restructuring and impairment charges, and charges and benefits related to major legal, environmental and tax cases. These alternative performance measures should not be viewed in isolation as alternatives to the equivalent IFRS measures and should be used as supplementary information in conjunction with the most directly comparable IFRS measures. Alternative performance measures do not have a standardized meaning under IFRS and therefore may not be comparable to similar measures presented by other companies. Where a non-financial measure is used to calculate an operational or statistical ratio, this is also considered an alternative performance measure.

Operating income, adjusted operating income, EBITDA and adjusted EBITDA (and related measures) per segment for 2021 have been updated to reflect changes in the financial reporting structure related to a narrower definition of corporate activities and corporate costs in corporate and other activities.

The tables in this note reconcile the alternative performance measures used in the segment information (Note 3) to the nearest IFRS measure.

Restructuring costs

Restructuring costs primarily relate to costs for accruals for certain employee benefits and for costs which are directly associated with plans to exit or cease specific activities and closing down of facilities.

Alternative performance measures

In € millions	Continuing operations	Discontinued operations	2021 Total	Continuing operations	Discontinued operations	2022 Total
Operating income	**1,118**	**–**	**1,118**	**708**	**–**	**708**
APM adjustments to operating income						
- Restructuring costs	28	–	28	80	–	80
- Brazil ICMS case	(42)	–	(42)	–	–	–
- UK pensions past service credit	(23)	–	(23)	–	–	–
- Acquisition related costs	11	–	11	9	–	9
- Other	–	–	–	(8)	–	(8)
Total APM adjustments (identified items) to operating income	**(26)**	**–**	**(26)**	**81**	**–**	**81**
Adjusted operating income	**1,092**	**–**	**1,092**	**789**	–	**789**
Profit for the period attributable to shareholders of the company	**823**	**6**	**829**	**362**	**(10)**	**352**
Adjustments to operating income	(26)	–	(26)	81	–	81
Adjustments to interest	(29)	–	(29)	(10)	–	(10)
Adjustments to income tax	(15)	–	(15)	(5)	–	(5)
Adjustments to discontinued operations	–	(8)	(8)	–	–	–
Total APM adjustments	**(70)**	**(8)**	**(78)**	**66**	**–**	**66**
Adjusted profit for the period attributable to shareholders of the company	**753**	**(2)**	**751**	**428**	**(10)**	**418**

Brazil ICMS case

In May 2021, the Brazilian Supreme Court (STF) recognized the right to deduct state tax on goods and services (ICMS) from the calculation basis of the Social Integration Program-PIS (Programa de Integração Social) and the Financing of Social Security-COFINS (Contribuição para Financiamento da Seguridade Social). This STF decision covers a multi-year period prior to 2018. In 2021, a full-year net gain of €64 million was recognized in net income, of which €42 million in Other results (in operating income), €28 million in interest income, €14 million in income tax (loss) and (net) €8 million in discontinued operations.

UK pensions past service credit

Following a court decision in April 2021, which allowed the amendment of the scheme documentation of one of the company's UK pension funds, a past service credit (gain) was recognized in 2021.

APM adjustments to interest

In 2022, interest income of €10 million was recognized related to the UK ACT case, refer to a description of the ACT case below. Adjustments to interest in 2021 included an interest gain of €28 million from the Brazil ICMS case.

APM adjustments to income tax: UK ACT case

In July 2021 the UK Supreme Court issued a further decision in a group litigation case the company participates in ("Franked Investment Income"; filed in 2003).

The company assessed the consequences of this judgement in 2021 and performed a further file review which, taking into account legal advice, resulted in the recognition of a net tax benefit of €29 million in 2021. In 2022, upon finalization of the full assessment, a net tax charge of €13 million was recognized.

APM adjustments to income tax: Other items

In 2022, €19 million of tax benefits related to restructuring costs were recognized (2021: €8 million). The tax benefits have been partly offset by the €13 million net tax charge related to the UK ACT case.

In 2021, a gain of €12 million was included for the (net) re-recognition of deferred tax assets. This gain was partly offset by the income tax (loss) related to the Brazil ICMS case (€14 million) and the impact from tax rate changes (€19 million).

Adjusted operating income, OPI margin and ROS%

In € millions	2021	2022
Revenue from third parties		
Decorative Paints	3,979	4,371
Performance Coatings	5,603	6,472
Corporate and other	5	3
Total	**9,587**	**10,846**
Operating income[1]		
Decorative Paints	622	392
Performance Coatings	616	444
Corporate and other	(120)	(128)
Total	**1,118**	**708**
Total APM adjustments (identified items)[1, 2]		
Decorative Paints	42	(5)
Performance Coatings	2	(49)
Corporate and other	(18)	(27)
Total	**26**	**(81)**
Adjusted operating income[1, 2]		
Decorative Paints	580	397
Performance Coatings	614	493
Corporate and other	(102)	(101)
Total	**1,092**	**789**
OPI margin%[1, 2, 3]		
Decorative Paints	15.6	9.0
Performance Coatings	11.0	6.9
Corporate and other		
Total	**11.7**	**6.5**
ROS%[1, 2, 3]		
Decorative Paints	14.6	9.1
Performance Coatings	11.0	7.6
Corporate and other		
Total	**11.4**	**7.3**

[1] Operating income, adjusted operating income, EBITDA and adjusted EBITDA (and related measures) per segment for 2021 have been updated to reflect changes in the financial reporting structure related to a narrower definition of corporate activities and corporate costs in corporate and other activities.
[2] Refer to the glossary for definitions of the APMs.
[3] OPI margin and ROS% for Corporate and other is not shown, as this is not meaningful.

Leverage ratio

Leverage ratio is calculated as net debt/EBITDA. For the calculation of net debt, refer to Note 21. Leverage ratio is included in Note 27 in the paragraph on capital risk management.

EBITDA*

	2021			2022		
In € millions	Operating income	Depreciation and amortization	EBITDA	Operating income	Depreciation and amortization	EBITDA
Decorative Paints	622	(154)	776	392	(154)	546
Performance Coatings	616	(160)	776	444	(171)	615
Corporate and other	(120)	(37)	(83)	(128)	(43)	(85)
Total	**1,118**	**(351)**	**1,469**	**708**	**(368)**	**1,076**

* Refer to the glossary for definitions of the APMs.

Adjusted EBITDA*

	2021			2022		
In € millions	Adjusted operating income	Depreciation and amortization excluding identified items	Adjusted EBITDA	Adjusted operating income	Depreciation and amortization excluding identified items	Adjusted EBITDA
Decorative Paints	580	(147)	727	397	(155)	552
Performance Coatings	614	(159)	773	493	(171)	664
Corporate and other	(102)	(38)	(64)	(101)	(42)	(59)
Total	**1,092**	**(344)**	**1,436**	**789**	**(368)**	**1,157**

* Refer to the glossary for definitions of the APMs.

Adjusted earnings per share

In € millions	2021	2022
Profit for the period attributable to shareholders of the company from continuing operations	823	362
APM adjustments to operating income	(26)	81
APM adjustments to interest	(29)	(10)
APM adjustments to income tax	(15)	(5)
Adjusted profit from continuing operations attributable to shareholders of the company*	**753**	**428**
Weighted average number of shares (in millions)	185.0	174.7
Earnings per share from continuing operations (in €)	4.45	2.07
Adjusted earnings per share from continuing operations (in €)	4.07	2.45

* Refer to the glossary for definitions of the APMs.

ROI%

In € millions	2021	2022
Average invested capital[1]		
Decorative Paints	2,872	3,678
Performance Coatings	3,520	3,894
Corporate and other	437	490
Total	**6,829**	**8,062**
Adjusted operating income[1, 2]		
Decorative Paints	580	397
Performance Coatings	614	493
Corporate and other	(102)	(101)
Total	**1,092**	**789**
ROI%[3]		
Decorative Paints	20.2	10.8
Performance Coatings	17.4	12.7
Corporate and other[3]		
Total	**16.0**	**9.8**

[1] Refer to the glossary for definitions of the APMs.
[2] Operating income, adjusted operating income, EBITDA and adjusted EBITDA (and related measures) per segment for 2021 have been updated to reflect changes in the financial reporting structure related to a narrower definition of corporate activities and corporate costs in corporate and other activities.
[3] ROI% for Corporate and other is not shown, as this is not meaningful.

Note 5 REVENUE

AkzoNobel derives revenue from the transfer of goods and services at a point in time and over time in the major product lines and geographical regions as disclosed in the table in this Note.

For the receivables, which are included in Trade and other receivables, reference is made to Note 17.

As at December 31, 2022, and at December 31, 2021, no significant contract assets were recognized.

As at December 31, 2022, the amount of contract liabilities deferred to be recognized over time in 2023 was €4 million. These contract liabilities primarily relate to shipping, training and certain technical services, for which revenue is recognized over time. The amount of €3 million included in contract liabilities at the beginning of the period has been recognized as revenue during the year 2022 (2021: €3 million).

Revenue disaggregation

	Decorative Paints		Performance Coatings		Other		Total	
In € millions	2021	2022	2021	2022	2021	2022	2021	2022
Primary geographical markets - revenue from third parties								
The Netherlands	231	206	99	110	5	3	335	319
Other EMEA countries	2,198	2,199	2,275	2,515	—	—	4,473	4,714
North Asia	560	564	1,175	1,164	—	—	1,735	1,728
South Asia Pacific	513	608	624	763	—	—	1,137	1,371
North America	—	—	1,163	1,416	—	—	1,163	1,416
Latin America[1]	477	794	267	504	—	—	744	1,298
Total	**3,979**	**4,371**	**5,603**	**6,472**	**5**	**3**	**9,587**	**10,846**
Major goods/service lines - revenue from third parties								
Decorative Paints Europe, Middle East and Africa	2,429	2,405	—	—	—	—	2,429	2,405
Decorative Paints Latin America[2]	477	794	—	—	—	—	477	794
Decorative Paints Asia	1,073	1,172	—	—	—	—	1,073	1,172
Powder Coatings	—	—	1,315	1,376	—	—	1,315	1,376
Marine and Protective Coatings	—	—	1,164	1,374	—	—	1,164	1,374
Automotive and Specialty Coatings	—	—	1,231	1,390	—	—	1,231	1,390
Industrial Coatings	—	—	1,893	2,181	—	—	1,893	2,181
Performance Coatings Other[2]	—	—	—	151	—	—	—	151
Corporate and other	—	—	—	—	5	3	5	3
Total	**3,979**	**4,371**	**5,603**	**6,472**	**5**	**3**	**9,587**	**10,846**
Timing of revenue recognition								
Goods transferred at a point in time	3,923	4,284	5,405	6,258	—	—	9,328	10,542
Services transferred over time	56	87	198	214	5	3	259	304
Total	**3,979**	**4,371**	**5,603**	**6,472**	**5**	**3**	**9,587**	**10,846**

[1] Previously reported as South America.
[2] Decorative Paints Latin America includes Grupo Orbis revenues as from April 2022 to the extent these relate to the Decorative Paints segment. Performance Coatings Other relates to Grupo Orbis revenues (as from April 2022) to the extent these relate to the Performance Coatings segment.

Note 6 OPERATING INCOME

In 2022, operating income was lower at €708 million (2021: €1,118 million), as a result of lower volumes and despite pricing initiatives more than compensating for raw material and freight cost inflation. Operating expenses increased as a result of higher manufacturing and supply chain costs. OPI margin at 6.5% (2021: 11.7%).

Costs by nature 2022

In € millions	Employee benefits	Amortization	Depreciation	Purchases and other costs	Total
Cost of sales	(550)	(1)	(152)	(6,220)	(6,923)
Selling and distribution expenses	(965)	(57)	(93)	(1,193)	(2,308)
General and administrative expenses	(263)	(24)	(24)	(338)	(649)
Research and development expenses	(182)	(5)	(12)	(59)	(258)
Other results	—	—	—	—	—
Total	**(1,960)**	**(87)**	**(281)**	**(7,810)**	**(10,138)**

Costs by nature 2021

In € millions	Employee benefits	Amortization	Depreciation	Purchases and other costs	Total
Cost of sales*	(529)	—	(155)	(4,999)	(5,683)
Selling and distribution expenses*	(832)	(50)	(90)	(1,069)	(2,041)
General and administrative expenses	(267)	(16)	(23)	(276)	(582)
Research and development expenses	(168)	(4)	(13)	(45)	(230)
Other results	23	—	—	44	67
Total	**(1,773)**	**(70)**	**(281)**	**(6,345)**	**(8,469)**

* Cost of sales and selling and distribution expenses for 2021 have been updated to reflect changes in the financial reporting structure related to recent changes in the organizational set-up and related governance structure, leading to a reclassification between cost of sales (decrease) and selling and distribution expenses (increase) of €49 million.

Note 7 EMPLOYEE BENEFITS

Salaries, wages and other employee benefits in operating income

In € millions	2021	2022
Salaries and wages	(1,395)	(1,517)
Post-retirement cost	(115)	(146)
Other social charges	(263)	(297)
Total	**(1,773)**	**(1,960)**

Average number of employees of total AkzoNobel

Average number during the year	2021	2022
Decorative Paints	12,500	13,800
Performance Coatings	17,000	18,000
Corporate and other	3,200	3,300
Total	**32,700**	**35,100**

Average number of employees in the Netherlands

Average number during the year	2021	2022
Decorative Paints	600	600
Performance Coatings	1,100	1,100
Corporate and other	700	700
Total	**2,400**	**2,400**

Number of employees

At year-end	2021	2022
Decorative Paints	12,500	14,000
Performance Coatings	17,200	17,900
Corporate and other	3,100	3,300
Total	**32,800**	**35,200**

The average number of employees working outside the Netherlands was 32,700 (2021: 30,300). In 2022, the number of employees increased by 7% to 35,200 people (year-end 2021: 32,800 people). Acquisitions in 2022 added around 3,000 people, mainly relating to Grupo Orbis employees.

SHARE-BASED COMPENSATION

Share-based compensation relates to the equity-settled performance-related share plan and the restricted share plans, as well as the share-matching plan. Charges recognized in the 2022 statement of income for share-based compensation amounted to €16 million and are included in salaries and wages (2021: €18 million).

Performance-related and restricted share plans

Under the performance-related share plan and the restricted share plans, a number of conditional shares are granted to the members of the Board of Management, members of the Executive Committee, executives and certain other employee categories each year. The number of participants of the performance-related share plan and the restricted share plans at year-end 2022 was 616 (2021: 479). The shares of the performance-related and restricted share plan series 2019-2021 have vested and were delivered to the participants in 2022.

The performance targets for the conditional grant of performance-related shares of the 2020-2022 plan for the Board of Management and the Executive Committee are linked for 50% to the relative TSR performance of the company compared with the peer group and for 50% to the ROI performance of the company. The targets for the 2021-2023 and 2022-2024 performance-related share grants for the Board of Management and the Executive Committee are for 20% linked to revenue growth, for 40% to adjusted EBITDA, for 20% to ROI and for 20% to performance against Environmental, Social and Governance (ESG) KPIs. A two-year holding restriction applies.

The plans for the executives and certain non-executive employee categories are a restricted share plan without any performance conditions, whereby the conditional grant of shares will vest upon the condition that they remain in service with the company during the three-year vesting period. A one-year holding restriction applies for the executives.

The conditional shares of the 2020-2022 performance share plan for the AkzoNobel participants vested for 0% (series 2019-2021: 58.33%), including extraordinary dividend shares of 7.33% (series 2019-2021: 13.14%), the final vesting percentage amounted to 0% (series 2019-2021: 66.00%). The reason some shares still vest is because AkzoNobel is legally bound to an agreement with a former member of the Executive Committee regarding the vesting of shares for this individual, as well as a conditional share grant awarded to new Executive Committee Members at the time of their hiring, who received these grants as buy-out from the contract at their previous employer.

Fair value performance-related shares in €

Series	Opening share price per:	Fair Value	Market condition (TSR)[4]	Non-market based performance conditions[5]	Share price	Expected volatility	Risk free interest rate
2019 - 2021	January 2, 2019	61.09	52.57	69.60	69.60	20.12%	(0.04)%
2020 - 2022	April 21, 2020[1]	53.42	42.95	63.88	63.88	21.42%	(0.33)%
2021 - 2023	April 22, 2021[2]	103.20	NA	103.20	103.20	NA	NA
2022 - 2024	February 23, 2022	88.28	NA	88.28	88.28	NA	NA
2022 - 2024	October 3, 2022[3]	57.70	NA	57.70	57.70	NA	NA

[1] Date on which the Supervisory Board approved the use of the average share price calculation method to determine the number of shares granted.
[2] Date of the AGM at which the new LTI performance criteria for the Board of Management were approved.
[3] Date on which Mr. Poux-Guillaume started working for AkzoNobel.
[4] 50% for the 2019-2021 and 2020-2022 grants, no longer applicable as from the 2021-2023 grant.
[5] 50% for the 2019-2021 and 2020-2022 grants, 100% as from the 2021-2023 grant.

Share plans of AkzoNobel employees

Share plan	Performance/ Vesting period	Award date	Vesting date	End of holding period	Balance at January 1, 2022	Awarded in 2022	Vested in 2022	Forfeited in 2022	Dividend in 2022	Subject to performance condition	Unvested in 2022	Subject to holding period	Balance at December 31, 2022
2019 – 2021 Restricted Share Plan E*	3 years	1/1/2019	1/1/2022	1/1/2023	157,455	—	(157,455)	—	—	NA	—	157,455	—
2019 – 2021 Performance Share Plan	3 years	1/1/2019	1/1/2022	1/1/2024	45,830	—	(45,830)	—	—	—	—	45,830	—
2020 – 2022 Restricted Share Plan E*	3 years	1/1/2020	1/1/2023	1/1/2024	157,095	—	(7,567)	(13,127)	—	NA	136,401	136,401	136,401
2020 – 2022 Performance Share Plan	3 years	1/1/2020	1/1/2023	1/1/2025	60,692	—	—	(51,286)	1,566	—	10,972	10,972	10,972
2020 – 2022 Restricted Share Plan NE*	3 years	4/1/2020	4/1/2023	NA	5,890	—	—	(210)	—	NA	5,680	—	5,680
2021 – 2023 Restricted Share Plan E*	3 years	4/1/2021	4/1/2024	4/1/2025	176,947	509	(3,600)	(18,906)	—	NA	154,950	154,950	154,950
2021 – 2023 Performance Share Plan	3 years	1/1/2021	1/1/2024	1/1/2026	63,404	—	—	(3,206)	1,491	61,689	61,689	61,689	61,689
2021 – 2023 Restricted Share Plan NE*	3 years	4/1/2021	4/1/2024	NA	27,140	—	—	(1,560)	—	NA	25,580	—	25,580
2022 – 2024 Restricted Share Plan E*	3 years	4/1/2022	4/1/2025	4/1/2026	—	189,797	(1,171)	(17,632)	—	NA	170,994	170,994	170,994
2022 – 2024 Performance Share Plan	3 years	1/1/2022	1/1/2025	1/1/2027	—	84,820	—	—	2,188	87,008	87,008	87,008	87,008
2022 – 2024 Restricted Share Plan NE*	3 years	4/1/2022	4/1/2025	NA	—	49,247	—	(2,065)	—	NA	47,182	—	47,182
Total					**694,453**	**324,373**	**(215,623)**	**(107,992)**	**5,245**	**148,697**	**700,456**	**825,299**	**700,456**

* E means executive plan; NE means non-executive plan.

The share price of a common AkzoNobel share at year end 2022 amounted to €62.56 (2021: €96.50).

Fair value of restricted and performance-related shares

The fair value of the restricted shares of the 2022-2024 grant to executives, amounting to €82.47, is based on the opening share price on February 23, 2022, of €88.28 and the expected dividend yield of 2.24%. The fair value of the restricted shares of the 2022-2024 grant to non-executives, amounting to €76.50, is based on the average of the opening share prices during the grant period of April 26 until May 9, 2022, of €82.54 and the expected dividend yield of 2.40%. The fair value of the performance-related 2022-2024 grant, based on the opening share price on February 23, 2022, amounts to €88.28. The fair value of the performance-related share grant to Mr. Poux-Guillaume of the 2022-2024 series, that was approved in the EGM on September 6, 2022, based on the opening share price on October 3, 2022, amounts to €57.70. For the 2022-2024 and 2021-2023 grants of performance-related shares all conditions are non-market based performance conditions. The fair value of the 2021-2023 grant is based on the share price as per April 22, 2021, the date of the AGM at which the new LTI performance criteria for the Board of Management were approved. The fair value of the performance-related shares of the 2020-2022 grant is for 50% based on a market condition (TSR) and for 50% based on a non-market based performance conditions (ROI).

The TSR part of the award is valued applying a Monte Carlo simulation model and the other part is valued based on the share price at grant date. The parameters applied for the fair value calculations are: share price at grant date (opening of first trading date from grant date), expected volatility (based on the share price development over the past three years of AkzoNobel), and risk-free interest rate (based on a Dutch zero-coupon government bond).

Share-matching plan

The members of the Board of Management and the members of the Executive Committee are eligible to participate in the share-matching plan. Under certain conditions, members who invest part of their short-term incentive payment in AkzoNobel shares may have such shares matched by the company one-on-one. During 2022, no potential matching shares were matched as the members of the Board of Management and the members of the Executive Committee were not eligible for matching shares on the 2019 series. In 2022, the members of the Board of Management and the members of the Executive Committee invested part of their 2021 short-term incentive in AkzoNobel shares, leading to 4,877 potential matching shares on December 31, 2022. For an overview of the matching shares outstanding for the members of the Board of Management per December 31, 2022, we refer to the Remuneration report.

Fair value of matching shares

The fair value of the matching shares (€75.61) was based on the share price on the investment date (April 21, 2022: €81.40), discounted for expected dividends over the holding period (dividend yield: 2.43%).

Note 8 FINANCING INCOME AND EXPENSES

Financing income and expenses

In € millions	2021	2022
Financing income	12	19
Financing expenses	(74)	(106)
Net interest on net debt	**(62)**	**(87)**
Other interest		
Financing income related to post-retirement benefits	13	18
Interest on provisions	3	17
Exchange rate results	(21)	(85)
Other items	28	13
Net other financing credit/(charges)	**23**	**(37)**
Total financing income and expenses	**(39)**	**(124)**

Net financing expenses for the year were €124 million (2021: €39 million). Significant variances are:

- Net interest on net debt increased by €25 million to €87 million (2021: €62 million) mainly as a result of higher interest cost on debt from bonds issuance, increased short-term debt and financing related to the Grupo Orbis acquisition
- Interest income on provisions increased by €14 million to €17 million (2021: €3 million) due to the impact from discounting at higher discount rates
- Exchange rate results were €85 million negative (2021: €21 million negative), and include €20 million expenses from Argentina and Türkiye hyperinflation accounting
- Other items in 2022 include €10 million interest income from the UK ACT case (refer to Note 4 for further details on the UK ACT case). In 2021, an interest income of €28 million related to the Brazil ICMS case was included.

The average interest rate used for capitalized interest was 1.7% (2021: 1.9%). Capitalized interest was negligible in both 2022 and 2021. The average interest rate on total debt was 2.1% (2021: 2.3%).

Accounting impact hyperinflation accounting

We have applied IAS 29 “Financial Reporting in Hyperinflationary Economies” for Türkiye as from January 1, 2022. For Argentina, hyperinflation accounting was already applied as from January 1, 2018. In addition, and in line with IAS 21 “The Effect of Changes in Foreign Exchange Rates”, end of month rates are used to translate both the balance sheet and the statement of income into euros. For Türkiye, the revaluation effect on the non-monetary assets at January 1, 2022, was €16 million positive (after taxes), recorded as a restatement to opening shareholders’ equity. In addition, the opening balance of intangible assets has been restated by €1 million (refer to Note 11) and the opening balance of property, plant and equipment has been restated by €15 million (refer to Note 12). Refer to Note 9 Income tax for the related opening balance impact on deferred taxes.

The application of hyperinflation accounting and the use of end of month rates to translate the statement of income into euros resulted in an €5 million positive impact on revenues, an €46 million negative impact on operating income and an €63 million negative impact on net income for the year.

Note 9 INCOME TAX

Pre-tax income from continuing operations for the year amounted to a profit of €602 million (2021: €1,105 million). The net tax charges related to continuing operations are included in the statement of income as shown in this Note and amount to €214 million (2021: €246 million), leading to an effective tax rate of 35.5% (2021: 22.3%).

Classification of current and deferred tax result

In € millions	2021	2022
Current tax expense for		
The year	(205)	(198)
Adjustments for previous years	36	(24)
Total current tax expense	**(169)**	**(222)**
Deferred tax expense for		
Origination and reversal of temporary differences and tax losses	(75)	21
(Derecognition)/recognition of deferred tax assets	18	(6)
Changes in tax rates	(20)	(7)
Total deferred tax expense	**(77)**	**8**
Total	**(246)**	**(214)**

Classification of current and deferred tax result

A breakdown into current and deferred tax expenses and a split of the main categories is provided in the table above. For comparative reasons, this table presents the income tax expense excluding the impact from discontinued operations. The total deferred tax in the statement of income including discontinued operations was a credit of €8 million (2021: €77 million charge). The total tax charge including discontinued operations was €211 million (2021: €248 million).

Adjustments for prior years in 2022 is mainly related to a net tax charge of €13 million for the UK Advanced Corporation Tax (ACT) case, which is further described in Note 4 on Alternative Performance Measures due to its identified nature. Origination and reversal of temporary differences and tax losses is driven, amongst others, by timing differences between recognition and payments for provisions, timing differences on depreciation and amortization for tax purposes versus the consolidated financial statements, and tax loss carryforwards utilized against profits of the year or new tax losses incurred. Changes in tax rates in 2022 mainly relate to the changes in the UK tax rate (2021: Dutch and UK tax rates).

Effective tax rate reconciliation

In 2022, the effective income tax rate based on the statement of income is 35.5% (2021: 22.3%). A reconciliation between the effective tax rate and the weighted average statutory income tax rate is provided in the next table. For comparative reasons, this table presents the effective consolidated tax rate excluding the impact from discontinued operations. Including these results, the effective consolidated tax rate is 35.8% (2021: 22.3%).

Non-taxable income is mainly related to R&D credits and the tax exemption for investments (2021: interest on tax credits in Brazil, the Innovation box in the Netherlands, R&D credits and the tax exemption for investments).

Non-deductible expenses are mainly related to the effects of Argentina and Türkiye hyperinflation accounting and certain non-deductible costs in various countries (2021: non-deductible costs and the effects of Argentina hyperinflation accounting).

Effective tax rate reconciliation

in %	2021	2022
Corporate tax rate in the Netherlands	25.0	25.8
Effect of tax rates in other countries	0.2	(2.2)
Weighted average statutory income tax rate	**25.2**	**23.6**
Non-taxable income	(3.0)	(2.8)
Non-deductible expenses	2.3	6.1
(Rerecognition)/derecognition of deferred tax assets	(1.6)	1.0
Non-refundable withholding taxes	0.9	2.4
Adjustments for prior years	(3.3)	4.0
Deferred tax adjustment due to changes in tax rates	1.8	1.2
Effective tax rate	**22.3**	**35.5**

Origination of deferred tax assets and liabilities 2022

In € millions	Balance at January 1, 2022*	Changes in exchange rate	Recognized in income	Recognized in equity/Other comprehensive income	Acquisitions	Balance at December 31, 2022
Intangible assets	(461)	23	—	—	(83)	(521)
Property, plant and equipment*	75	2	(3)	—	(17)	57
Financial non-current assets	(406)	20	(25)	139	—	(272)
Post-retirement benefit provisions	138	3	(12)	(53)	—	76
Other provisions	28	—	(3)	—	—	25
Other items	96	(2)	36	—	(4)	126
Tax credits	204	(1)	3	—	—	206
Tax loss carryforwards	237	(9)	12	—	—	240
Deferred tax assets (liabilities)	**(89)**	**36**	**8**	**86**	**(104)**	**(63)**

* Property, plant and equipment includes an opening balance adjustment of €3 million and other items of €1 million related to the application of IAS 29 "Financial Reporting in Hyperinflationary Economies" in Türkiye. Refer to Note 8 for further details.

Origination of deferred tax assets and liabilities 2021

In € millions	Balance at January 1, 2021	Changes in exchange rate	Recognized in income	Recognized in equity/Other comprehensive income	Acquisitions	Balance at December 31, 2021
Intangible assets	(417)	(23)	(17)	—	(4)	(461)
Property, plant and equipment	60	6	20	—	(8)	78
Financial non-current assets	(267)	(24)	(138)	23	—	(406)
Post-retirement benefit provisions	156	4	(2)	(20)	—	138
Other provisions	29	2	(3)	—	—	28
Other items	68	3	25	(2)	3	97
Tax credits	184	—	20	—	—	204
Tax loss carryforwards	217	12	18	(12)	2	237
Deferred tax assets (liabilities)	**30**	**(20)**	**(77)**	**(11)**	**(7)**	**(85)**

Deferred tax assets and liabilities per balance sheet item

In € millions	Net balance	Assets	Liabilities	Net balance	Assets	Liabilities
		December 31, 2021			December 31, 2022	
Intangible assets	(461)	12	473	(521)	10	531
Property, plant and equipment	78	123	45	56	124	68
Financial non-current assets	(406)	25	431	(271)	6	277
Post-retirement benefit provisions	138	141	3	76	79	3
Other provisions	28	38	10	25	34	9
Other items	97	113	16	125	143	18
Tax credits	204	204	—	207	207	—
Tax loss carryforwards	237	237	—	240	240	—
Tax assets/liabilities	**(85)**	**893**	**978**	**(63)**	**843**	**906**
Set-off of tax	—	(411)	(411)	—	(345)	(345)
Net deferred tax positions	**(85)**	**482**	**567**	**(63)**	**498**	**561**

Expiration year of loss carryforwards 2022

In € millions	2023	2024	2025	2026	2027	Later	Unlimited	Total	Deferred tax
Total loss carryforwards	—	1	1	2	13	56	3,014	3,087	779
Loss carryforwards not recognized in deferred tax assets	—	(1)	(1)	—	—	(10)	(2,120)	(2,132)	(539)
Total loss carryforwards recognized	**—**	**—**	**—**	**2**	**13**	**46**	**894**	**955**	**240**

Expiration year of loss carryforwards 2021

In € millions	2022	2023	2024	2025	2026	Later	Unlimited	Total	Deferred tax
Total loss carryforwards	1	—	1	—	3	17	3,131	3,153	795
Loss carryforwards not recognized in deferred tax assets	(1)	—	(1)	—	—	(9)	(2,204)	(2,215)	(558)
Total loss carryforwards recognized	**—**	**—**	**—**	**—**	**3**	**8**	**927**	**938**	**237**

The impact of non-refundable withholding tax on the tax rate is dependent on our relative share in the profit of subsidiaries in countries that levy withholding tax on dividends and on the timing of the remittance of such dividends. Based on the Dutch tax system there is a limited credit for such taxes.

Adjustments for prior years in 2022 is mainly related to the UK Advanced Corporation Tax (ACT) case, which is further described in Note 4 on Alternative Performance Measures due to its identified nature.

Changes in tax rates in 2022 mainly relate to the changes in the UK tax rate (2021: Dutch and UK tax rates).

Origination of deferred tax assets and liabilities

Deferred tax assets and liabilities originate from temporary differences in various balance sheet line items, as well as from tax credits and tax loss carryforwards. The tables on the previous page show the origination of deferred tax assets and liabilities, and the movements thereof, for the financial years 2022 and 2021.

Reconciliation deferred tax assets and liabilities to the balance sheet

The table on the left provides a reconciliation of the total deferred tax amounts for each of the originating items to the deferred tax asset and liability positions as included in the balance sheet.

Deferred tax assets recoverability assessment

In assessing the recognition of deferred tax assets, management considers whether it is probable that some portion or all of the deferred tax assets will be realized. The ultimate realization of the deferred tax assets is dependent upon the generation of future taxable income against which the deductible temporary differences, unused tax losses and unused tax credits can be utilized. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. The amount of deferred tax assets considered realizable could change if future estimates of projected taxable income during the carryforward period are revised. The majority of the amount of the non-current portion of deferred and current taxes will be recovered or settled after more than 12 months.

In 2022 and 2021, deferred tax asset recoverability has been assessed using taxable profit forecasts. In 2022, these assessments did not result in a significant net derecognition or re-recognition of deferred tax assets (2021: net re-recognition of €18 million).

Both in 2022 and 2021, deferred tax assets not recognized relate to tax loss carryforwards. The losses in the tables on tax losses carried forward are gross amounts, with the tax impact included in the last column of the table.

From the total amount of recognized net deferred tax assets, €206 million (2021: €151 million) is related to entities that have suffered a loss in either the current or the previous year and where utilization is dependent on future taxable profit in excess of the profit arising from the reversal of existing taxable temporary differences. This assessment is based on management's long-term projections and tax planning strategies.

A deferred tax liability is recognized for taxable temporary differences related to investments in subsidiaries, branches and associates and interests in joint arrangements, to the extent that it is probable that these will reverse in the foreseeable future. The expected net tax impact of the remaining differences for which no deferred tax liabilities have been recognized is €55 million (2021: €31 million).

Income tax recognized in equity
The following table shows income tax items recognized in equity by category.

Income tax recognized in equity

In € millions	2021	2022
Currency exchange differences on inter-company loans of a permanent nature	1	2
Share-based compensation	(2)	(2)
Share buyback	—	2
Post-retirement benefits	3	86
Changes in tax rates	(11)	—
IAS 29 opening balance adjustment	—	(4)
Total	**(9)**	**84**
Current tax	2	2
Deferred tax	(11)	82
Total	**(9)**	**84**

Impact OECD Pillar Two Framework
AkzoNobel is closely monitoring progress on the OECD Pillar Two global minimum tax rate legislative framework in each jurisdiction where the group has operations. At year-end 2022, the group does not have sufficient information to determine the potential quantitative impact. The recently announced safe harbor rules are likely to limit the financial impact in particular during the 3-year transitional period during which these safe harbor rules apply.

Note 10 EARNINGS PER SHARE

Profit for the period attributable to the shareholders of the company was €352 million (2021: €829 million).

Profit for the period

In € millions	2021	2022
Profit before tax from continuing operations	1,105	602
Income tax	(246)	(214)
Profit from continuing operations	**859**	**388**
Profit for the period attributable to non-controlling interests	(36)	(26)
Profit for the period from continuing operations attributable to shareholders of the company	**823**	**362**
Profit for the period from discontinued operations attributable to shareholders of the company	6	(10)
Profit for the period attributable to shareholders of the company	**829**	**352**

The number of shares for the earnings per share calculation decreased as a result of the share buyback programs of 2021 and 2022.

Weighted average number of common shares

Number of shares	2021	2022
Issued common shares at January 1	**190,579,841**	**181,609,509**
Effect of issued common shares during the year	225,806	186,077
Effect of share buyback program	(5,845,781)	(7,060,447)
Shares for basic earnings per share for the year	**184,959,866**	**174,735,139**
Effect of dilutive shares		
For performance-related and restricted shares	714,114	575,108
For share-matching plan	—	3,251
Shares for diluted earnings per share	**185,673,980**	**175,313,498**

Earnings per share

in €	2021	2022
Continuing operations		
Basic	4.45	2.07
Diluted	4.43	2.06
Discontinued operations		
Basic	0.03	(0.06)
Diluted	0.03	(0.05)
Total operations		
Basic	4.48	2.01
Diluted	4.46	2.01

Refer to Note 4 for the calculation of adjusted earnings per share.

Note 11 INTANGIBLE ASSETS

Intangible assets

In € millions	Goodwill	Brands	Customer lists	Other intangibles	Total
Balance at January 1, 2021					
Cost of acquisition	1,123	2,134	921	178	4,356
Cost of internally developed intangibles	—	—	—	212	212
Accumulated amortization/impairment	(27)	(190)	(546)	(251)	(1,014)
Carrying value at January 1, 2021	**1,096**	**1,944**	**375**	**139**	**3,554**
Movements in 2021					
Acquisitions through business combinations	18	8	10	—	36
Investments - including internally developed intangibles	—	—	—	35	35
Amortization	—	(12)	(34)	(24)	(70)
Changes in exchange rates	41	90	5	(1)	135
Total movements	**59**	**86**	**(19)**	**10**	**136**
Balance at December 31, 2021					
Cost of acquisition	1,182	2,239	972	171	4,564
Cost of internally developed intangibles	—	—	—	241	241
Accumulated amortization/impairment	(27)	(209)	(616)	(263)	(1,115)
Carrying value at December 31, 2021	**1,155**	**2,030**	**356**	**149**	**3,690**
Impact IAS 29 Hyperinflation Türkiye*	—	—	—	1	1
Carrying value at January 1, 2022	**1,155**	**2,030**	**356**	**150**	**3,691**
Movements in 2022					
Acquisitions through business combinations	262	72	193	11	538
Investments - including internally developed intangibles	—	—	—	30	30
Amortization	—	(15)	(40)	(32)	(87)
Impairments, including reversals thereof	—	—	—	(2)	(2)
Changes in exchange rates	(40)	(22)	(36)	—	(98)
Total movements	**222**	**35**	**117**	**7**	**381**
Balance at December 31, 2022					
Cost of acquisition	1,405	2,288	1,127	179	4,999
Cost of internally developed intangibles	—	—	—	268	268
Accumulated amortization/impairment	(28)	(223)	(654)	(290)	(1,195)
Carrying value at December 31, 2022	**1,377**	**2,065**	**473**	**157**	**4,072**

* As per June 2022, Türkiye has been identified as a hyperinflationary economy. IAS 29 "Financial Reporting in Hyperinflationary Economies" has been applied for our activities in Türkiye as from January 1, 2022. Refer to Note 8 for details on the financial impact from applying IAS 29.

Brands as included in the table on the left comprise of brands with indefinite useful lives and brands with finite useful lives. Brands with indefinite useful lives are almost fully related to Dulux, which is the major brand, due to its global presence, high recognition and strategic nature. Other intangibles include licenses, know-how, intellectual property rights, software and development cost. Both at year-end 2022 and 2021, there were no material purchase commitments for individual intangible assets. No intangible assets were registered as security for bank loans.

Acquisitions through business combinations

The additions from acquisitions in 2022 primarily relate to the acquisition of Grupo Orbis S.A., Colombia, and of the wheel liquid coatings business of Lankwitzer Lackfabrik GmbH, Germany. In 2021, additions from acquisitions primarily related to the acquisition of Titan Paints in Spain. Refer to Note 2 for disclosures on acquisitions.

Changes in exchange rates

Changes in exchange rates includes a €15 million positive adjustment from the IAS 29 hyperinflation impact for Türkiye and Argentina.

Annual impairment testing

Goodwill and other intangibles with indefinite useful lives are tested for impairment per business unit (one level below segment level) annually or whenever an impairment trigger exists, applying the value-in-use method.

The paints business of recently acquired Grupo Orbis has been allocated to business unit Decorative Paints Latin America. The Grupo Orbis coatings businesses ultimately will be incorporated into the respective Performance Coatings business units in 2023. For the interim period, in 2022, these businesses are reported in business unit Performance Coatings Other.

The impairment test is in principle based on cash flow projections of the five-year plan. Elements considered to determine if a different approach would be more appropriate are mainly related to high growth/emerging economies, geo expansion opportunities, introduction of new product ranges and opportunities from market consolidation.
In 2022, the above exception was applied for Decorative Paints Asia, Decorative Paints Latin America and Performance Coatings Other (Grupo Orbis), for which the revenue growth and margin development projections were

Goodwill and other intangibles per business unit

In € millions, at December 31	Goodwill 2021	Goodwill 2022	Brands with indefinite useful lives 2021	Brands with indefinite useful lives 2022	Other intangibles with finite useful lives 2021	Other intangibles with finite useful lives 2022	Total intangibles 2021	Total intangibles 2022
Decorative Paints Europe, Middle East and Africa	114	107	837	837	146	136	1,097	1,080
Decorative Paints Latin America	—	138	87	102	—	142	87	382
Decorative Paints Asia	9	8	928	901	31	21	968	930
Powder Coatings	155	152	—	—	32	19	187	171
Marine and Protective Coatings	174	197	—	—	80	94	254	291
Automotive and Specialty Coatings	288	290	—	—	175	156	463	446
Industrial Coatings	415	413	—	—	120	110	535	523
Performance Coatings Other	—	72	—	—	—	59	—	131
Corporate and other	—	–	—	—	99	118	99	118
Total	**1,155**	**1,377**	**1,852**	**1,840**	**683**	**855**	**3,690**	**4,072**

extrapolated beyond the five-year explicit forecast period for another five years, applying reduced average growth rates.

Macro economic developments and other relevant variables (e.g. inflation, the situation with respect to COVID-19, geopolitical uncertainties, climate risks – refer to Note 1 for a description of the impact from climate change on the financial statements) are closely monitored to ensure that the impact on the estimated future cash flows is reflected in the models which are used to assess the value of AkzoNobel's asset base.

Key assumptions 2022

In % per year	Average revenue growth 2023-2027	Pre-tax weighted average cost of capital 2023-2027
Decorative Paints	1.8-6.7%	11.1-15.9%
Performance Coatings	1.3-4.0%	10.8-12.4%

Key assumptions 2021

In % per year	Average revenue growth 2022-2026	Pre-tax weighted average cost of capital 2022-2026
Decorative Paints	1.1-5.9%	8.4-12.5%
Performance Coatings	2.6-4.7%	7.8-8.1%

The key assumptions used in the projections for annual impairment testing are:

- Revenue growth per year: based on actual experience, analysis of markets and GDP growth, and expected market share developments
- Margin development per year: based on actual experience and management's long-term projections
- Weighted average cost of capital per year: the pre-tax discount rate determined per business unit, reflecting current market assessments of the time value of money and the risks specifically associated with the business units

For all business units, a terminal value was calculated based on long-term inflation expectations of 2% (2021: 1%). The estimated pre-tax cash flows are discounted to their present value using a pre-tax weighted average cost of capital. The discount rates are determined for each business unit and range from 10.8% to 15.9% (2021: 7.8% to 12.5%), with a weighted average of 11.7% (2021: 8.4%).

Sensitivity tests were performed to assess the impact of changes in the key assumptions revenue growth (50% lower), margin development (1 percentage point lower) and the weighted average cost of capital (1 percentage point higher). These assessments show that these changes in key assumptions would not cause carrying amounts to exceed recoverable amounts for any of the business units, except for the Latin America businesses where the recently acquired Grupo Orbis business is included.

Given the current uncertainties in the macro-economic environment and high cost inflation, additional sensitivity tests have been performed in order to assess the impact of more severe adverse changes in the key assumptions. The conclusions from these tests are the same as above.

In 2022 and 2021, no impairment charges were recognized in relation to the annual impairment test.

Specific asset impairments

Periodical evaluations are performed in order to ensure timely detection of triggers that might indicate impairment of assets. Whenever such triggers are noted, the related assets are assessed for impairment as appropriate.

In 2022 and 2021, no significant impairment charges were recorded in relation to specific assets.

Note 12 PROPERTY, PLANT AND EQUIPMENT

Acquisitions

The additions from acquisitions in 2022 primarily relate to the acquisition of Grupo Orbis S.A., Colombia, and of the wheel liquid coatings business of Lankwitzer Lackfabrik GmbH, Germany. In 2021, additions from acquisitions primarily related to the acquisition of Titan Paints in Spain. Refer to Note 2 for disclosures on acquisitions.

Investments in property, plant and equipment

Large investment projects in 2022 are amongst others investments at our Highpoint, US, Wood Coatings site, and the setup of a new powder coatings manufacturing line at our Hanoi, Vietnam site.

Impairments

Periodical evaluations are performed in order to ensure timely detection of triggers that might indicate impairment of assets. Whenever such triggers are noted, the related assets are assessed for impairment as appropriate.

In 2022 and 2021, no significant impairments were recognized.

Changes in exchange rates

Changes in exchange rates includes a €30 million positive adjustment from the IAS 29 hyperinflation impact for Türkiye and Argentina.

Property, plant and equipment

In € millions	Land and buildings	Plant equipment and machinery	Other equipment	Construction in progress and prepayments on projects	Assets not used	Total
Balance at January 1, 2021						
Cost of acquisition	1,425	1,937	890	244	10	4,506
Accumulated depreciation/impairment	(731)	(1,386)	(757)	(4)	(7)	(2,885)
Carrying value at January 1, 2021	**694**	**551**	**133**	**240**	**3**	**1,621**
Movements in 2021						
Acquisitions	36	11	—	—	—	47
Divestments	(5)	(3)	(1)	(1)	—	(10)
Investments	10	18	8	217	—	253
Transfer between categories	30	112	28	(170)	—	—
Depreciation	(44)	(102)	(41)	—	—	(187)
Impairments, including reversals thereof	—	(1)	—	—	—	(1)
Changes in exchange rates	31	29	6	11	—	77
Total movements	**58**	**64**	**—**	**57**	**—**	**179**
Balance at December 31, 2021						
Cost of acquisition	1,546	2,124	919	300	10	4,899
Accumulated depreciation/impairment	(794)	(1,509)	(786)	(3)	(7)	(3,099)
Carrying value at December 31, 2021	**752**	**615**	**133**	**297**	**3**	**1,800**
Impact IAS 29 Hyperinflation Türkiye*	10	3	—	2	—	15
Carrying value at January 1, 2022	**762**	**618**	**133**	**299**	**3**	**1,815**
Movements in 2022						
Acquisitions	75	45	5	—	—	125
Divestments	(9)	(4)	(2)	(5)	—	(20)
Investments	2	11	6	242	1	262
Transfer between categories	53	87	36	(176)	—	—
Depreciation	(46)	(105)	(32)	—	—	(183)
Changes in exchange rates	(5)	(29)	(7)	10	—	(31)
Total movements	**70**	**5**	**6**	**71**	**1**	**153**
Balance at December 31, 2022						
Cost of acquisition	1,658	2,208	923	373	11	5,173
Accumulated depreciation/impairment	(826)	(1,585)	(784)	(3)	(7)	(3,205)
Carrying value at December 31, 2022	**832**	**623**	**139**	**370**	**4**	**1,968**

* As per June 2022, Türkiye has been identified as a hyperinflationary economy. IAS 29 "Financial Reporting in Hyperinflationary Economies" has been applied for our activities in Türkiye as from January 1, 2022. Refer to Note 8 for details on the financial impact from applying IAS 29.

Note 13 LEASES

AkzoNobel mainly leases land, office spaces, stores and cars. Some leases provide for additional rent payments that are based on changes in local price indices.

Some property leases contain extension options exercisable by AkzoNobel up to one year before the end of the non-cancellable contract period. We have estimated that the lease liability would increase by less than 20%, if we would exercise the extension options which are currently not included in the valuation of the lease liability. This excludes so-called “evergreens” or perpetual leases.

Total net cash outflow from financing activities related to leases recognized on the balance sheet was €104 million (2021: €100 million). Net cash outflow for leases not recognized on the balance sheet was €19 million (2021: €17 million).

Refer to Note 27 “Financial risk management” for the maturities of lease liabilities.

The table “Income/(expenses) recognized in profit and loss” shows the total impact from leases on our profit and loss account.

Right-of-use assets

In € millions	Land	Buildings	Other	Total
Balance at January 1, 2021				
Cost of acquisition	55	353	102	510
Accumulated depreciation/impairment	(16)	(128)	(42)	(186)
Carrying value at January 1, 2021	**39**	**225**	**60**	**324**
Movements in 2021				
Additions/modifications	2	35	32	69
Disposals	—	(5)	(2)	(7)
Depreciation	(3)	(60)	(31)	(94)
Impairments, including reversals thereof	—	(2)	—	(2)
Changes in exchange rates	4	9	1	14
Total movements	**3**	**(23)**	**—**	**(20)**
Cost of acquisition	61	372	109	542
Accumulated depreciation/impairment	(19)	(170)	(49)	(238)
Carrying value at December 31, 2021	**42**	**202**	**60**	**304**
Movements in 2022				
Acquisitions	2	5	3	10
Additions/modifications	—	58	30	88
Disposals	—	(7)	(2)	(9)
Depreciation	(3)	(64)	(31)	(98)
Impairments, including reversals thereof	—	(3)	—	(3)
Changes in exchange rates	1	(2)	—	(1)
Total movements	**—**	**(13)**	**—**	**(13)**
Cost of acquisition	64	393	117	574
Accumulated depreciation/impairment	(22)	(204)	(57)	(283)
Carrying value at December 31, 2022	**42**	**189**	**60**	**291**

Income/(expenses) recognized in profit and loss

In € millions	2021	2022
Sub lease income	3	2
Depreciation right-of-use assets	(94)	(98)
Impairments for right-of-use assets	(2)	(3)
Interest expense on lease liabilities	(6)	(6)
Short-term lease expenses	(7)	(11)
Expenses relating to low-value assets	(5)	(4)
Variable lease expenses	(5)	(4)
Total expenses	**(116)**	**(124)**

Impairments

Periodical evaluations are performed in order to ensure timely detection of triggers that might indicate impairment of assets. Whenever such triggers are noted, the related assets are assessed for impairment as appropriate.

In 2022 and 2021, no significant impairments were recognized.

Note 14 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

The total value of investments in associates and joint ventures at December 31, 2022 amounted to €193 million (2021: €178 million) and consisted of our equity share of €191 million (2021: €176 million) and loans granted of €2 million (2021: €2 million).

Balance sheet information of our share in associates

		Associates
In € millions, at December 31	2021	2022
Condensed balance sheet		
Non-current assets	81	97
Current assets	141	152
Total assets	**222**	**249**
Shareholders’ equity	176	191
Non-current liabilities	5	6
Current liabilities	41	52
Total liabilities and equity	**222**	**249**

Profit and loss of our share in associates

In € millions	2021	Associates 2022
Condensed statement of income		
Revenue	194	218
Profit before tax	35	25
Profit from continuing operations	26	18
Profit for the period	**26**	**18**

In 2022, the results from associates amounted to a profit of €18 million (2021: €26 million). No significant contingent liabilities exist related to associates. The largest associate of AkzoNobel is Metlac S.p.a., incorporated in Italy. None of the associates are considered individually material to the group.

Note 15 FINANCIAL NON-CURRENT ASSETS

Financial non-current assets

In € millions, at December 31	2021	2022
Pension assets	1,638	1,029
Loans and receivables	360	362
Other financial non-current assets	78	84
Total	**2,076**	**1,475**

Pension assets (€1,029 million) relate to pension plans in an asset position (2021: €1,638 million). For more information on post-retirement benefit plans, refer to Note 19.

Loans and receivables include the subordinated loan of €89 million (2021: €88 million) granted to the Pension Fund APF in the Netherlands.

Loans and receivables are considered to have low credit risk; the impairment provision recognized during the period was limited to 12 months expected losses.

Note 16 INVENTORIES

The total carrying value of inventories as per December 31, 2022 has increased compared to December 31, 2021, mainly as a result of significant increases in raw material prices throughout 2022.

Inventories

In € millions, at December 31	2021	2022
Raw materials and supplies	611	676
Work in progress	94	104
Finished products and goods for resale	945	1,063
Total	**1,650**	**1,843**

Of the total carrying value of inventories at year-end 2022, €16 million is measured at net realizable value (2021: €18 million). In 2022, €86 million was recognized in the statement of income for the write-down of inventories (2021: €67 million), while €30 million of write-downs were reversed (2021: €32 million). There are no inventories subject to retention of title clauses.

Note 17 TRADE AND OTHER RECEIVABLES

Trade and other receivables

In € millions, at December 31	2021	2022
Trade receivables	1,973	2,123
Prepaid expenses	37	58
Tax receivables other than income tax	145	156
FX contracts	15	18
Receivables from associates	9	4
Other receivables	160	88
Total	**2,339**	**2,447**

Trade and other receivables can be broken down as per the table above. Other receivables consist of a large number of individually immaterial items. In 2021, Other receivables included the current portion of €53 million (£44 million) of the escrow account for the Akzo Nobel (CPS) Pension Scheme in the UK, that was repaid in 2022.

Ageing of trade receivables

In € millions, at December 31	2021	2022
Performing trade receivables	1,849	1,987
Past due trade receivables		
< 3 months	102	104
> 3 months	64	74
Allowance for impairment	(42)	(42)
Total trade receivables	**1,973**	**2,123**

Trade receivables are presented net of an allowance for impairment of €42 million (2021: €42 million). In 2022, €17 million of impairment losses were recognized in the statement of income (2021: €11 million) and €8 million was reversed (2021: €11 million). Since the total amount of impairment losses under IFRS 9 is not significant, no separate disclosure was made in the statement of income.

Allowance for impairment of trade receivables

In € millions	2021	2022
Balance at January 1	**58**	**42**
Additions charged to income	11	17
Release of unused amounts	(11)	(8)
Utilization	(17)	(9)
Acquisitions	—	2
Currency exchange differences	1	(2)
Balance at December 31	**42**	**42**

Note 18 GROUP EQUITY

Composition of share capital at year-end 2021

In €	Authorized share capital	Subscribed share capital
Priority shares (48 with nominal value of €400)	19,200	19,200
Cumulative preferred shares (200 million with nominal value of €0.50)	100,000,000	—
Common shares (500 million with nominal value of €0.50)	250,000,000	90,804,755
Total	**350,019,200**	**90,823,955**

Composition of share capital at year-end 2022

In €	Authorized share capital	Subscribed share capital
Priority shares (48 with nominal value of €400)	19,200	19,200
Cumulative preferred shares (200 million with nominal value of €0.50)	100,000,000	—
Common shares (500 million with nominal value of €0.50)	250,000,000	87,187,614
Total	**350,019,200**	**87,206,814**

Outstanding common shares

Number of shares	2021	2022
Outstanding at January 1	**190,579,841**	**181,609,509**
Issued in connection to performance-related share plan and share-matching plan	277,517	214,262
Shares cancelled related to share buyback from previous year	(695,776)	(2,744,210)
Shares bought back during the year	(11,296,283)	(8,651,230)
Shares bought back during the year not yet cancelled	2,744,210	3,946,896
Outstanding at December 31	**181,609,509**	**174,375,227**

Weighted average number of common shares

Number of shares	2021	2022
Weighted average number of common shares	**184,959,866**	**174,735,139**

Non-controlling interests

Group entity	Partner at year-end 2022	2021 %	2021 Equity stake in € millions	2022 %	2022 Equity stake in € millions
Akzo Nobel India Limited, Kolkata, India	Privately held, India	25.24	56	25.24	54
PT ICI Paints Indonesia, Jakarta, Indonesia	PT DWI Satrya Utama, Indonesia	45.00	34	45.00	31
Akzo Nobel Kemipol A.S., Izmir, Türkiye	Altan, Eyyüp and other family members	49.00	19	49.00	24
Akzo Nobel Paints (Malaysia) Sdn Bhd, Kuala Lumpur, Malaysia	Permodalan Nasional Berhad, Malaysia	40.05	21	40.05	20
International Paint of Shanghai Co. Ltd, Shanghai, China	Shanghai Huayi Fine Chemical Co. Ltd and China National Shipbuilding Equipment & Materials Corp.	49.00	15	49.00	16
Akzo Nobel Saudi Arabia Ltd, Saudi Arabia	Yousuf Bin Ahmed Kanoo Co. Ltd, Saudi Arabia	40.00	12	40.00	14
Akzo Nobel Oman SAOC, Muscat, Oman	Omar Zawawi Establishment LLC, Oman	50.00	11	50.00	12
Akzo Nobel UAE Paints L.L.C., United Arab Emirates	Kanoo Group, United Arab Emirates	40.00	8	40.00	8
Societe Tunisienne de Peintures Astral S.A., Megrine, Tunisia	Several people	40.00	7	40.00	8
International Paint (Korea) Ltd, Busan, South-Korea	Noroo Holdings, South Korea	40.00	11	40.00	6
Akzo Nobel Paints (Guangzhou) Limited, Guangzhou, China	Guangzhou Hi-tech Investment Group Corporation Ltd	10.00	5	10.00	5
Others			12		17
Total			**211**		**215**

Subscribed share capital

For further details on subscribed share capital, refer to Note F in the Company financial statements.

Cumulative translation reserve

Cumulative translation reserves comprise all foreign exchange differences arising from the translation of the financial statements of foreign operations, as well as from the translation of intercompany loans with a permanent nature and liabilities and derivatives that hedge the net investments in a foreign subsidiary.

Equity-settled transactions

Equity-settled transactions consist of the performance related and restricted share plan and share-matching plan, whereby shares are granted to the Board of Management, Executive Committee, other executives and certain non-executive employee categories. For details on share-based compensation, refer to Note 7.

Dividend

Our dividend policy is to pay a stable to rising dividend. In 2022, an interim dividend of €0.44 (2021: €0.44) per common share was paid. We propose a 2022 final dividend of €1.54 (2021: €1.54) per common share, which would equal a total 2022 dividend of €1.98 (2021: €1.98).

Share buybacks

In February 2021, a €1 billion share buyback program was announced, which was completed in January 2022.

In February 2022, a €500 million share buyback program was announced which was completed in 2022. As at December 31, 2022, a total of 7.3 million shares had been acquired under this program, of which 3.3 million were cancelled.

During 2022, 8,651,230 common shares were repurchased (2021: 11,296,283). The total amount of shares cancelled was 7,448,544; cancelled shares are related to share buyback in the current and the previous year (2021: 9,247,849). For further details on weighted average number of shares, refer to Note 10.

Non-controlling interests

None of the non-controlling interests are considered individually material to the group. The effects of share transactions with non-controlling interest shareholders are recorded in equity insofar these do not lead to changes in control.

Note 19 POST-RETIREMENT BENEFIT PROVISIONS

Post-retirement benefit provisions relate to defined benefit pension and other post-retirement benefit plans, including healthcare or welfare plans. The largest defined benefit pension plans are the ICI Pension Fund (ICIPF) and the Akzo Nobel (CPS) Pension Scheme (CPS) in the UK which together account for 86% of defined benefit obligations (DBO) and 90% of plan assets. Other pension plans include among others the largely unfunded plans in Germany, the plans in the US and certain other smaller plans in the UK. The benefits of these pension plans are based primarily on years of service and employees' compensation. The funding policy for the plans is consistent with local requirements in the countries of establishment. We also provide certain healthcare and life insurance benefits to retired employees, mainly in the US and the Netherlands.

Valuations of the obligations under the plans are carried out regularly by independent qualified actuaries. We accrue for the expected costs of providing such post-retirement benefits during the service years of the employees. Governance of the benefit plans is the responsibility of the Executive Committee Pensions. This committee provides oversight of the costs and risks of the plans including oversight of the impact of the plans on the company in terms of cash flow, pension expenses and the balance sheet. The committee develops and maintains policies on benefit design, funding, asset allocation and assumption setting.

Pension plans

Almost all of the defined benefit plans have been closed to new members since the early to mid-2000s, although in many plans long-serving employees continue to accrue benefits. For plans in the US, benefit accrual is frozen and employees participate in defined contribution plans for future service. In countries where plans are closed, new employees are eligible to join a defined contribution arrangement. In countries in high growth markets, pension schemes currently are not material. Unless mandated by law, it is our policy that any new plans are established as defined contribution plans.

The most significant risks that we run in relation to defined benefit plans are investment returns falling short of expectations, low discount rates, inflation exceeding expectations, retirees living longer than expected and legislation changes. The assets and liabilities of each of the funded plans are held outside of the company in a trust or a foundation, which is governed by a board of fiduciaries or trustees, depending on the legal arrangements in the country concerned. The primary objective with regards to the investment of pension plan assets is to ensure that each individual plan has sufficient funds available to satisfy future benefit obligations in accordance with local legal and legislative requirements. For this purpose, we work closely with plan trustees or fiduciaries to develop investment strategies. Studies are carried out periodically to analyze and understand the trade-off between expected investment returns, volatility of outcomes and the impact on cash contributions. We aim to strike a cautious balance between these factors in order to agree affordable contribution schedules with plan fiduciaries.

Plan assets principally consist of insurance (annuity) policies, long-term interest-earning investments and (investment funds with holdings primarily in) quoted equity securities. Our largest plans use derivatives (such as index futures, currency forward contracts and swaps) to reduce volatility of underlying variables, for efficient portfolio management and to improve the liability matching characteristics of the assets. Limits have been set on the use of derivatives which are periodically subject to review for compliance with the pension fund's investment strategy.

In line with our proactive pension risk management strategy, we seek to reduce risk in our pension plans over time. We evaluate potential de-risking opportunities on an ongoing basis. Future de-risking transactions may have both cash flow and balance sheet impacts which may be substantial, as had some of the de-risking actions already taken. The cost of fully removing risk would exceed estimated funding deficits.

Between 2014 and 2022, ICIPF and a smaller UK plan, the ICI Specialty Chemicals Pension Fund (ISCPF), have invested in annuity buy-in contracts that aim to hedge all key risks related to their pensioner populations.

In October 2022, the Trustee of the ICIPF entered into a further annuity buy-in agreement with Legal and General Assurance Society Limited. It covers, in aggregate, £54 million (€62 million) of pensioner liabilities (insurer valuation). The buy-in involved the purchase of a bulk annuity policy under which the insurer will pay to ICIPF amounts equivalent to the benefits payable to members who have recently become pensioners. The pension liabilities remain with, and the matching annuity policies are held within, ICIPF. The accounting impact of the transaction is a lower valuation of the plan assets giving a reduction in other comprehensive income of £12 million (€14 million).

In November 2022, the Trustee of the CPS entered into its first annuity buy-in agreement with Phoenix Life Limited. It covers, in aggregate, £640 million (€724 million) of pensioner liabilities (insurer valuation). The buy-in involved the purchase of a bulk annuity policy under which the insurer will pay to CPS amounts equivalent to the benefits payable to a section of its pensioners. The pension liabilities remain with, and the matching annuity policies are held within, CPS. The accounting impact of the transaction is a lower valuation of the plan assets giving a reduction in other comprehensive income of £54 million (€62 million).

By purchasing bulk annuities, the ICIPF, CPS and ISCPF Trustees have taken significant steps in actively de-risking liabilities and reducing the risk that AkzoNobel will be required to contribute additional cash in the future.

CPS also has an insurance contract to hedge longevity risk in respect of a portion of its pensioners not impacted by the recent buy-in transaction.

On November 25, 2020, correspondence between the Chancellor of the Exchequer and the UK Statistics Authority (UKSA) was published regarding the future of the Retail Price Index (RPI) measurement of inflation. With effect from February 2030 onwards, increases in the RPI will be aligned with those under the Consumer Prices Index (CPI) with owner occupiers' housing costs (CPIH). Broadly this is expected to result in RPI inflation being 1% lower in the longer term than under the existing methodology. The inflation assumption continues to be calculated using a market breakeven inflation rate and the CPI inflation assumption, on which the benefits of some plans are based, is set with reference to RPI. Until 2030, the CPI inflation assumption is calculated as 1% below RPI and from 2030 onwards as 0.1% below RPI.

On April 22, 2021, a court ruling resulted in a £20 million (€23 million) past service credit in one of the UK's pension plans, the J.P. McDougall & Co Limited Staff

Pension & Life Assurance Scheme, booked as an identified item. The court ruling rectified a deed change with respect to the retirement ages from which members will receive benefits.

The remaining pension plans primarily represent plans accounted for as defined contribution plans. This includes, among others, the Pension Fund APF in the Netherlands and the 401k Plan in the US.

Reconciliation balance sheet

In € millions	DBO 2021	Plan assets 2021	Total 2021	DBO 2022	Plan assets 2022	Total 2022
Balance at the beginning of the period	**(14,184)**	**15,014**	**830**	**(14,310)**	**15,330**	**1,020**
Statement of income						
Current service cost	(32)	—	(32)	(31)	—	(31)
Past service cost	22	—	22	—	—	—
Settlements	—	—	—	18	(18)	—
Net interest (charge)/income on net defined benefit (liability)/asset	(193)	206	13	(254)	272	18
Cost recognized in statement of income	**(203)**	**206**	**3**	**(267)**	**254**	**(13)**
Remeasurements recognized in Other comprehensive income						
Actuarial (loss)/gain due to liability experience	(123)	—	(123)	(279)	—	(279)
Actuarial (loss)/gain due to liability financial assumption changes	289	—	289	3,754	—	3,754
Actuarial (loss)/gain due to liability demographic assumption changes	56	—	56	18	—	18
Actuarial loss due to buy-ins	—	(30)	(30)	—	(76)	(76)
Return on plan assets (less than)/greater than discount rate	—	(202)	(202)	—	(3,784)	(3,784)
Remeasurement effects recognized in Other comprehensive income	**222**	**(232)**	**(10)**	**3,493**	**(3,860)**	**(367)**
Cash flow						
Employer contributions	—	94	94	—	70	70
Employee contributions	(2)	2	—	(2)	2	—
Benefits and administration costs paid from plan assets	852	(852)	—	842	(842)	—
Net cash flow	**850**	**(756)**	**94**	**840**	**(770)**	**70**
Other						
Acquisitions/divestments/transfers	1	(1)	—	—	(1)	(1)
Changes in exchange rates	(996)	1,099	103	662	(760)	(98)
Total other	**(995)**	**1,098**	**103**	**662**	**(761)**	**(99)**
Balance at the end of the period	**(14,310)**	**15,330**	**1,020**	**(9,582)**	**10,193**	**611**
Asset restriction			(3)			(9)
Net balance sheet position			**1,017**			**602**
Presentation of Net balance sheet position						
Other financial non-current assets			1,638			1,029
Post-retirement benefit provisions			(578)			(387)
Current portion of provisions			(43)			(40)
Net balance sheet position			**1,017**			**602**

The ITP2 plan in Sweden is financed through insurance with the Alecta Tjänstepension Ömsesidigt (i.e. Alecta pension insurance, mutual) insurance company (Alecta) and is classified as a multi-employer defined benefit plan. As AkzoNobel does not have access to sufficient information from Alecta to enable defined benefit accounting treatment, it is accounted for as a defined contribution plan. Contributions in 2022 were €2 million (2021: €2 million). Alecta's funding ratio is normally allowed to vary between 125% and 175%. The most recently quoted ratio at December 2022 stood at 172%.

The expenses of all plans accounted for as defined contribution plans in AkzoNobel totaled €89 million in 2022 (2021: €83 million).

DBO at funded and unfunded pension plans*

In € millions, at December 31	2021	2022
Wholly or partly funded plans	14,005	9,229
Unfunded plans	179	246
Total	**14,184**	**9,475**

* Excludes other post-retirement benefit plans.

Other post-retirement benefit plans

AkzoNobel provides certain healthcare and life insurance benefits to retired employees, mainly in the US and the Netherlands. The risks to which the US healthcare plans expose AkzoNobel include the risk of future increases in the cost of healthcare which would increase the cost of maintaining the plans. The benefit payments to retirees under the Dutch plan are frozen. Both plans expose AkzoNobel to the risk of a decline in discount rates, which increases the plan obligations, and longevity risk as the plans generally pay lifetime benefits.

Reconciliation balance sheet

The closing net balance sheet position of €602 million (2021: €1,017 million) includes the pension plans (€709 million net asset; 2021: €1,143 million net asset) and other post-retirement plans (€107 million liability; 2021: €126 million liability).

Administrative expenses

In addition to the expenses borne by the funds themselves, some expenses are borne directly by AkzoNobel. Administrative expenses, especially for the UK pension funds, of €26 million are included in 2022 operating income (2021: €22 million). In addition, we directly incurred asset management expenses of €2 million (2021: €3 million), which have been included in other comprehensive income.

Interest costs
Interest costs on the DBO for both pensions and other post-retirement benefits, together with the interest income on plan assets, comprise the financing income related to post-retirement benefits of €18 million (2021: €13 million), refer to Note 8.

Pension plans in asset position
Pension balances recorded under Financial non-current assets totaled €1,029 million (2021: €1,638 million). The decrease in 2022 is due to €556 million of net actuarial losses and €89 million of exchange rate translation losses, partially offset by €21 million of employer contributions and net income of €15 million, in the relevant plans.

These assets could be recognized under IFRIC 14 because economic benefits are available in the form of future refunds from the plan or reductions in future contributions to the plan, either during the life of the plan or on the (final) settlement of the plan liabilities.

Plan assets
The equities and government bond debt assets have quoted prices in active markets, although most are held through funds comprised of such instruments which are not actively traded themselves. The total value of plan assets not quoted in active markets is €6,666 million (2021: €8,420 million), including the UK buy-in annuity policies totaling €6,078 million (2021: €7,698 million), investments in real estate totaling €343 million (2021: €469 million) and other investments in infrastructure and insurance policies. The UK buy-in annuity policies have a value that is equal to the DBO of the pensioners covered by the policies.

Plan assets did not directly include any of AkzoNobel's own transferable financial instruments, nor any property occupied by or assets used by the company.

Cash flows
In 2023, we expect to contribute €49 million (2022: €56 million) to our defined benefit pension plans. We expect to pay a further €11 million (2022: €11 million) to our other post-retirement benefit plans. No allowance is made for any special one-off contributions that may arise in relation to new de-risking opportunities.

Sensitivity of DBO
The actuarially calculated sensitivity effects on DBO shown allow for an alternative value for each assumption while the other actuarial assumptions remain unchanged. This table illustrates the overall impact on DBO for the changes shown, which management assessed could be reasonably possible over a longer term from a sensitivity test perspective. It should be noted, however, that this analysis does not indicate and probability of such changes occurring, not does it preclude larger changes in any given period or longer term. In addition, the significance of the impact and the range of reasonably possible alternative assumptions may differ between the different plans that comprise the total DBO. In particular, the plans differ in benefit design, currency and average term, meaning that different assumptions have different levels of significance for each plan.

The sensitivity analysis is intended to illustrate the inherent uncertainty in the valuation of the DBO under market conditions at the measurement date. Its results, in principle, cannot be extrapolated due to increasing non-

Plan assets

	2021		2022	
In € millions, at December 31	Total	Percentage of total	Total	Percentage of total
Equities	332	2	225	2
Debt - fixed interest government bonds	1,444	9	580	6
Debt - index-linked government bonds	3,221	21	1,230	12
Debt - corporate and other bonds	1,770	12	1,394	13
UK buy-in annuity policies	7,698	50	6,078	60
Cash and cash equivalents	204	1	166	2
Other	661	5	520	5
Total	**15,330**	**100**	**10,193**	**100**

Cash flows

	Pensions		Other post-retirement benefits	
In € millions	2022	2023	2022	2023
Regular contributions	43	41	11	11
Top-ups	13	8	—	—
Total	**56**	**49**	**11**	**11**

Sensitivity of DBO to change in assumptions

In € millions	ICIPF UK	CPS UK	Other pension plans	Other post-retirement benefits	Total
Discount rate: 0.5% decrease	274	143	73	5	495
Price inflation: 0.5% increase*	158	85	38	—	281
Life expectancy: one year increase from age 60	367	86	41	4	498
Maturity information					
Weighted average duration of DBO (years)	9.2	12.0	11.6	8.7	10.2

* The sensitivity to price inflation assumption includes corresponding changes to all inflation-related compensation increases, pensions in payment and pensions in deferment.

linear effects that changes in the key actuarial assumptions, when deviating further from the assumptions presented, may have on the total DBO. Any management actions that may be taken to mitigate the inherent risks in the post-retirement defined benefit plans are not reflected in this analysis, as they would normally be reflected in plan asset changes rather than DBO changes.

The sensitivities in the table only apply to the DBO and not to the net amounts recognized in the balance sheet. Movements in the fair value of plan assets (which include the de-risking instruments) would, to a significant extent, be expected to offset movements in the DBO resulting from changes in the given assumptions.

At ICIPF, the annuity buy-in contracts cover 99% of pensioner liabilities (2021: 99%) and 88% of total liabilities (2021: 84%).

At CPS, the annuity buy-in contract covers 42% of pensioner liabilities (2021: 0%) and 28% of total liabilities (2021: 0%). Also at CPS, the longevity hedge contract covers 48% of pensioner liabilities (2021: 48%) and 30% of total liabilities (2021: 30%)

Future benefit payments

The figures in the table on the right are the estimated future benefit payments to be paid from the plans to beneficiaries over the next ten years.

Future benefit payments

In € millions	Pensions	Other post-retirement benefits
2023	816	11
2024	818	11
2025	826	10
2026	832	10
2027	842	9
2028 - 2032	4,321	41

Key figures and assumptions by plan

					2021					2022
In € millions or %	ICIPF UK	CPS UK	Other pension plans	Other post-retirement benefits	Total	ICIPF UK	CPS UK	Other pension plans	Other post-retirement benefits	Total
Percentage of total DBO	61%	26%	12%	1%	100%	61%	25%	13%	1%	100%
Defined Benefit Obligation at year-end	(8,702)	(3,686)	(1,796)	(126)	(14,310)	(5,875)	(2,362)	(1,238)	(107)	(9,582)
Fair value of plan assets at year-end	9,563	4,353	1,414	—	15,330	6,293	2,895	1,005	—	10,193
Plan funded status	861	667	(382)	(126)	1,020	418	533	(233)	(107)	611
Restriction on asset recognition	—	—	(3)	—	(3)	—	—	(9)	—	(9)
Amounts recognized on the balance sheet	**861**	**667**	**(385)**	**(126)**	**1,017**	**418**	**533**	**(242)**	**(107)**	**602**
Percentage of total current service cost	9%	28%	63%	—	100%	6%	26%	68%	—	100%
Current service cost	(3)	(9)	(20)	—	(32)	(2)	(8)	(21)	—	(31)
Employer contributions	3	37	44	10	94	—	13	45	12	70
Discount rate	1.8%	1.9%	1.8%	3.3%	1.9%	4.9%	4.9%	4.6%	5.9%	4.9%
Rate of compensation increase	1.5%	1.4%	2.0%	—	1.5%	1.5%	1.4%	2.0%	—	1.5%
Inflation	3.5%	3.4%	2.3%	—	3.3%	3.3%	3.3%	2.3%	—	3.2%
Pension increases	3.2%	2.8%	2.3%	—	3.0%	3.1%	2.7%	2.2%	—	2.9%
Life expectancy (in years)										
Currently aged 60										
Males	26.2	26.2	26.2	25.8	26.2	26.2	26.2	25.7	25.8	26.1
Females	27.7	29.0	28.8	27.8	28.2	27.8	29.1	28.1	27.8	28.2
Currently aged 45, from age 60										
Males	27.3	27.3	27.6	26.9	27.3	27.3	27.3	27.0	26.8	27.3
Females	28.9	30.2	30.0	28.8	29.4	29.0	30.2	29.4	28.8	29.3

Key plan details for the two largest pension plans[1]

	ICI Pension Fund, UK	Akzo Nobel (CPS) Pension Scheme, UK
Type of plan	Defined benefit, based upon years of service and final salary	Defined benefit, based upon years of service and final salary
Benefits	Retirement pension for employee Dependents' pensions on death of employee/pensioner Options for ill health early retirement	Retirement pension for employee Dependents' pensions on death of employee/pensioner Options for ill health early retirement
Pension increases (main benefit section)	Annually linked to UK RPI with a maximum of 5%	Annually linked to UK CPI with a maximum of 5%
Plan structure	Plans are set up under a trust and are tax approved	Plans are set up under a trust and are tax approved
Governance	Trustee directors: Three member-nominated Four appointed with the agreement of Law Debenture One independent (Law Debenture)	Trustee directors: Three member-nominated Two company-nominated One independent (Law Debenture)
Regulatory framework	The plans are tax approved and assets are held in trust for the benefit of participants. The trustees have a legal duty to manage the trust in the best interests of participants. Investment strategy is controlled by the trustees in consultation with the company	
Funding basis	A plan specific basis must be agreed with each trustee board in accordance with UK regulations. The basis is not the same as the IFRS calculation as it uses more prudent assumptions about life expectancy and the discount rates reflect prudent estimates of the expected return on assets actually held, thus the trustees' investment strategies will impact the discounted value of liabilities	
Frequency of funding reviews	Normally every three years	Normally every three years
Latest completed valuation	March 31, 2020	March 31, 2020
Funding deficit at latest completed valuation[1,2]	£23 million (€27 million) surplus	£62 million (€73 million) deficit
Recovery plan	As there were sufficient assets to cover the Fund's technical provisions, a recovery plan is not required	£26 million (€31 million) in 2021 and £4 million (€5 million) in 2022, paid in March in each year from an escrow account pre-funded with £142 million (€161 million)[3] in February 2019
Next funding review	March 31, 2023 (due to be completed before June 30, 2024)	March 31, 2023 (due to be completed before June 30, 2024)
Asset allocation at March 31, 2022		
Matching:	99.8%	84%
Return seeking:	0.2%	16%
	Buy-in annuity contracts cover 99% of pensioner liabilities and 84% of total liabilities	The longevity hedge contract covers 48% of pensioner liabilities and 30% of total liabilities
Membership at March 31, 2022		
Active	71	273
Deferred	5,338	5,427
Pensioner	35,032	16,570
Total	40,441	22,270

[1] Amounts in euro are a convenience translation using the December 31, 2022, exchange rate, unless indicated otherwise.
[2] Based on local valuation regulations.
[3] Actual rate at time of transfer.

Note 20 OTHER PROVISIONS AND AND CONTINGENT LIABILITIES

General

Provisions are recognized when an outflow of economic benefits for settlement is probable and the amount can be reliably estimated. It should be understood that, in light of possible future developments, such as: (a) potential additional lawsuits; (b) possible future settlements; and (c) rulings or judgments in pending lawsuits, certain cases may result in additional liabilities and related costs. At this point in time, we cannot estimate any additional amount of loss or range of loss in excess of the recorded amounts with sufficient certainty to allow such amount or range of amounts to be meaningful. While the outcome of said cases, claims and disputes cannot be predicted with certainty, we believe, based upon legal advice and information received, that the final outcome will not materially affect our consolidated financial position but could be material to our results of operations or cash flows in any one accounting period.

Provisions for restructuring of activities

Provisions for restructuring of activities comprise of accruals for certain employee benefits and for costs which are directly associated with plans to exit or cease specific activities and closing down of facilities. For all restructuring provisions, a detailed formal plan exists and the implementation of the plan has started or the plan has been announced before the balance sheet date. Most restructuring plans are expected to be completed within one year from the balance sheet date.

Environmental liabilities

We are confronted with costs arising out of environmental laws and regulations, which include obligations to eliminate or limit the effects on the environment of the disposal or release of certain wastes or substances at various sites. Proceedings involving environmental matters, such as the alleged discharge of chemicals or waste materials into the air, water, or soil, are pending against us in various countries. In some cases, this concerns sites divested in prior years or derelict sites belonging to companies acquired in the past.

The provision has been discounted using an average pre-tax discount rate of 3.8% (2021: 1.0%).

Movements in other provisions

In € millions	Restructuring of activities	Environmental costs	Liabilities to (former) employees	Sundry	Total
Balance at January 1, 2022	**43**	**66**	**132**	**99**	**340**
Additions made during the year	49	10	15	66	140
Utilization	(41)	(14)	(14)	(62)	(131)
Amounts reversed during the year	(9)	(6)	(17)	(10)	(42)
Unwind of discount	—	(6)	(11)	(1)	(18)
Acquisitions	—	—	5	2	7
Changes in exchange rates	—	1	(3)	(1)	(3)
Balance at December 31, 2022	**42**	**51**	**107**	**93**	**293**
Non-current portion of provisions	1	38	88	40	167
Current portion of provisions	41	13	19	53	126
Balance at December 31, 2022	**42**	**51**	**107**	**93**	**293**

Liabilities to (former) employees

Liabilities to (former) employees consist of employer liability plans, jubilee plans and other long-term compensation plans. The majority of the cash outflows related to liabilities to (former) employees is expected to be after five years. In calculating the liabilities to (former) employees, a pre-tax discount rate of on average 5.0% (2021: 1.5%) has been used.

Sundry provisions

Sundry provisions relate to a variety of provisions, including provisions for (customer) claims, sales returns, guarantees and other operational provisions. The majority of the cash outflows related to sundry provisions is expected to be within one to five years. In calculating the sundry provisions, a pre-tax discount rate of on average 5.3% (2021: 1.0%) has been used.

Contingent liabilities

Estimating the impact of environmental liabilities often is complex and requires significant judgement. It requires the assessment of many (often interconnected) elements, which contain varying levels of uncertainty. Environmental liabilities can change substantially, among others due to the emergence of additional information on the nature or extent of the contamination, the geological circumstances, changes in (the interpretation and enforcement of) environmental regulations, new and evolving analytical and remediation techniques, success or lack of success of currently anticipated clean-up methods, actions by governmental agencies or private parties, success in allocating liability to other potentially responsible parties, the financial viability of other potentially responsible parties and third-party indemnitors, and/or other factors.

Especially for some sites for which we are faced with relatively new legislation, which are in the early stages of discussions with regulators, and/or where there is limited information available from earlier experience, there may be considerable variability between the clean-up activities that are currently being undertaken or planned and the ultimate actions that could be required. For such sites, the costs for the earlier years might be rather reliably estimable, whilst for later years it is much more difficult, if possible at all, to estimate the cost of environmental compliance and remediation. If the level of uncertainty is such that no reliable estimate can be made for the longer-term costs, no provision for such costs is recorded. While it is not feasible to predict the outcome of all pending environmental exposures, it is reasonably possible that there will be a need for future (changes to) provisions for environmental costs which, in management's opinion, based on information currently available, would not have a material effect on the company's financial position but could be material to the company's results of operations in any one accounting period.

A number of claims against AkzoNobel are pending, many of which are contested. We are also involved in legal disputes and disputes with tax authorities in several jurisdictions. AkzoNobel has provided various indemnities and guarantees in respect of past divestments to the relevant purchasers and their permitted assigns (if applicable), which in general are capped in time and/or amount (in proportion to the value received). The provided guarantees and indemnities have varying maturity periods. AkzoNobel has received various claims under such indemnities and guarantees. In some instances, AkzoNobel has been named as a direct defendant despite the divestments.

Akzo Nobel N.V. has withdrawn its declarations of joint and several liability under Article 403 of Book 2 of the Dutch Civil Code for certain Dutch former Specialty Chemicals subsidiaries divested as per October 1, 2018, and is following the procedures to terminate its residual liability under those declarations under Article 404 of Book 2 of the Dutch Civil Code. One objection against the termination of residual liability is still pending and AkzoNobel, Nouryon and Nobian continue to cooperate to get this resolved.

Current portion of provisions

The current portion of post-retirement benefit provisions (€40 million) and the current portion of other provisions (€126 million) add up to €166 million (2021: €149 million), as reflected in the balance sheet.

Discount rates

The discount rates used in calculating the provisions recognized at December 31, 2022 are mentioned in the paragraphs on provisions for environmental costs, liabilities to (former) employees and sundry provisions. Changes in discount rates will affect our consolidated financial position. A sensitivity test showed that a one percentage point increase or decrease of discount rates will have an impact down or up, respectively, of €6 million on the provisions recognized at December 31, 2022.

Note 21 NET DEBT

Net debt

in € millions	Long-term borrowings	Short-term borrowings	Short-term investments	Cash and cash equivalents	Net debt
Net debt at January 1, 2021	**2,771**	**119**	**(250)**	**(1,606)**	**1,034**
Net cash from operating activities	—	—	—	(605)	(605)
Acquisitions	2	13	—	73	88
Investments in short-term investments	—	—	(56)	56	—
Repayments of short-term investments	—	—	247	(247)	—
Net cash from other investing activities	—	—	—	252	252
Buy-out of non-controlling interests	—	—	—	1	1
Unwind of discount and amortized cost	8	—	1	—	9
Proceeds from borrowings	—	1,143	—	(1,143)	—
Borrowings repaid	—	(590)	—	590	—
New/modification/disposal of lease contracts	62	(1)	—	—	61
Transfers from long-term to short-term	(855)	855	—	—	—
Movement bank overdrafts and short-term bank loans	—	19	—	(19)	—
Dividends	—	—	—	391	391
Share buyback	—	—	—	1,135	1,135
Net cash from discontinued operations	—	—	—	1	1
Changes in exchange rates	6	(2)	—	(31)	(27)
Net debt at December 31, 2021	**1,994**	**1,556**	**(58)**	**(1,152)**	**2,340**
Net debt at January 1, 2022	**1,994**	**1,556**	**(58)**	**(1,152)**	**2,340**
Net cash from operating activities	—	—	—	(263)	(263)
Acquisitions	71	2	—	588	661
Investments in short-term investments	—	—	(1,361)	1,361	—
Repayments of short-term investments	—	—	1,084	(1,084)	—
Net cash from other investing activities	—	—	—	230	230
Buy-out of non-controlling interests	—	—	—	—	—
Unwind of discount and amortized cost	9	5	—	—	14
Proceeds from borrowings	1,359	8,152	—	(9,511)	—
Borrowings repaid	—	(7,322)	—	7,322	—
New/modification/disposal of lease contracts	79	—	—	—	79
Transfers from long-term to short-term	(139)	139	—	—	—
Movement bank overdrafts and short-term bank loans	—	16	—	(16)	—
Dividends	—	—	—	379	379
Share buyback	—	—	—	669	669
Net cash from discontinued operations	—	—	—	9	9
Changes in exchange rates	(41)	(5)	(1)	18	(29)
Net debt at December 31, 2022	**3,332**	**2,543**	**(336)**	**(1,450)**	**4,089**

Analysis of net debt by category

In € millions, at December 31	2021	2022
Bonds issued	1,740	2,934
Lease liabilities	212	198
Other long-term borrowings	42	200
Long-term borrowings	**1,994**	**3,332**
Current portion of long-term borrowings	754	2
Current portion of lease liabilities	87	86
Debt to credit institutions	711	2,450
Other short-term borrowings	4	5
Short-term borrowings	**1,556**	**2,543**
Total borrowings	**3,550**	**5,875**
Short-term investments	(58)	(336)
Cash and cash equivalents	(1,152)	(1,450)
Net debt	**2,340**	**4,089**

AkzoNobel's net debt is mainly denominated in euro.

Multi-currency revolving credit facility

We have a multi-currency revolving credit facility of €1.3 billion which runs until 2026. This facility does not contain financial covenants or acceleration provisions that are based on adverse changes in ratings or material adverse change. At year-end 2022 and 2021, this facility has not been drawn.

Long-term borrowings

Bonds issued

In € millions, at December 31	2021	2022
1 3/4% 2014/24 (€500 million)	499	499
1 1/8% 2016/26 (€500 million)	497	498
1 5/8% 2020/30 (€750 million)	744	745
1 1/2% 2022/28 (€600 million)	—	595
2% 2022/32 (€600 million)	—	597
Total	**1,740**	**2,934**

In March 2022, two bonds were issued with nominal values of €600 million each, of which one at a coupon rate of 1.5%, maturing in 2028 and one at a coupon rate of 2.0%, maturing in 2032. For details on the exposure to interest rate and foreign currency risk, refer to Note 27.

The average effective interest rate of the bonds included in long-term borrowings at year-end 2022 was 1.6% (year-end 2021: 1.9%).

Aggregated maturities of long-term borrowings

In € millions	2024-2027	After 2027
Bonds issued	997	1,937
Lease liabilities	153	45
Other long-term borrowings	175	25
Total	**1,325**	**2,007**

The increase in Other long term borrowings is related to loans included in the balance sheet of acquired companies and acquisition related financing.

The blended incremental borrowing rate applied to the lease liabilities at year-end 2022 was 1.9% (2021: 1.8%).

At year-end 2022 and 2021, none of the borrowings was secured by collateral.

Short-term borrowings

The current portion of long-term borrowings decreased mainly due to the maturing of a €750 million bond in July 2022.

Debt to credit institutions includes our commercial paper program. We have US dollar and euro commercial paper programs in place, which can be used to the extent that the equivalent portion of the €1.3 billion multi-currency revolving credit facility is not used. We had €1.3 billion commercial paper outstanding at year-end 2022 (2021: €371 million) against an average interest rate of 1.6% (2021: 0.5% negative). At year-end 2022, we had short-term bank loans outstanding of €1.1 billion (2021: €300 million) against a 3-months Euribor plus a mark-up (2021: 0.6% negative). None of these facilities contain financial covenants.

Short-term investments

Short-term investments almost entirely consist of time deposits, money market funds and other marketable securities with a life time at investment date longer than three months but shorter than twelve months. For more information on credit risk management, refer to Note 27.

Cash and cash equivalents

Deposits and money market funds within cash and cash equivalents almost entirely consist of time deposits immediately convertible into known amounts of cash and with a maturity of three months or less from the date of purchase, and marketable securities that can be redeemed immediately when called.

At December 31, 2022, an amount of €11 million in cash and cash equivalents was restricted (2021: €14 million). Restricted cash is defined as cash that cannot be accessed centrally due to regulatory or contractual restrictions.

Cash and cash equivalents

In € millions, at December 31	2021	2022
Cash on hand and in banks	877	922
Short-term investments with a life up to three months	275	528
Included in cash and cash equivalents in the balance sheet	**1,152**	**1,450**
Debt to credit institutions	(40)	(52)
Total per statement of cash flows	**1,112**	**1,398**

Note 22 TRADE AND OTHER PAYABLES

Trade and other payables

In € millions, at December 31	2021	2022
Trade payables	2,376	2,206
Taxes and social security	191	184
Amounts payable to employees	264	234
Interest	42	58
FX contracts	27	60
Dividends	6	4
Other liabilities	42	55
Total	**2,948**	**2,801**

Trade and other payables can be broken down as per the above table. Other liabilities consist of a large number of individually immaterial items.

Note 23 CASH FLOW

Operating activities in 2022 resulted in a cash inflow of €263 million (2021: cash inflow of €605 million).

The amounts in the following table cannot be reconciled directly to the respective balance sheet positions. They reflect changes in balance sheet positions only to the extent these have a cash flow impact, or they reverse the non-cash impact as included in profit for the period. These amounts exclude non-cash movements such as unwinding of discount, movements through other comprehensive income, acquisitions and divestments, and changes in exchange rates.

Changes in working capital as per consolidated statement of cash flows

In € millions	2021	2022
Trade and other receivables	(240)	(95)
Inventories	(439)	(134)
Trade and other payables	274	(280)
Total	**(405)**	**(509)**

Note 24 COMMITMENTS

Purchase commitments for property, plant and equipment aggregated €23 million (2021: €35 million).

Note 25 RELATED PARTY TRANSACTIONS

We purchased and sold goods and services to various related parties in which we hold a 50% or less equity interest (associates and joint ventures). Such transactions were conducted at terms comparable with transactions with third parties.

During 2022, we considered the members of the Executive Committee and the Supervisory Board to be the key management personnel as defined in IAS 24 “Related parties”. For details on their remuneration, as well as on shares held by members of the Supervisory Board or Board of Management, refer to Note 26. In the ordinary course of business, we also have transactions with various organizations with which certain members of the Supervisory Board or Executive Committee are associated.

For related party transactions with pension funds, refer to Notes 15 and 19.

Note 26 REMUNERATION OF THE SUPERVISORY BOARD AND THE BOARD OF MANAGEMENT

Total compensation for key management personnel expensed during the period amounted to €13.2 million (2021: €14.4 million). An amount of €7.4 million relates to short-term employee benefits (2021: €6.6 million); €0.8 million relates to post contract benefits and other post contract compensation (2021: €0.6 million); €3.0 million relates to share-based compensation (2021: €7.2 million); no payments relate to other long-term incentives (2021: €nil); €2.0 million payments relate to payments upon termination of employment (2021: €nil). Additional charges were accrued which relate to taxation on excessive pay of €1.0 million ("Belasting heffing excessieve beloningsbestanddelen") (2021: €nil).

This compensation includes total remuneration for the members of the Supervisory Board of €0.9 million (2021: €0.8 million) and for the members of the Board of Management of €2.0 million (2021: €8.9 million). For more details on the remuneration of the individual members of the Supervisory Board and the Board of Management reference is made to the Remuneration report.

In accordance with the Articles of Association and good corporate governance practice, the remuneration of Supervisory Board members is not dependent on the results of the company. We do not grant share-based compensation to our Supervisory Board members.

Shares held by the members of the Supervisory Board

Number of shares at year-end	2021	2022
Nils Smedegaard Andersen, Chair	4,500	4,500
Byron Grote*	7,394	8,061
Pamela Kirby	–	–
Dick Sluimers	–	–
Patrick Thomas	–	–
Jolanda Poots-Bijl	–	–
Ester Baiget	–	–
Hans Van Bylen	–	–

* In the form of ADRs.

Shares held by the Board of Management

Number of shares at year-end	2021	2022
Greg Poux-Guillaume*	–	–
Maarten de Vries	14,643	21,766

*Appointed CEO as per November 1, 2022, replacing Thierry Vanlancker.

An overview of shares held by the Supervisory Board members is provided on this page. A similar overview is provided of the shares held by the Board of Management.

Loans

The company does not grant loans, advance payments or guarantees to members of the Supervisory Board, members of the Executive Committee or any family members of such persons.

Note 27 FINANCIAL RISK MANAGEMENT

FINANCIAL RISK MANAGEMENT FRAMEWORK

Our activities expose us to a variety of financial risks: liquidity risk, credit risk and market risk (including foreign exchange rate risk, interest rate risk and capital risk). These risks are inherent to the way we operate as a multinational with a large number of locally operating subsidiaries. Our overall risk management program seeks to identify, assess, and – if necessary and possible – mitigate these financial risks in order to minimize potential adverse effects on our financial performance.

Our risk mitigating activities include the use of derivative financial instruments to hedge certain risk exposures. The Board of Management is ultimately responsible for risk management. We centrally identify, evaluate and hedge financial risks, and monitor compliance with the corporate policies approved by the Board of Management, except for commodity risks, which are subject to identification, evaluation, hedging and monitoring in the businesses. Next to our centralized Treasury organization in Amsterdam, we have treasury hubs located in Brazil and China that are primarily responsible for regional cash management and short-term financing. We do not allow extensive treasury operations directly with external parties at subsidiary level.

Maturity of liabilities and cash outflows

In € millions	Less than 1 year	Between 1 and 5 years	Over 5 years
At December 31, 2021			
Borrowings	1,469	1,006	776
Interest on borrowings	60	134	40
Lease liabilities	87	165	47
Trade and other payables	2,921	–	–
FX contracts (hedges)			
Outflow	2,819	–	–
Inflow	(2,806)	–	–
Total	**4,550**	**1,305**	**863**
At December 31, 2022			
Borrowings	2,457	1,172	1,962
Interest on borrowings	118	197	84
Lease liabilities	86	153	45
Trade and other payables	2,741	–	–
FX contracts (hedges)			
Outflow	3,097	–	–
Inflow	(3,055)	–	–
Total	**5,444**	**1,522**	**2,091**

LIQUIDITY RISK MANAGEMENT

The primary objective of liquidity management is to provide for sufficient cash and cash equivalents at all times and any place in the world to enable us to meet our payment obligations. We aim for a well-spread maturity schedule of our long-term borrowings and a strong liquidity position. At year-end 2022, we had €1.5 billion available as cash and cash equivalents (2021: €1.2 billion) and €336 million available as short-term investments (2021: €58 million), refer to Note 21.

In addition, we have a multi-currency revolving credit facility of €1.3 billion which runs until 2026. This facility does not contain financial covenants or acceleration provisions that are based on adverse changes in ratings or on other material adverse changes. At year-end 2022 and 2021, this facility had not been drawn. We have US dollar and euro commercial paper programs in place, which can be used to the extent that the equivalent portion of the €1.3 billion multi-currency revolving credit facility is not used.

We had €1.3 billion commercial paper outstanding at year end 2022 (2021: €371 million) against an average interest rate of 1.6% (2021: average interest rate of 0.5% negative). Further, at year-end 2022, we had €1.1 billion short-term bank loans outstanding (2021: €300 million) against 3-months Euribor plus a mark-up (2021: interest rate of 0.6% negative). None of these facilities contain financial covenants. The table on maturity of liabilities and cash outflows in this Note shows our cash outflows per maturity group. The amounts disclosed in the table are the contractual undiscounted cash flows.

CREDIT RISK MANAGEMENT

Credit risk arises from financial assets such as cash and cash equivalents, deposits with financial institutions, money market funds, trade receivables and derivative financial instruments with a positive fair value. We have a credit risk management policy in place to limit credit losses due to non-performance of financial counterparties and customers. We monitor our exposure to credit risk on an ongoing basis at various levels. We only deal with financial counterparties that have a sufficiently high credit rating. Generally, we do not require collateral in respect of financial assets. Investments in cash and cash equivalents, short-term investments and transactions involving derivative financial instruments are entered into with counterparties that have sound credit ratings and a good reputation. Derivative transactions are concluded mostly with parties with whom we have contractual netting agreements and ISDA agreements in place. We set limits per counterparty for the different types of financial instruments we use. We closely monitor the acceptable financial counterparty credit ratings and credit limits and revise where required in line with the market circumstances. We do not expect non-performance by the counterparties for these financial instruments. Due to our geographical spread and the diversity of our customers, we were not subject to any significant concentration of credit risks at balance sheet date.

The credit risk from trade receivables is measured and analyzed by dedicated teams in the businesses, mainly by means of ageing analysis, refer to Note 17. Additionally, trade receivables and financial assets measured at amortized cost are subject to the expected credit loss impairment model either using the general or the simplified approach. For more information on the applied impairment approaches per financial asset type, refer to Note 1.

The maximum exposure to credit risk is represented by the carrying value of financial assets in the balance sheet.

At year-end 2022, the credit risk on consolidated level was €4.6 billion (2021: €3.9 billion) for cash and cash equivalents, short-term investments, loans, trade and other receivables. Our credit risk is well spread among both global and local counterparties. Our largest counterparty risk amounted to €280 million at year-end 2022 (2021: €301 million).

FOREIGN EXCHANGE RISK MANAGEMENT

Trade and financing transactions

We operate in a large number of countries, where we have clients and suppliers, many of whom are outside of the local functional currency environment. This creates currency exposures which are partly netted out on group level. The purpose of our foreign currency hedging activities is to protect us from the risk that the functional currency net cash flows resulting from trade or financing transactions are adversely affected by changes in exchange rates. Our policy is to hedge our transactional foreign exchange rate exposures above predefined thresholds from recognized assets and liabilities. Hedge accounting is generally not applied for foreign currency hedging activities, except for certain specific forecasted transactions. In 2022 and 2021, we applied cash flow hedge accounting on a COP 1,600 billion hedge of the foreign currency risk related to the acquisition of Grupo Orbis which was finalized in April 2022. The hedges matured in April 2022. The fair value of the cash flow hedge of €31 million (positive) has subsequently been released from other comprehensive income and allocated to the purchase consideration. The hedges were fully effective during 2022 and 2021. In 2022, cash flow hedge accounting was applied on a $450 million hedge for foreign currency risk exposure related to the intended acquisition of Kansai Paint's African activities, refer to Note 2 for further details. The fair value of this hedge at year-end 2022 was €37 million negative; the spot result related to this hedge was recognized in other comprehensive income and accumulated in the cash flow hedge reserve. The hedge will mature in the course of 2023. During 2022, the hedge was fully effective.

Hedged notional amounts at year-end

In € millions	Buy 2021	Sell 2021	Buy 2022	Sell 2022
US dollar	263	413	784	692
Pound sterling	601	45	649	10
Chinese yuan	179	145	110	157
Colombian peso	348	1	—	1
Other*	391	745	278	821
Total	**1,782**	**1,349**	**1,821**	**1,681**

* No individually significant position is included in 'Other', the amounts per currency are highly disaggregated.

In general, our forward exchange contracts have a maturity of less than one year. When necessary, forward exchange contracts are rolled over at maturity. Currency derivatives are not used for speculative purposes.

Investments in foreign subsidiaries, associates and joint ventures

During 2022 and 2021, net investment hedge accounting was applied on hedges of certain net investments in foreign operations, which were partly hedged. The main net investments that were hedged with forward exchange contracts for the same currencies were related to Chinese yuan, Indonesian rupiah and Indian rupee (2021: Brazilian real, Chinese yuan, Indonesian rupiah and Vietnamese dong). The spot results related to these hedges were recognized in other comprehensive income and accumulated in the cumulative translation reserves. In addition, a net investment in Colombian peso was hedged with a COP 330 million bank loan. The spot result related to this hedge was recognized in other comprehensive income and accumulated in the cumulative translation reserves. At year-end 2022, the hedge of net investment in Colombian peso was outstanding. During 2022 and 2021, the hedges of net investments were fully effective.

INTEREST RATE RISK MANAGEMENT

We are partly financed with debt in order to obtain more efficient leverage. Fixed rate debt results in fair value interest rate risk. Floating rate debt results in cash flow interest rate risk. We treat fixed rate debt maturing within one year as floating rate debt for debt portfolio purposes. At the end of 2022, the fixed/floating ratio of our outstanding bonds was 100 percent fixed (2021: 70 percent fixed). During 2022 and 2021, we have not used any interest rate derivatives.

IBOR reform refers to the global reform of interest rate benchmarks, which includes the replacement of some interbank offered rates (IBOR) with alternative benchmark rates. Our long-term borrowings have fixed interest rates and we currently do not have any interest related hedging instruments. Fallback language has been added to our contracts while preparing for the transition to new rates. Based on this and following an internal assessment of the impact of the IBOR reform, we conclude that the interest rate benchmark reform does not have a material impact on the company's financial statements.

CAPITAL RISK MANAGEMENT

Our objectives when managing capital are to safeguard our ability to satisfy our capital providers and to maintain a capital structure that optimizes our cost of capital. For this we maintain an adequate financial strategy, with the objective to retain a strong investment grade credit rating as assigned by the rating agencies Moody's and Standard & Poor's. The capital structure can be altered, among others, by adjusting the amounts of dividends paid to shareholders, return of capital to capital providers, or issuance of new debt or shares. In March 2022, two bonds were issued with nominal values of €600 million each of which one at a coupon rate of 1.5%, maturing in 2028 and one at a coupon rate of 2.0%, maturing in 2032. In July 2022, a bond of €750 million matured.

Consistent with other companies in the industry, we monitor capital headroom based on the leverage ratio net debt/EBITDA, for which we have set a target range of around 2. The ratio was 3.8 at December 31, 2022 (December 31, 2021: 1.6). EBITDA is operating income excluding depreciation and amortization, which amounted to €1,076 million for 2022 (2021: €1,469 million). Net debt is calculated as the total of long- and short-term borrowings less cash and cash equivalents and short-term investments, amounting to €4,089 million at year end 2022 (year end 2021: €2,340 million).

Fair value per financial instrument category

In € millions	Carrying amount	Out of scope of IFRS 7[1]	Carrying value per IFRS 9 category: Measured at amortized cost	Carrying value per IFRS 9 category: Measured at fair value through profit or loss	Total carrying value	Fair value of items measured at amortized cost
2021 year-end						
Financial non-current assets[2]	2,076	1,766	302	8	310	330
Trade and other receivables[3]	2,339	182	2,089	68	2,157	2,089
Short-term investments	58	–	–	58	58	–
Cash and cash equivalents	1,152	–	–	1,152	1,152	–
Total financial assets	**5,625**	**1,948**	**2,391**	**1,286**	**3,677**	**2,419**
Long-term borrowings	1,994	–	1,994	–	1,994	2,114
Short-term borrowings	1,556	–	1,556	–	1,556	1,570
Trade and other payables[4]	2,948	455	2,466	27	2,493	2,466
Total financial liabilities	**6,498**	**455**	**6,016**	**27**	**6,043**	**6,150**
2022 year-end						
Financial non-current assets[2]	1,475	1,158	308	9	317	311
Trade and other receivables[3]	2,447	214	2,215	18	2,233	2,215
Short-term investments	336	–	–	336	336	–
Cash and cash equivalents	1,450	–	–	1,450	1,450	–
Total financial assets	**5,708**	**1,372**	**2,523**	**1,813**	**4,336**	**2,526**
Long-term borrowings	3,332	–	3,332	–	3,332	3,031
Short-term borrowings	2,543	–	2,543	–	2,543	2,543
Trade and other payables[4]	2,801	418	2,323	60	2,383	2,323
Total financial liabilities	**8,676**	**418**	**8,198**	**60**	**8,258**	**7,897**

[1] Mainly includes pension assets (refer to Note 15), (non) income tax related receivables (refer to Note 17), payables to employees and (non) income taxes payables (refer to Note 22).
[2] €308 million (2021: €302 million) relates to loans and receivables (refer to Note 15), €9 million (2021: €8 million) relates to other than financial instruments (refer to Note 15).
[3] €2,215 million (2021: €2,089 million) relates to the remainder of trade and other receivables (refer to Note 17) and €18 million (2021: €68 million) relates to FX contracts.
[4] €2,323 million (2021: €2,466 million) relates to the remainder of trade and other payables (refer to Note 22) and €60 million (2021: €27 million) relates to FX contracts.

Fair value of financial instruments and IFRS 9 categories

In the table "Fair value per financial instrument category" insight is provided in the recognition of the respective financial instruments per IFRS 9 category. The total carrying value is based on the accounting principles as outlined in Note 1. Financial instruments are recognized at fair value and subsequently recognized either at fair value or at amortized cost, using the effective interest method. The financial instruments accounted for at fair value through profit or loss are derivative financial instruments and securities included in financial non-current assets, cash and cash equivalents and short-term investments. The remaining financial instruments are accounted for at amortized cost.

The following valuation methods for financial instruments carried at fair value through profit or loss are distinguished:
- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within level 1 that are observable for the asset or liability,

either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable)

For the purpose of determining the fair value per financial instrument category, shown in the column 'fair value', the following valuation methods were used:
- A level 1 valuation method was used to estimate the fair value of the bonds issued included in our long-term and short-term borrowings. The estimate is based on the quoted market prices for the same or similar issues or on the current rates offered to us for debt with similar maturities.
- A level 2 valuation method was used to determine the fair value of marketable securities included in cash and cash equivalents and short-term investments by obtaining the market price at reporting date. The fair value of foreign currency contracts and swap contracts was determined by level 2 valuation techniques using market observable input (such as foreign currency interest rates based on Reuters) and by obtaining quotes from dealers and brokers. A level 2 valuation method was used to determine the fair value of time deposits included in cash and cash equivalents and short-term investments using the market interest rate. The carrying amounts of cash and banks, trade receivables less allowance for impairment, other short-term borrowings and other current liabilities approximate fair value due to the short maturity period of those instruments and were determined using level 2 fair value methods.
- A level 3 fair valuation method (discounted cash flow) was used for the subordinated loan granted to the Pension Fund APF in the Netherlands, resulting in a fair value of €93 million.

MASTER NETTING AGREEMENTS

We enter into derivative transactions under International Swaps and Derivatives Association (ISDA) master netting agreements. In general, under such agreements the amounts owed by each counterparty on a single day in respect of transactions outstanding in the same currency may be aggregated into a single net amount that is payable by one party to the other. In certain circumstances – e.g. when a credit event such as a default occurs – all outstanding transactions under the agreement may be terminated, the termination value is assessed and a net amount is payable in settlement of the transactions. We have evaluated the potential effect of netting agreements, including the effect of rights of set-off and concluded the impact is immaterial. We did not offset any amounts regarding derivative transactions.

Note 28 SUBSEQUENT EVENTS

No significant subsequent events have been identified.

Sensitivities on financial instruments at year-end 2022

Sensitivity object	Sensitivity	Hypothetical impact
Foreign currencies: We perform foreign currency sensitivity analysis by applying an adjustment to the spot rates prevailing at year-end. This adjustment is based on observed changes in the exchange rate in the past and management's expectation for reasonably possible* future movements over a longer term from a sensitivity test perspective. We then apply the expected possible volatility to revalue all monetary assets and liabilities (including derivative financial instruments) in a currency other than the functional currency of the subsidiary in the balance sheet at year-end. These effects are of a fairly linear nature.	A 10% (2021: 10%) strengthening of the euro versus US dollar	Profit €9 million (2021: profit €6 million); Other comprehensive income loss €41 million (2021: profit €1 million)
	A 10% (2021: 10%) strengthening of the euro versus the pound sterling	Profit €1 million (2021: profit €1 million)
	A 10% (2021: 10%) strengthening of the euro versus Chinese yuan	Profit €1 million (2021: €nil). Other comprehensive income €nil (2021: profit €2 million)
	A 10% (2021: 10%) strengthening of the euro versus Colombian peso	Profit €nil (2021: €nil). Other comprehensive income €nil (2021: loss €35 million)
Interest rate: We perform interest rate sensitivity analysis by applying an adjustment to the interest rate curve prevailing at year-end. This adjustment is based on observed changes in the interest rate in the past and management's expectation for reasonably possible* future movements over a longer term from a sensitivity test perspective. We then apply the expected possible volatility to revalue all interest bearing assets and liabilities. These effects are of a fairly linear nature.	A 100 basis points increase of EUR interest rates	Loss €16 million (2021: loss €11 million)
	A 100 basis points increase of USD interest rates	Profit €1 million (2021: €nil)
	A 100 basis points increase of GBP interest rates	Profit €1 million (2021: profit €1 million)

* This analysis does not indicate any probability of such changes occurring; nor does it preclude larger changes in any given period or longer term.

COMPANY FINANCIAL STATEMENTS

Statement of income

In € millions, for the year ended December 31	Note		2021		2022
Revenue	A	5		4	
Gross profit			**5**		**4**
General and administrative expenses		(10)		(46)	
Other results		–		(1)	
			(10)		**(47)**
Operating income			**(5)**		**(43)**
Financing income and expenses	B	(25)		(71)	
Net income from subsidiaries, associates and joint ventures	D	871		440	
			846		**369**
Profit before tax			**841**		**326**
Income tax			(12)		26
Net income			**829**		**352**

Balance sheet, before allocation of profit

In € millions, at December 31	Note		2021		2022
Assets					
Non-current assets					
Intangible assets	C	91		99	
Deferred tax assets		30		51	
Financial non-current assets	D	12,497		12,656	
Total non-current assets			**12,618**		**12,806**
Current assets					
Short-term receivables	E	154		223	
Short-term investments	G	–		290	
Cash and cash equivalents	G	404		643	
Total current assets			**558**		**1,156**
Total assets			**13,176**		**13,962**
Equity and liabilities					
Equity					
Subscribed share capital		91		87	
Cash flow hedge reserve		(19)		(34)	
Other legal reserves		275		296	
Cumulative translation reserves		(493)		(656)	
Actuarial gains and losses		(2,613)		(2,902)	
Other reserves		7,435		7,265	
Undistributed results		749		277	
Shareholders' equity	F		**5,425**		**4,333**
Provisions			**4**		**3**
Non-current liabilities					
Long-term borrowings	G	6,225		7,102	
Total non-current liabilities			**6,225**		**7,102**
Current liabilities					
Short-term borrowings	G	1,425		2,403	
Other current liabilities	H	97		121	
Total current liabilities			**1,522**		**2,524**
Total equity and liabilities			**13,176**		**13,962**

Note A GENERAL INFORMATION

Akzo Nobel N.V. is a company headquartered in the Netherlands. The address of our registered office is Christian Neefestraat 2, Amsterdam; the Chamber of Commerce number is 09007809.

The financial statements of Akzo Nobel N.V. have been prepared in accordance with Part 9 of Book 2 of the Dutch Civil Code, making use of the option of Article 362 of the Code, meaning that the accounting principles used are the same as for the Consolidated financial statements. Foreign currency amounts have been translated, assets and liabilities have been valued, and net income has been determined in accordance with the principles of valuation and determination of income presented in Note 1 of the Consolidated financial statements.

For the Company financial statements, revenue is generated through service contracts with third parties.

Consolidated subsidiaries are all entities (including intermediate subsidiaries) over which the company has control. The company controls an entity when it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. Subsidiaries are recognized from the date on which control is transferred to the company or its intermediate holding entities. They are derecognized from the date that control ceases.

The company applies the acquisition method to account for acquiring subsidiaries. The consideration transferred for the acquisition of a subsidiary is the fair value of assets transferred by the company, liabilities incurred to the former owners of the acquiree and the equity interests issued by the company. Identifiable assets acquired and liabilities and contingent liabilities assumed in an acquisition are measured initially at their fair values at the acquisition date, and are subsumed in the net asset value of the investment in consolidated subsidiaries. Acquisition-related costs are expensed as incurred.

Investments in consolidated subsidiaries are measured using the equity method, based on the measurement of assets, provisions and liabilities and determination of profit based on the principles applied in the consolidated financial statements. When an acquisition of an investment in a consolidated subsidiary is achieved in stages, any previously held equity interest is remeasured to fair value on the date of acquisition. The remeasurement against the book value is accounted for in the statement of income. When the company ceases to have control over a subsidiary, any retained interest is remeasured to its fair value, with the change in carrying amount to be accounted for in the statement of income.

When parts of investments in consolidated subsidiaries are bought or sold, and such transaction does not result in the loss of control, the difference between the consideration paid or received and the carrying amount of the net assets acquired or sold, is directly recognized in equity.

The remuneration paragraph is included in Note 26 of the Consolidated financial statements. The number of employees having a contract with the Company at year-end 2022 was 7 (2021: 7). All employees are based in the Netherlands.

Akzo Nobel N.V. is head of the Dutch fiscal unity for corporate income tax. Members of the fiscal unity reflect taxes in their accounts on the basis as if they are taxable on a standalone basis and are charged or credited accordingly by the company.

Note B FINANCING INCOME AND EXPENSES

Other items in 2022 and 2021 mainly include foreign currency results.

Financing income and expenses

In € millions	2021	2022
Financing income - third parties	2	5
Financing income - subsidiaries	77	53
Financing expense - third parties	(94)	(75)
Financing expense - subsidiaries	(6)	(39)
Net Interest on net debt	**(21)**	**(56)**
Other items	(4)	(15)
Net other financing income/(expenses)	**(4)**	**(15)**
Total	**(25)**	**(71)**

Note C INTANGIBLE ASSETS

Intangible assets mainly include (internally developed) software.

Intangible assets

In € millions	Other intangibles
Balance at January 1, 2021	
Cost of (internally developed) intangibles	82
Accumulated amortization	(11)
Carrying value at January 1, 2021	**71**
Movements in 2021	
Additions	31
Amortization	(11)
Total movements	**20**
Cost of (internally developed) intangibles	113
Accumulated amortization	(22)
Balance at December 31, 2021	**91**
Movements in 2022	
Additions	26
Amortization	(18)
Total movements	**8**
Cost of (internally developed) intangibles	139
Accumulated amortization	(40)
Balance at December 31, 2022	**99**

Note D FINANCIAL NON-CURRENT ASSETS

Movements in non-current assets

In € millions	Subsidiaries: Share in capital	Subsidiaries: Loans	Other non-current assets	Total
Balance at January 1, 2021	**9,284**	**2,851**	**90**	**12,225**
Investments/acquisitions/capital contributions	41	—	—	41
Divestments/capital repayments/dividends	(61)	—	—	(61)
Net income from subsidiaries	871	—	—	871
Equity-settled transactions	11	—	—	11
Loans granted	—	293	—	293
Loans transferred	—	29	—	29
Repayment of loans	—	(1,298)	—	(1,298)
Changes in exchange rates	337	57	—	394
Post-retirement benefits	(8)	—	—	(8)
Balance at December 31, 2021	**10,475**	**1,932**	**90**	**12,497**
Impact IAS 29 Hyperinflation Türkiye	16	—	—	16
Balance at January 1, 2022	**10,491**	**1,932**	**90**	**12,513**
Investments/acquisitions/capital contributions	458	—	2	460
Divestments/capital repayments/dividends	(1,058)	—	—	(1,058)
Net income from subsidiaries	440	—	—	440
Equity-settled transactions	12	—	—	12
Cash flow hedges	(3)	—	—	(3)
Loans granted	—	987	—	987
Repayment of loans	—	(244)	—	(244)
Changes in exchange rates	(180)	19	—	(161)
Post-retirement benefits	(290)	—	—	(290)
Balance at December 31, 2022	**9,870**	**2,694**	**92**	**12,656**

Investments in subsidiaries are measured using the equity method of accounting.

Intercompany loans are priced at arm's length, taking factors like the credit quality of AkzoNobel and the counterparty, country and currency risks into consideration. The fair value of the loans to subsidiaries approximates the book value.

Due to an intra-group funding restructuring, several intercompany loans were transferred in 2021 from certain foreign subsidiaries to Akzo Nobel N.V..

Loans to subsidiaries that will mature in 2023 amounted to €262 million, an amount of €1,738 million will mature between 2024 and 2027 and an amount of €84 million after 2027. The remainder of the loans to subsidiaries has no fixed repayment schedule.

Other non-current assets include the subordinated loan granted to the Pension Fund APF in the Netherlands. Using a level 3 fair valuation method (discounted cash flow), a fair value of €93 million was determined for this loan. For information on valuation methods, see Note 27 of the Consolidated financial statements.

Note E SHORT-TERM RECEIVABLES

Short-term receivables

In € millions, at December 31	2021	2022
Receivables from subsidiaries	133	202
FX contracts	14	18
Other receivables	7	3
Total	**154**	**223**

Short-term receivables are expected to be settled within one year. Receivables from subsidiaries include interest to be received on intercompany loans of €17 million (2021: €10 million). The fair value of the receivables from subsidiaries approximates the book value.

Note F SHAREHOLDERS' EQUITY

The holders of common shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at the Annual General Meeting of shareholders. The holders of the priority shares are entitled to a dividend of 6% per share or the statutory interest in the Netherlands, whichever is lower, plus any accrued and unpaid dividends. They are entitled to 800 votes per share (in accordance with the 800 times higher nominal value per share) at the Annual General Meeting of shareholders. In addition, the holders of priority shares have the right to draw up binding lists of nominees for appointment to the Supervisory Board and the Board of Management; amendments to the Articles of Association are subject to the approval of the Meeting of Holders of Priority Shares.

Priority shares may only be transferred to a transferee designated by a Meeting of Holders of Priority Shares and against payment of the par value of the shares, plus interest at the rate of 6% per annum or the statutory interest in the Netherlands, whichever is lower, for the period between the beginning of the year and the date of transfer. There are no restrictions on voting rights of holders of common or priority shares. The Articles of Association set out procedures for exercising voting rights. The Annual General Meeting of shareholders has resolved in 2022 to authorize the Board of Management for a period of 18 months (i) to issue shares (or grant rights to shares) in the capital of the company up to a maximum of 10% of

Statement of changes in equity

In € millions	Subscribed share capital	Legal reserves: Cash flow hedges	Legal reserves: Other legal reserves	Legal reserves: Cumulative translation reserves	Actuarial gains & losses	Other reserves	Undistributed results	Shareholders' equity
Balance at January 1, 2021	**95**	**—**	**246**	**(873)**	**(2,587)**	**8,317**	**548**	**5,746**
Changes in exchange rates in respect of subsidiaries, associates and joint ventures	—	—	—	380	—	—	—	380
Other comprehensive income/(expense)	—	(19)	—	—	—	—	—	(19)
Post-retirement benefits	—	—	—	—	(26)	—	—	(26)
Net income	—	—	—	—	—	—	829	829
Comprehensive income	**—**	**(19)**	**—**	**380**	**(26)**	**—**	**829**	**1,164**
Dividend	—	—	—	—	—	—	(365)	(365)
Equity-settled transactions	—	—	—	—	—	16	—	16
Share buyback	(4)	—	—	—	—	(1,131)	—	(1,135)
Acquisition of non-controlling interests	—	—	—	—	—	(1)	—	(1)
Addition to other reserves	—	—	29	—	—	234	(263)	—
Balance at December 31, 2021	**91**	**(19)**	**275**	**(493)**	**(2,613)**	**7,435**	**749**	**5,425**
Impact IAS 29 Hyperinflation Türkiye*	—	—	—	—	—	16	—	16
Balance at January 1, 2022	**91**	**(19)**	**275**	**(493)**	**(2,613)**	**7,451**	**749**	**5,441**
Changes in exchange rates in respect of subsidiaries, associates and joint ventures	—	—	—	(163)	—	—	—	(163)
Cash flow hedges	—	(15)	—	—	—	—	—	(15)
Post-retirement benefits	—	—	—	—	(289)	—	—	(289)
Net income	—	—	—	—	—	—	352	352
Comprehensive income	**—**	**(15)**	**—**	**(163)**	**(289)**	**—**	**352**	**(115)**
Dividend	—	—	—	—	—	—	(347)	(347)
Equity-settled transactions	—	—	—	—	—	14	—	14
Share buyback	(4)	—	—	—	—	(656)	—	(660)
Addition to other reserves	—	—	21	—	—	456	(477)	—
Balance at December 31, 2022	**87**	**(34)**	**296**	**(656)**	**(2,902)**	**7,265**	**277**	**4,333**

* As per June 2022, Türkiye has been identified as a hyperinflationary economy. IAS 29 "Financial Reporting in Hyperinflationary Economies" has been applied for our activities in Türkiye as from January 1, 2022. Refer to Note 8 in the Consolidated Financial Statements for details on the financial impact from applying IAS 29. The opening balance adjustment includes a tax charge of €4 million.

Unrestricted reserves at year-end

In € millions	2021	2022
Shareholders' equity at year-end	5,425	4,333
Subscribed share capital	(91)	(87)
Subsidiaries' restrictions to transfer funds	(174)	(190)
Reserve for development costs	(101)	(106)
Unrestricted reserves	**5,059**	**3,950**

the total number of shares outstanding (and to restrict or exclude the pre-emptive rights to those shares) and (ii) to acquire shares in the capital of the company, provided that the shares that will at any time be held will not exceed 10% of the issued share capital. The issue or repurchase of shares requires the approval of the Supervisory Board.

On February 16, 2021, a €1 billion share buyback program was announced, which was completed in January 2022. All shares bought back under this program were cancelled.

In February 2022, a €500 million share buyback program was announced, which was completed in 2022. As at December 31, 2022, a total of 7.3 million shares had been acquired under this program, of which 3.3 million were cancelled.

Of the shareholders' equity of €4.3 billion (2021: €5.4 billion), €4.0 billion (2021: €5.1 billion) was unrestricted and available for distribution, subject to the relevant provisions of our Articles of Association and Dutch law.

During 2022, 8,651,230 common shares were repurchased (2021: 11,296,283 shares repurchased). The total amount of shares cancelled was 7,448,544; cancelled shares related to share buybacks in the current and the previous year (2021: 9,247,849 shares cancelled). For further details on weighted average number of shares, refer to Note 10 of the Consolidated financial statements.

Legal reserves include the €190 million reserve relating to earnings retained by subsidiaries, associates and joint ventures after the year 1983, to the extent that there are limitations to arrange profit distributions, and a €106 million reserve for capitalized development costs.

Dividend
Our dividend policy is to pay a stable to rising dividend.

In 2022, an interim dividend of €0.44 (2021: €0.44) per common share was paid. We propose a 2022 final dividend of €1.54 (2021: €1.54) per common share, which would equal a total 2022 dividend of €1.98 (2021: €1.98).

Note G NET DEBT

Analysis of net debt by category

In € millions, at December 31	2021	2022
Bonds issued	1,740	2,934
Debt from subsidiaries*	4,485	4,168
Long-term borrowings	**6,225**	**7,102**
Current portion of long-term borrowings	749	–
Debt to credit institutions	672	2,399
Other	4	4
Short-term borrowings	**1,425**	**2,403**
Total borrowings	**7,650**	**9,505**
Short-term investments	–	(290)
Cash and cash equivalents	(404)	(643)
Net debt	**7,246**	**8,572**

* Part of the debt from subsidiaries has no fixed repayment schedule. The fair value of the debt from subsidiaries approximates the book value.

Multi-currency revolving credit facility
We have a multi-currency revolving credit facility of €1.3 billion which runs until 2026. This facility does not contain financial covenants or acceleration provisions that are based on adverse changes in ratings or material adverse change. At year-end 2022 and 2021, this facility has not been drawn.

Long-term borrowings
For the fair value of the bonds issued, refer to Note 27 of the Consolidated financial statements. We estimated the fair value of the bonds issued based on the quoted market prices (level 1) for the same or similar issues or on the current rates offered to us for debt with similar maturities. At year-end 2022, the fair value of the bonds included in long-term borrowings was €2,633 million (2021: €2,624 million).

Bonds issued

In € millions, at December 31	2021	2022
1 3/4% 2014/24 (€500 million)	499	499
1 1/8% 2016/26 (€500 million)	497	498
1 5/8% 2020/30 (€750 million)	744	745
1 1/2% 2022/28 (€600 million)	–	595
2% 2022/32 (€600 million)	–	597
Total	**1,740**	**2,934**

In March 2022, two bonds were issued with nominal values of €600 million each, of which one at a coupon rate of 1.5%, maturing in 2028 and one at a coupon rate of 2.0%, maturing in 2032.

At year-end 2022 and 2021, none of the borrowings was secured by collateral.

In 2023, an amount of €125 million of debt from subsidiaries will mature; a further amount of €100 million will mature between 2024 and 2027. The remainder of the loans from subsidiaries has no fixed repayment schedule.

Short-term borrowings
For the fair value of the debt to credit institutions, refer to Note 27 of the Consolidated financial statements.

The current portion of long-term borrowings decreased mainly due to the maturing of a €750 million bond in July 2022.

Debt to credit institutions includes our commercial paper program. We have US dollar and euro commercial paper programs in place, which can be used to the extent that the equivalent portion of the €1.3 billion multi-currency revolving credit facility is not used. We had €1.3 billion commercial paper outstanding at year-end 2022 (2021: €371 million) against an average interest rate of 1.6% (2021: 0.5% negative). At year-end 2022, we had short-term bank loans outstanding of €1.1 billion (2021: €300 million) against a 3-months Euribor plus a mark-up (2021: interest rate of 0.6% negative). None of these facilities contain financial covenants.

Short-term investments
Short-term investments almost entirely consist of time deposits, money market funds and marketable securities with a lifetime at investment date longer than three months but shorter than twelve months. At year-end 2022, we had short-term investments outstanding for an amount of €290 million (2021: €nil).

Cash and cash equivalents
Deposits and money market funds within cash and cash equivalents almost entirely consist of time deposits immediately convertible into known amounts of cash and with a maturity of three months or less from the date of purchase and marketable securities that can be redeemed immediately when called.

Cash and cash equivalents

In € millions, at December 31	2021	2022
Cash on hand and in banks	304	293
Deposits and money markets funds with a maturity less than three months	100	350
Included in cash and cash equivalents in the balance sheet	**404**	**643**

Note H OTHER CURRENT LIABILITIES

Other current liabilities

In € millions, at December 31	2021	2022
Payables to subsidiairies*	30	23
FX contracts	27	60
Other suppliers	1	2
Interest payable	22	33
Other liabilities	17	3
Total	**97**	**121**

* The fair value of the payables to subsidiaries approximates the book value.

Other current liabilities are expected to fall due in less than one year.

Note I FINANCIAL INSTRUMENTS

At year-end 2022, Akzo Nobel N.V. had outstanding foreign exchange contracts to buy currencies for a total of €1.7 billion (year-end 2021: €1.7 billion), while contracts to sell currencies totaled €1.5 billion (year-end 2021: €1.2 billion). The contracts mainly relate to US dollars, pound sterling and Chinese Yuan, and all have maturities within one year. These contracts offset the foreign exchange contracts concluded with the subsidiaries, and the fair value changes are recognized in the statement of income to offset the fair value changes on the contracts with the subsidiaries, or recognized in other comprehensive income in case hedge accounting is applied. For information on risk exposure and risk management, see Note 27 of the Consolidated financial statements.

Note J CONTINGENT LIABILITIES

Akzo Nobel N.V. is parent of the group's fiscal unity in the Netherlands, and is therefore liable for the liabilities of said fiscal unity as a whole.

Akzo Nobel N.V. has declared in writing that it accepts joint and several liability for contractual debts of certain Dutch and Irish consolidated companies (Article 403 of Book 2 of the Dutch Civil Code and section 357(1) of the Irish Companies Act 2014). These debts, at year-end 2022, aggregating €0.6 billion (2021: €0.5 billion), are included in the Consolidated balance sheet.

Akzo Nobel N.V. has withdrawn its declarations of joint and several liability under Article 403 of Book 2 of the Dutch Civil Code for certain Dutch former Specialty Chemicals subsidiaries divested as per October 1, 2018, and is following the procedures to terminate its residual liability under those declarations under Article 404 of Book 2 of the Dutch Civil Code. One objection against the termination of residual liability is still pending and AkzoNobel, Nouryon and Nobian continue to cooperate to get this resolved.

Additionally, at year-end 2022, guarantees were issued on behalf of consolidated companies for an amount of €0.4 billion (2021: €0.3 billion). The debts and liabilities of the consolidated companies underlying these guarantees are included in the Consolidated balance sheet.

Note K INDEPENDENT AUDITOR'S FEES

Our independent auditor, PricewaterhouseCoopers Accountants N.V., has rendered, for the period to which the audit of the financial statements relates, in addition to the audit of the statutory financial statements, mainly statutory audits of controlled entities.

Fees PricewaterhouseCoopers Accountants N.V.

			2022
In € millions	In the Netherlands	Network outside the Netherlands	Total
Audit of the financial statements	3.7	5.5	9.2
Other audit services	0.3	0.1	0.4
Tax services	—	—	—
Other non-audit services	—	—	—
Total	**4.0**	**5.6**	**9.6**

Fees PricewaterhouseCoopers Accountants N.V.

			2021
In € millions	In the Netherlands	Network outside the Netherlands	Total
Audit of the financial statements	4.1	4.3	8.4
Other audit services	0.2	0.1	0.3
Tax services	—	—	—
Other non-audit services	—	—	—
Total	**4.3**	**4.4**	**8.7**

Amsterdam, February 27, 2023

The Board of Management

Greg Poux-Guillaume
Maarten de Vries

The Supervisory Board

Nils Smedegaard Andersen
Ester Baiget
Jolanda Poots-Bijl
Hans Van Bylen
Byron Grote
Pamela Kirby
Dick Sluimers
Patrick Thomas

OTHER INFORMATION

PROPOSAL FOR PROFIT ALLOCATION

With due observance of Dutch law and the Articles of Association, it is proposed that net income of €14 million is carried to the other reserves. Furthermore, with due observance of article 43, paragraph 7, it is proposed that dividend on priority shares of €1,152 and on common shares of €338 million (to be increased by dividend on shares issued in 2023 before the ex-dividend date) will be distributed. Following the acceptance of this proposal, the holders of common shares will receive a total dividend of €1.98 per share, of which €0.44 was paid earlier as an interim dividend. The final dividend of €1.54 per share will be made available from May 5, 2023.

PROFIT ALLOCATION AND DISTRIBUTIONS

PROFIT ALLOCATION AND DISTRIBUTIONS

The following articles of our articles of association govern profit allocation and distribution:

Article 43

43.6

The Board of Management shall be authorized to determine, with the approval of the Supervisory Board, what share of profit remaining after application of the provisions of the foregoing paragraphs shall be carried to reserves. The remaining profit shall be placed at the disposal of the Annual General Meeting of shareholders, with due observance of the provisions of paragraph 7, it being provided that no further dividends shall be paid on the preferred shares.

43.7

From the remaining profit, the following distributions shall, to the extent possible, be made as follows:

(a) To the holders of priority shares: 6% per share or the statutory interest referred to in paragraph 1 of article 13, whichever is lower, plus any accrued and unpaid dividends

(b) To the holders of common shares: a dividend of such an amount per share as the remaining profit, less the aforesaid dividends and less such amounts as the Annual General Meeting of shareholders may decide to carry to reserves, shall permit

43.8

Without prejudice to the provisions of paragraph 4 of this article and of paragraph 4 of article 20, the holders of common shares shall, to the exclusion of everyone else, be entitled to distributions made from reserves accrued by virtue of the provision of paragraph 7b of this article.

43.9

Without prejudice to the provisions of article 42 and paragraph 8 of this article, the Annual General Meeting of shareholders may decide on the utilization of reserves only on the proposal of the Board of Management approved by the Supervisory Board.

Article 44

44.7

Cash dividends by virtue of paragraph 4 of article 20, article 42, or article 43 that have not been collected within five years of the commencement of the second day on which they became due and payable shall revert to the company.

SPECIAL RIGHTS TO HOLDERS OF PRIORITY SHARES

The priority shares are held by “Stichting Akzo Nobel” (Foundation Akzo Nobel), whose board is composed of the members of the Supervisory Board who are not members of the Audit Committee. They each have one vote on the board of the Foundation.

The Meeting of Holders of Priority Shares has the right to draw up binding lists of nominees for appointment to the Supervisory Board and the Board of Management. Amendments to the Articles of Association are subject to the approval of this meeting.

INDEPENDENT AUDITOR'S REPORT

To: The Annual General Meeting and the Supervisory Board of Akzo Nobel N.V.

Report on the financial statements 2022

Our opinion

In our opinion:

- The Consolidated financial statements of Akzo Nobel N.V. together with its subsidiaries ("the group") give a true and fair view of the financial position of the group as at December 31, 2022, and of its result and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code
- The Company financial statements of Akzo Nobel N.V. ("the company") give a true and fair view of the financial position of the company as at December 31, 2022, and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code

What we have audited

We have audited the accompanying financial statements 2022 of Akzo Nobel N.V., Amsterdam, the Netherlands. The financial statements comprise the Consolidated financial statements of the group and the Company financial statements.

The Consolidated financial statements comprise:

- The Consolidated balance sheet as at December 31, 2022
- The following statements for 2022: the Consolidated statement of income, the Consolidated statements of comprehensive income, of changes in equity and of cash flows
- The notes, comprising a summary of the significant accounting policies and other explanatory information

The Company financial statements comprise:

- The Balance sheet as at December 31, 2022
- The Statement of income for the year then ended
- The notes, comprising a summary of the accounting policies applied and other explanatory information

The financial reporting framework applied in the preparation of the financial statements is EU-IFRS and the relevant provisions of Part 9 of Book 2 of the Dutch Civil Code for the Consolidated financial statements and Part 9 of Book 2 of the Dutch Civil Code for the Company financial statements.

The basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. We have further described our responsibilities under those standards in the section "Our responsibilities for the audit of the financial statements" of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of Akzo Nobel N.V. in accordance with the European Union "Regulation on specific requirements regarding statutory audit of public-interest entities", the "Wet toezicht accountantsorganisaties" (Wta, Audit firms supervision act), the "Verordening inzake de onafhankelijkheid van accountants bij assuranceopdrachten" (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore, we have complied with the "Verordening gedrags- en beroepsregels accountants" (VGBA, Dutch Code of Ethics).

Our audit approach

We designed our audit procedures with respect to the key audit matters, fraud and going concern, and the matters resulting from that, in the context of our audit of the financial statements as a whole and in forming our opinion thereon. The information in support of our opinion, such as our findings and observations related to individual key audit matters, the audit approach fraud risks and the audit approach going concern was addressed in this context, and we do not provide a separate opinion or conclusion on these matters.

Overview and context

Akzo Nobel N.V. is a global paints and coatings company headquartered in the Netherlands and with operations in over 150 countries. Our group audit scope and approach are set out in the section "The scope of our group audit".

In our audit we paid specific attention to the areas of focus driven by the operations of the group, as set out below.

As part of designing our audit, we determined materiality and assessed the risk of material misstatement in the financial statements. In particular, we considered where the Board of Management made important judgments, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. In Note 1 of the Consolidated financial statements, the company describes areas of judgment in applying accounting policies and the key sources of estimation uncertainty. We considered the valuation of the post-retirement benefit provisions and the valuation of deferred tax assets to be key audit matters as set out in the section "Key audit matters" of this report, given the significant estimation uncertainty, the judgmental nature and the related higher inherent risks of material misstatement. In addition, we paid attention to, amongst others, the assumptions underlying the physical and transition risk related to climate change.

The company executed over the past years a wide range of transformational projects. These projects continued in 2022, with the goal to align to the company's evolving operating model, focusing on end-to-end processes and to increase operational efficiencies and effectiveness. Inherently, transformation processes encompass changes in the organization, systems, processes and controls.

We therefore evaluated the impact of the transformation on our audit. Due to the significance of the ongoing transformation to the company and the extended audit procedures, we included "Ongoing transformation of the organization, systems, processes and controls" as a key audit matter, as set out in the section "Key audit matters" of this report.

Global events during 2022 caused cost inflation, challenged supply chains, dented consumer confidence and weakened market demand. The Russian military invasion of Ukraine and resulting government sanctions impacted the wider economy, especially Europe. China's zero COVID-19 policy and resulting government restrictions put pressure on demand in this market and on sourcing of raw materials from China. These events in combination had an adverse impact on the company's results of operations.

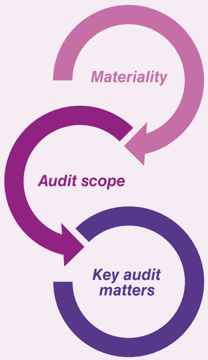
We considered the impact of these global geo-political and macro-economic developments on our audit approach, including our scoping, materiality and risk assessment. The impact of these developments on our materiality assessment is further explained in the section “Materiality”. Furthermore, we assessed the impact on significant management accounting judgments, including inventory valuation, and future business and cash flow projections underpinning impairment assessments, deferred tax asset recoverability, key assumptions used in the valuation of post retirement benefit provisions, and the going concern assumption. We concluded the impact of the geo-political and macro-economic developments on the company’s results of operations to be an area of focus but was not considered as a separate key audit matter.

Climate change is an area of key interest to a wide group of stakeholders. Akzo Nobel N.V. assessed the potential effects of climate change and their plans to meet the company’s announced emissions reduction commitments. The company considered, amongst others, physical risks, such as those associated with water scarcity, flooding and weather events, as well as transitional risks that can lead to changes in technology, market dynamics and regulations. Management also assessed the resulting impact on the financial position, including underlying assumptions and estimates. As part of our audit risk assessment, we gained an understanding of the company’s strategy and sustainability targets, evaluated the potential impact on the financial statements and discussed the assessment and governance thereof with management. We concluded the impact of climate change to be an area of focus that is not considered a key audit matter.

Other areas of focus that we do not consider to be key audit matters were related to the impairment testing of goodwill and brands with indefinite useful lives, testing of the purchase price allocation for the acquisition of Colombia-based paints and coatings company Grupo Orbis S.A. (Grupo Orbis), testing of valuation of the other provisions and information technology general controls (ITGCs).

We ensured that the audit teams at both group and component level included the appropriate skills and competences which are needed for the audit of the group. We therefore included in our team experts in the areas of pensions, share-based payments and valuations and specialists in the areas of tax, IT and treasury.

The outline of our audit approach was as follows:



Materiality
- Overall materiality: €43.75 million (2021: €55 million)

Audit scope
- We conducted audit work at 49 components in 18 countries (2021: 49 components in 18 countries)
- Site reviews were physically conducted to four countries (11 components) and virtually to three countries (17 components) (2021: virtually conducted to nine countries (39 components))
- Audit coverage: 64% of consolidated revenue (2021: 64%), 72% of consolidated total assets (2021: 68%) and 67% of consolidated profit before tax (2021: 60%)

Key audit matters
- Ongoing transformation of the organization, systems, processes and controls
- Valuation of post-retirement benefit provisions
- Valuation of deferred tax assets

Materiality

The scope of our audit was influenced by the application of materiality, which is further explained in the section “Our responsibilities for the audit of the financial statements”.

Based on our professional judgment we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole, as set out in the table below. These, together with qualitative considerations, helped us to determine the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and to evaluate the effect of identified misstatements, both individually and in aggregate, on the financial statements as a whole and on our opinion.

Overall group materiality	€43.75 million (2021: €55 million).
Basis for determining materiality	We used our professional judgment to determine overall materiality. As a basis for our judgment, we used 5% of a three-year average of profit before tax, including the current year results.
Rationale for benchmark applied	We used profit before tax as the primary benchmark, a generally accepted auditing practice, based on our analysis of the common information needs of users of the financial statements. On this basis, we believe that profit before tax is the most relevant metric for the financial performance of the company and is a metric widely used within the industry. We applied a three-year average of profit before tax as outlined above. In prior years we applied current-year profit before tax. The comparative year-on year decline of the company’s profit before tax caused us to re-assess the appropriateness of a single year profitability for the current audit. In preparing this assessment, we have considered recent global geo-political and macro-economic developments, as described in the section “Overview and context” and the impact thereof on the financial results of the company, as well as management’s expectations and budget for the results in the upcoming years. Applying a multi-year average benchmark for materiality responds to adverse economic trends and volatility in profit before tax from year to year. On this basis we concluded that applying a three-year average is a more appropriate basis for the current year audit, and also better reflects the company’s scale of operations for the year. Furthermore, we utilised a 5% threshold, based on our professional judgment, noting it is within the range of commonly acceptable thresholds and the predominant threshold used for companies with similar characteristics.
Component materiality	Based on our judgment, we allocate materiality to each component in our audit scope that is less than our overall group materiality. The range of materiality allocated across components was between €8 million and €43 million.

We also take misstatements and/or possible misstatements into account that, in our judgment, are material for qualitative reasons.

We agreed with the Audit Committee and the Supervisory Board that we would report to them misstatements identified during our audit above €2 million (2021: €2 million) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

The scope of our group audit

Akzo Nobel N.V. is the parent company of a group of entities managed by the Board of Management and Executive Committee. The financial information of this group is included in the Consolidated financial statements of Akzo Nobel N.V.

We tailored the scope of our audit to ensure that we, in aggregate, provide sufficient coverage of the financial statements for us to be able to give an opinion on the financial statements as a whole, taking into account the management structure of the group, the nature of operations of its components, the accounting processes and controls, and the markets in which the components of the group operate. In establishing the overall group audit strategy and plan, we determined the type of work required to be performed at component level by the group engagement team and by each component auditor.

The group audit included 23 components which were subjected to audits of their complete financial information, selected on the basis of the relative size of their operations. None of the components are individually financially significant to the group. We further subjected 15 components to specific focused audit procedures on individual financial statement line items, such as revenue, cost of sales, inventories, trade and other receivables, post-retirement benefit provisions, tax, cash and cash equivalents and short-term investments, based on the relative size or related higher inherent risks of material misstatement. Additionally, we selected 11 components for audit procedures to achieve appropriate audit coverage on specific financial line items in the Consolidated financial statements.

In total, in performing these procedures, this resulted in the following coverage on the financial line items:

Revenue	64%
Total assets	72%
Profit before tax	67%

None of the remaining components represented more than 1.5% of total group revenue, 1.5% of total group assets or 4.5% of profit before tax. For those remaining components we performed, amongst others, analytical procedures to corroborate our assessment that there were no significant risks of material misstatement within those components.

For all components we used component auditors who are familiar with the local laws and regulations to perform the audit work. We collectively performed hard close audit procedures on the interim October balance sheet positions and results. These hard close audit procedures included substantive audit work on certain material balances and transactions. Roll-forward procedures and top-up testing were performed at year-end to cover the full-year period.

Where component auditors performed the work, we determined the level of involvement we needed to have in their work to be able to conclude whether we had obtained sufficient and appropriate audit evidence as a basis for our opinion on the Consolidated financial statements as a whole.

We issued instructions to the component audit teams in our audit scope. These instructions included, amongst others, our risk analysis, materiality and the scope of the work. We explained to the component audit teams the structure of the group, the main developments that are relevant for the component auditors, the risks identified, the materiality levels to be applied and our global audit approach. We had individual calls with each of the in-scope component audit teams throughout the audit. During these calls, we discussed the significant accounting and audit matters identified by the component auditors, their reports, the findings of their procedures and other matters, that could be of relevance for the Consolidated financial statements.

The group engagement team attended physical or virtual site review meetings with a selection of the component teams and local management. During these meetings we discussed the strategy and financial performance of the local businesses, as well as the audit plan and execution, significant risks and other relevant audit topics. The most significant components are selected every year and other components are selected, depending on specific considerations which include, amongst others, audit observations, specific risks identified and other major events. In the current year, components in the following countries were selected: United States, China, Brazil, Germany, France, United Kingdom and the Netherlands.

The group engagement team performed the audit work on the group consolidation, financial statement disclosures and a number of more complex items and processes controlled and monitored centrally by Akzo Nobel N.V. These include impairment testing of goodwill and other intangible assets with indefinite useful lives, testing of purchase price allocation for acquisitions of Grupo Orbis and the wheel liquid coatings business of Lankwitzer Lackfabrik GmbH, share-based payments, valuation of deferred tax assets, group level other provisions and contingent liabilities, treasury, ITGCs and the Akzo Nobel N.V. Company financial statements.

By performing the procedures outlined above at the components, combined with additional procedures at group level, we have been able to obtain sufficient and appropriate audit evidence on the group's financial information, to provide a basis for our opinion on the financial statements.

Audit approach fraud risks

As in all of our audits, we identified and assessed the risk of material misstatement to the financial statements due to fraud. Together with our forensic specialists, we evaluated fraud risk factors with respect to financial reporting fraud, misappropriation of assets and bribery and corruption.

As a starting point, we obtained an understanding of the entity and its environment and the elements of the system of internal control relating to fraud risks. We conducted interviews with members of the Board of Management, the Executive Committee, the Supervisory Board and others within the company, including the Internal Audit and Integrity and Compliance function, to obtain an understanding of the company's fraud risk assessment and the processes for identifying and responding to the risks of fraud and the internal control that management has established to mitigate these risks. Akzo Nobel N.V. has an integrity and compliance program, which includes a governance and organization structure, policies and procedures around risk management, policy management, communication, training and education, a competition law program, privacy program, anti-bribery and anti-corruption program, monitoring, grievance and investigation procedures, and reporting. We considered management's own risk assessment and response to the risks of fraud, management's monitoring of the system of internal control and how the Supervisory Board exercises oversight, as well as the outcomes thereof.

As described in the auditing standards, management override of controls and risk of fraud in revenue recognition are presumed risks of fraud.

Inherently, management of a company is in a unique position to perpetrate fraud because of its ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. The ongoing transformation of the organization, systems, processes and controls, which we consider a key audit matter, also increases, inherently, the risk of management override of internal controls. We addressed this risk of management override of controls, including evaluating journal entries, transactions outside the normal course of business and whether there was evidence of potential bias by management when making assumptions and estimates that may represent a risk of material misstatement due to fraud. We evaluated journal entries by processing and reviewing postings with the support of data analytics. To address the assessed risks of significant transactions outside the normal course of business, we performed, amongst others, procedures over the acquisition of Grupo Orbis. The audit procedures to respond to the assessed risks of management bias include, among others, evaluation of the design and the implementation of internal controls that intend to mitigate fraud risks, and retrospective review of prior year's estimates. For examples of key assumptions and estimates, refer to the key audit matters "Valuation of post-retirement benefit provisions" and "Valuation of deferred tax assets".

Furthermore, we, together with our forensic specialists, assessed matters reported through the group's SpeakUp! program and complaints procedures and results of management's investigation of such matters if deemed applicable, and discussed this with the Audit Committee.

With regard to the risk of fraud in revenue recognition, based on our risk assessment procedures, we concluded that this risk is related to the occurrence of revenue transactions, due to the company's strategy to continuously grow and expand market share. We performed procedures over this risk, including evaluation of the design and implementation of relevant internal controls, tracing a sample of revenue transactions to the supporting documents, and validating unusual journal entries.

We incorporated elements of unpredictability in our audit. During the entire audit we remained alert to indications of fraud and considered the impact on our audit, if any. We also considered the outcome of our other audit procedures and evaluated whether any findings were indicative of fraud or non compliance.

Audit approach going concern

As disclosed in Note 1 of the Consolidated financial statements, management performed their assessment of the company's ability to continue as a going concern for at least 12 months from the date of preparation of the Consolidated financial statements and has not identified events or conditions that may cast significant doubt on the company's ability to continue as a going concern (hereafter: going concern risks). Our procedures to evaluate management's going concern assessment included, among others:

- Considering whether management's going concern assessment includes relevant information of which we are aware as a result of our audit and inquiring with management regarding management's most important assumptions underlying its going concern assessment
- Analyzing the financial position per balance sheet date, such as financial leverage and cash positions, in relation to the financial position per prior year balance sheet date to assess whether events or circumstances exist that may lead to a going concern risk, and liquidity management as disclosed in Note 27 of the Consolidated financial statements
- Evaluating management's current budget, including expected future cash flows in comparison with last year, market developments, developments in the macroeconomic environment, climate-related developments and the relevant information of which we are aware as a result of our audit, including, amongst others, the cash flow projection of the five-year plan obtained as part of the goodwill impairment testing
- Performing inquiries of management as to their knowledge of going concern risks beyond the period of management's assessment

Our procedures did not result in outcomes contrary to management's assumptions and judgments used in the application of the going concern assumption.

Key audit matters

Key audit matters are those matters that, in our professional judgment, 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. In this section, we describe the key audit matters and include a summary of the audit procedures we performed on those matters.

Key audit matter	Our audit work and observations
Ongoing transformation of the organization, systems, processes, and controls Over the past years the company executed a wide range of transformational projects, which included centralization of finance activities in global business service hubs and simplification of the IT environment, impacting the company's systems, processes and controls. These projects continued in 2022, with the goal to align to the company's evolving operating model, focusing on end-to-end processes and to increase operational efficiencies and effectiveness. The company's overall approach to governance, risk management and internal controls, its processes, outcomes, financial reporting and disclosures is subject to oversight by the Audit Committee. The Audit Committee considered the impact of changes to systems, processes and controls, such as the IT landscape rationalization and the implementation of Regional Accounting Centers ("RAC") on the internal controls. Inherently, transformation processes encompass changes in the organization, processes and culture and as such contribute to the risk of management override of controls, which is a presumed audit risk in our audit. Given the possible pervasive impact this may have on our audit, we considered this a key audit matter.	We evaluated the impact of the transformation on systems, processes and controls on our audit. During our audit, we updated our understanding of the ongoing transformation programs. We held discussions with group management, global process owners, functional management and with the business service hubs management in order to understand the status of the transition, understand the processes and controls in place to address the changes in the internal controls and evaluate the maturity of the processes. In order to obtain further evidence of the implementation of the controls in place, we also performed walkthroughs on selected controls. Furthermore, we attended the considerations of the internal controls during the Audit Committee meetings throughout the year. We used this information as part of our risk assessment procedures, including the evaluation of potential risk of fraud or error, and for the determination of the scope of our audit. For new and changed IT systems and related ITGCs of the IT environment, we involved our IT audit specialists. We obtained an understanding of project governance and change validation approach and we tested data migration and IT general controls. We used data analytics to identify unexpected journal entries. From the procedures performed, we did not have material findings with respect to the balance sheet positions and results recorded and disclosed.
Valuation of post-retirement benefit provisions **Note 19** The post-retirement benefit provisions consist of defined benefit obligations (€9.58 billion) more than offset by plan assets (€10.19 billion). The largest pension plans are the ICI Pension Fund (ICIPF), the Akzo Nobel (CPS) Pension Scheme and the ICI Specialty Chemicals Pension Fund (ISCPF) in the UK, which together account for 90% of the defined benefit obligation (DBO) and 94% of the plan assets. We consider the valuation of these largest post-retirement benefit provisions to be a key audit matter because positions are significant to the company and the assessment process is complex and involves significant management judgment, which could be subject to management bias. The actuarial assumptions used include demographic assumptions (rates of employee turnover, disability, early retirement and mortality) and financial assumptions (discount rate, future salary development, benefit increases/indexation and inflation), as disclosed in Note 19 to the Consolidated financial statements. Technical expertise is required to determine closing positions.	With the assistance of our actuarial experts, we evaluated management's actuarial assumptions and the valuation methodologies applied, as well as the objectivity and competence of the company's external pension experts used for the calculation of the post-retirement benefit positions. We have challenged management, primarily on their assumptions applied to which the post-retirement benefit provisions are the most sensitive (discount rate, inflation and mortality) by performing independent testing over the assumptions and methodologies used and comparing to the published actuarial tables, amongst others, with support of our actuarial experts. We paid particular attention to the discount rate changes as described by the company in Note 19, given the significance. We also tested the participant census data and the valuation of the plan assets through independent price testing (e.g. by reconciling to independently published market prices). Furthermore, we tested the transactions as described in Note 19 to the Consolidated financial statements and we verified the appropriate accounting. We also assessed the adequacy of the company's disclosure in that note. Our procedures did not result in material findings with respect to the valuation and disclosure of post-retirement benefit provisions at December 31, 2022.
Valuation of deferred tax assets **Note 9** The group operates globally and is therefore subject to income taxes in various tax jurisdictions. The assessment of the valuation of deferred tax assets in Germany, the Netherlands and the UK, resulting from net operating losses, tax credits and temporary differences is significant to our audit as the positions are significant to the company, calculations are complex and involve high estimation uncertainty and judgmental assumptions, which could be subject to management bias. The key assumptions include long-term projected revenue growth, margin development and local fiscal regulations. The company's disclosures concerning income taxes are included in Note 9 to the Consolidated financial statements.	With respect to the valuation of deferred tax assets, we performed the following procedures with the assistance of our tax specialists: • We tested management's assessment of the recoverability of the deferred tax assets, by challenging their key assumptions. We specifically focused on the developments of the budget compared to the actual results in light of the recent macro-economic developments and forecast 2023. We also performed lookback testing by comparing the development of last year's budget and estimates to the actual results for the year • We also assessed the applicable local fiscal regulations and developments, in particular those related to changes in the statutory income tax rates and the statutes of limitation, since these are key assumptions underlying the valuation of the deferred tax assets. We analysed the tax positions and evaluated the assumptions and methodologies used • In addition, we assessed the adequacy of the company's disclosures on deferred tax assets and assumptions used Our procedures did not result in material findings with respect to the valuation of deferred tax assets, recorded and related disclosures at December 31, 2022.

Report on the other information included in the annual report

The annual report contains other information. This includes all information in the annual report in addition to the financial statements and our auditor's report thereon.

Based on the procedures performed as set out below, we conclude that the other information:

- Is consistent with the financial statements and does not contain material misstatements
- Contains all the information regarding the directors' report and the other information that is required by Part 9 of Book 2 and regarding the Remuneration report required by the sections 2:135b and 2:145 subsection 2 of the Dutch Civil Code.

We have read the other information. Based on our knowledge and the understanding obtained in our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing our procedures, we comply with the requirements of Part 9 of Book 2 and section 2:135b subsection 7 of the Dutch Civil Code and the Dutch Standard 720. The scope of such procedures was substantially less than the scope of those procedures performed in our audit of the financial statements.

The Board of Management is responsible for the preparation of the other information, including the Management report (as defined in Note 1 of the Consolidated financial statements) and the other information in accordance with Part 9 of Book 2 of the Dutch Civil Code. The Board of Management and the Supervisory Board are responsible for ensuring that the Remuneration report is drawn up and published in accordance with sections 2:135b and 2:145 subsection 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements and ESEF

Our appointment

We were appointed as auditors of Akzo Nobel N.V. on April 29, 2014, by the Supervisory Board. This followed the passing of a resolution by the shareholders at the Annual General Meeting held on April 29, 2014, and effective January 1, 2016. Our engagement has been renewed annually.

European Single Electronic Format (ESEF)

Akzo Nobel N.V. has prepared the annual report in ESEF. The requirements for this are set out in the Delegated Regulation (EU) 2019/815 with regard to regulatory technical standards on the specification of a single electronic reporting format (hereinafter: the RTS on ESEF).

In our opinion, the annual report prepared in XHTML format, including the marked-up Consolidated financial statements as included in the reporting package by Akzo Nobel N.V., complies, in all material respects with the RTS on ESEF.

The Board of Management is responsible for preparing the annual report, including the financial statements, in accordance with the RTS on ESEF, whereby the Board of Management combines the various components into a single reporting package.

Our responsibility is to obtain reasonable assurance for our opinion on whether the annual report in this reporting package complies with the RTS on ESEF.

We performed our examination in accordance with Dutch law, including Dutch Standard 3950N "Assurance-opdrachten inzake het voldoen aan de criteria voor het opstellen van een digitaal verantwoordingsdocument" (assurance engagements relating to compliance with criteria for digital reporting).

Our examination included amongst others:

- Obtaining an understanding of the company's financial reporting process, including the preparation of the reporting package
- Identifying and assessing the risks that the annual report does not comply in all material respects with the RTS on ESEF and designing and performing further assurance procedures responsive to those risks to provide a basis for our opinion, including:
  - Obtaining the reporting package and performing validations to determine whether the reporting package, containing the Inline XBRL instance document and the XBRL extension taxonomy files, have been prepared in accordance with the technical specifications as included in the RTS on ESEF
  - Examining the information related to the Consolidated financial statements in the reporting package to determine whether all required mark-ups have been applied and whether these are in accordance with the RTS on ESEF

No prohibited non-audit services

To the best of our knowledge and belief, we have not provided prohibited non-audit services as referred to in article 5(1) of the European Regulation on specific requirements regarding statutory audit of public-interest entities.

Services rendered

The services, in addition to the audit, that we have provided to the company or its controlled entities, for the period to which our statutory audit relates, are disclosed in Note K to the financial statements.

Responsibilities for the financial statements and the audit

Responsibilities of the Board of Management and the Supervisory Board for the financial statements

The Board of Management is responsible for:

- The preparation and fair presentation of the financial statements in accordance with EU-IFRS and Part 9 of Book 2 of the Dutch Civil Code
- Such internal control as the Board of Management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error

As part of the preparation of the financial statements, the Board of Management is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, the Board of Management should prepare the financial statements using the going-concern basis of accounting unless the Board of Management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so. The Board of Management should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

The Supervisory Board is responsible for overseeing the company's financial reporting process.

Our responsibilities for the audit of the financial statements

Our responsibility is to plan and perform an audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence to provide a basis for our opinion. Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high, but not absolute level of assurance, which makes it possible that we may not detect all material misstatements. Misstatements may arise due to fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

A more detailed description of our responsibilities is set out in the appendix to our report.

Amsterdam, February 27, 2023
PricewaterhouseCoopers Accountants N.V.

Original has been signed by Fernand Izeboud RA

Appendix to our auditor's report on the financial statements 2022 of Akzo Nobel N.V.

In addition to what is included in our auditor's report, we have further set out in this appendix our responsibilities for the audit of the financial statements and explained what an audit involves.

The auditor's responsibilities for the audit of the financial statements

We have exercised professional judgment and have maintained professional scepticism throughout the audit in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit consisted, amongst others, of the following:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the intentional override of internal control.
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Management.
- Concluding on the appropriateness of the Board of Management's use of the going-concern basis of accounting, and based on the audit evidence obtained, concluding whether a material uncertainty exists related to events and/or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report and are made in the context of our opinion on the financial statements as a whole. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Considering our ultimate responsibility for the opinion on the Consolidated financial statements, we are responsible for the direction, supervision and performance of the group audit. In this context, we have determined the nature and extent of the audit procedures for components of the group to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole. Determining factors are the geographic structure of the group, the significance and/or risk profile of group entities or activities, the accounting processes and controls, and the industry in which the group operates. On this basis, we selected group entities for which an audit or review of financial information or specific balances was considered necessary.

We communicate with the Supervisory Board regarding, amongst other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit. In this respect, we also issue an additional report to the Audit Committee in accordance with article 11 of the EU Regulation on specific requirements regarding statutory audit of public-interest entities. The information included in this additional report is consistent with our audit opinion in this auditor's report.

We provide the Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Supervisory Board, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.

LIMITED ASSURANCE REPORT OF THE INDEPENDENT AUDITOR

To: The Board of Management and the Supervisory Board of Akzo Nobel N.V.

Assurance report on the selected non-financial performance indicators in the Sustainability statements of the annual report 2022

Our conclusion

Based on the procedures performed and evidence obtained, nothing has come to our attention that causes us to believe that the selected non-financial performance indicators in the Sustainability statements of the annual report 2022 of Akzo Nobel N.V. over 2022 are not prepared in all material respects, in accordance with Akzo Nobel N.V.'s Reporting Principles Sustainability statements 2022.

What we have examined

The object of our assurance engagement concerns the selected non-financial performance indicators in the Sustainability statements of the annual report 2022, marked with the symbol "▶" (hereafter: the Indicators). We have examined the selected non-financial performance indicators in the Sustainability statements of the annual report 2022 of Akzo Nobel N.V. (hereafter: Akzo Nobel or the Company) Amsterdam, the Netherlands, over 2022. The Indicators examined are as follows:

- Organizational health score (number)
- Female executives (in %)
- Fatalities employees (number)
- Fatalities contractors – temporary workers plus independent (number)
- Life-changing injuries (number)
- Lost time injury rate employees/temporary workers (per 200,000 hours worked)
- Lost time injury rate contractors (per 200,000 hours worked)
- Regulatory actions – Level 4 (number)
- Total reportable injury rate employees/temporary workers (per 200,000 hours worked)
- Total reportable injury rate contractors (per 200,000 hours worked)
- Loss of primary containment – Level 1 (number)
- Loss of primary containment – Level 2 (number)
- Occupational illness rate employees (per 200,000 hours worked)
- Security events Level 3 (number)
- Energy use (in 1000 TJ)
- Energy use (GJ per ton of production)
- Renewable energy – own operations (in %)
- Renewable electricity – own operations (in %)
- Greenhouse gas emissions – Direct CO_2(e) emissions (Scope 1) (kiloton)
- Greenhouse gas emissions – Direct CO_2(e) emissions (Scope 1) (kg per ton of production)
- Greenhouse gas emissions – Indirect CO_2(e) emissions (Scope 2) (kiloton)
- Greenhouse gas emissions – Indirect CO_2(e) emissions (Scope 2) (kg per ton of production)
- Greenhouse gas emissions – Total CO_2(e) emissions Scope 1 and 2 (kg per ton of production)
- Volatile organic compounds (in kiloton)
- Volatile organic compounds (kg per ton of production)
- Total waste (kiloton)
- Total waste (kg per ton of production)
- Circular use of materials (in %)
- Hazardous waste total (kiloton)
- Hazardous waste (kg per ton of production)
- Hazardous waste to landfill (kiloton)
- Non-hazardous waste to landfill (kilotons)
- Total waste to landfill (kilotons)
- Total freshwater use (in million m^3)
- Total freshwater use (m^3 per ton of production)
- Total freshwater consumption (excluding water related to product) (in million m^3)
- Total freshwater consumption (excluding water related to product) (m^3 per ton of production)
- Suppliers in sustainability program – In line with our expectation (in % against baseline)
- Suppliers in sustainability program – Under development (in % against baseline)
- Suppliers participating in sustainability program (in % against baseline)
- Sustainable solutions (in % of revenue)
- Scope 3 upstream (million tons)
- Scope 3 downstream (million tons)
- Scope 3 – upstream and downstream combined (million tons)
- Cradle-to-grave carbon footprint (Scope 1, 2 and 3) (million tons)

Some Indicators have a different reporting period compared to the calendar year 2022. When this is the case, it is indicated in the annual report and in Akzo Nobel's Reporting Principles Sustainability statements 2022.

The basis for our conclusion

We conducted our examination 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 examination" 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 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).

PwC applies the "Nadere voorschriften kwaliteitssystemen" (NVKS, Regulations for quality systems) and accordingly maintains 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.

Applicable criteria

The reporting criteria used for the preparation of the Indicators are Akzo Nobel's Reporting Principles Sustainability statements 2022, developed by the Company, as disclosed in the "Managing sustainability" paragraph of the annual report 2022 and further elaborated in the document "Reporting Principles Sustainability statements 2022", which was made available online* at www.akzonobel.com/en/about-us/sustainability-/reporting-principles-.

The absence of an established practice on which to draw, to evaluate and measure non-financial performance indicators allows for different, but acceptable, measurement techniques, and can affect comparability between entities, and over time.

Consequently, the Indicators need to be read and understood together with the reporting criteria used.

Responsibilities for the Indicators and the examination thereof

Responsibilities of the Board of Management and the Supervisory Board
The Board of Management of Akzo Nobel is responsible for the preparation of the Indicators in accordance with Akzo Nobel's Reporting Principles Sustainability statements 2022, 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 it determines to be necessary to enable the preparation of 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 examination
Our responsibility is to plan and perform our examination 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 and the information included in the Sustainability statements of the annual report 2022. 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.

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

Our examination consisted, among other things, of the following:

- Evaluating the appropriateness of the reporting criteria used, their consistent application and related disclosures to the Indicators. This includes the evaluation of the reasonableness of estimates made by the Board of Management
- Through inquiries, obtaining a general understanding of the control environment, processes, and information relevant to the preparation of the Indicators, but not for the purpose of obtaining assurance evidence about their implementation or testing their operating effectiveness
- Identifying areas of the Indicators with a higher risk of material misstatement, whether due to fraud or error. Designing and performing further assurance procedures aimed at determining the plausibility of the Indicators responsive to this risk analysis. Those other procedures consisted among others of:
  - interviewing management (and/or relevant staff) at corporate level 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 resulting in the Indicators
  - determining the nature and extent of the review procedures for locations. For this, the nature, extent and/or risk profile of these locations are decisive. Based thereon we selected the locations to visit, being Wapenveld, the Netherlands; Warsaw, the United States of America; and Montataire, France. Of these, one was a physical visit and two of were virtual. These visits are aimed at, on a local level, observing parts of Akzo Nobel's Health, Safety, Environment and Security (HSE&S) audits and validating source data and obtaining through inquiries a general understanding of the control environment, processes and information relevant to the preparation of the Indicators
  - obtaining assurance evidence that the Indicators reconcile to 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 of the Indicators submitted for consolidation at corporate level
- Evaluating the consistency of the Indicators with the information in the annual report, 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 the Board of Management regarding, among other matters, the planned scope and timing of the review and significant findings that we identified during our review.

Amsterdam, February 27, 2023
PricewaterhouseCoopers Accountants N.V.

Original has been signed by Fernand Izeboud RA

* The maintenance and integrity of Akzo Nobel's website is the responsibility of the Board of Management; the work carried out by us does not involve consideration of these matters and, accordingly, we accept no responsibility for any changes that may have occurred to the Reporting Principles Sustainability statements 2022 when presented on Akzo Nobel's website after the date of this assurance report.

FINANCIAL SUMMARY

Consolidated statement of income

In € millions, for the year ended December 31	2013	2014	2015	2016[3,4]	2017	2018	2019[5]	2020	2021	2022
Revenue	14,590	14,296	14,859	9,434	9,612	9,256	9,276	8,530	9,587	10,846
Operating income	958	987	1,573	923	825	605	841	963	1,118	708
Adjusted operating income[1]	897	1,072	1,462	928	905	798	991	1,099	1,092	789
Financing income and expenses	(200)	(156)	(114)	(91)	(78)	(52)	(76)	(69)	(39)	(124)
Income tax	(111)	(252)	(416)	(234)	(253)	(118)	(230)	(241)	(246)	(214)
Results from associates and joint ventures	14	21	17	18	17	20	20	25	26	18
Profit/(loss) for the period from continuing operations	**661**	**600**	**1,060**	**616**	**511**	**455**	**555**	**678**	**859**	**388**
Discontinued operations	131	18	6	436	393	6,274	22	(7)	6	(10)
Non-controlling interests	(68)	(72)	(87)	(82)	(72)	(55)	(38)	(41)	(36)	(26)
Net income, attributable to shareholders	**724**	**546**	**979**	**970**	**832**	**6,674**	**539**	**630**	**829**	**352**
Common shares, in millions at year-end	242.6	246.0	249.0	252.2	252.6	256.2	199.6	190.6	181.6	174.4
Dividend[2]	210	212	222	239	1,287	390	1,423	366	365	347
Number of employees at year-end	49,600	47,200	45,600	36,300	35,700	34,500	33,800	32,200	32,800	35,200
Average number of employees	50,200	48,200	46,100	36,200	36,200	34,900	34,200	33,000	32,700	35,100
Employee benefits	2,950	2,824	2,728	1,794	1,935	1,976	1,875	1,850	1,773	1,960
Average revenue per employee (in €1,000)	291	297	322	261	266	265	271	258	293	309
Average operating income per employee (in €1,000)	19	20	34	25	23	17	25	29	34	20
Ratios										
ROS%[1]	6.1	7.5	9.8	9.8	9.4	8.6	10.7	12.9	11.4	7.3
OPI margin%[1]	6.6	6.9	10.6	9.8	8.6	6.5	9.1	11.3	11.7	6.5
ROI%[1]	9.0	10.9	14.0	14.4	13.9	12.6	14.1	16.1	16.0	9.8
Net income in % of shareholders' equity	12.9	9.5	15.1	14.8	14.2	56.4	8.5	11.0	15.3	8.1
Employee benefits in % of revenue	20.2	19.8	18.4	19.0	20.1	21.3	20.2	21.7	18.5	18.1
Interest coverage (operating income / net interest on net debt)	5.1	8.6	16.2	13.2	12.3	8.0	14.3	18.5	18.0	8.1
Per share information										
Net income	3.00	2.23	3.95	3.87	3.31	26.19	2.53	3.29	4.48	2.01
Adjusted earnings per share	2.62	2.81	4.02	3.80	4.40	1.91	3.10	3.88	4.07	2.45
Shareholders' equity	23.06	23.53	26.04	25.99	23.22	46.19	32.33	30.26	30.32	25.43
Highest share price during the year	56.08	60.77	74.81	64.74	82.64	82.70	91.86	91.60	107.80	98.50
Lowest share price during the year	42.65	47.63	55.65	50.17	59.11	68.82	69.12	48.50	83.50	56.22
Year-end share price	55.71	57.65	61.68	59.39	73.02	70.40	90.69	87.86	96.50	62.56

[1] Refer to the glossary for definitions.
[2] Cash dividend paid to shareholders of AkzoNobel.
[3] Represented to present the Specialty Chemicals business as discontinued operations.
[4] Represented to the new adjusted earnings per share definition, which no longer excludes post-tax amortization charges.
[5] Includes the impact of the adoption of IFRS 16 "Leases".

Consolidated balance sheet

In € millions at December 31	2013	2014	2015	2016[1]	2017	2018	2019[2]	2020	2021	2022
Intangible assets	3,906	4,142	4,156	4,413	3,409	3,458	3,625	3,554	3,690	4,072
Property, plant and equipment	3,589	3,835	4,003	4,190	1,832	1,748	1,700	1,621	1,800	1,968
Right-of-use assets	–	–	–	–	–	–	374	324	304	291
Other non-current assets	2,219	2,148	2,125	1,736	1,894	1,965	2,541	2,614	2,736	2,166
Total non-current assets	**9,714**	**10,125**	**10,284**	**10,339**	**7,135**	**7,171**	**8,240**	**8,113**	**8,530**	**8,497**
Inventories	1,426	1,545	1,504	1,532	1,094	1,139	1,139	1,159	1,650	1,843
Receivables	2,622	2,831	2,810	2,846	2,026	2,215	2,196	2,049	2,488	2,615
Short-term investments	–	–	–	–	–	5,460	138	250	58	336
Cash and cash equivalents	2,098	1,732	1,365	1,479	1,322	2,799	1,271	1,606	1,152	1,450
Assets held for sale	203	66	–	–	4,601	–	–	–	—	—
Total current assets	**6,349**	**6,174**	**5,679**	**5,857**	**9,043**	**11,613**	**4,744**	**5,064**	**5,348**	**6,244**
Shareholders' equity	5,594	5,790	6,484	6,553	5,865	11,834	6,350	5,746	5,425	4,333
Non-controlling interests	427	477	496	481	442	204	218	204	211	215
Total equity	**6,021**	**6,267**	**6,980**	**7,034**	**6,307**	**12,038**	**6,568**	**5,950**	**5,636**	**4,548**
Provisions	1,938	2,143	1,865	1,938	964	899	981	896	812	554
Long-term borrowings	2,666	2,527	2,161	2,644	2,300	1,799	2,042	2,771	1,994	3,332
Other non-current liabilities	389	412	360	367	285	368	391	467	567	561
Total non-current liabilities	**4,993**	**5,082**	**4,386**	**4,949**	**3,549**	**3,066**	**3,414**	**4,134**	**3,373**	**4,447**
Short-term borrowings	961	811	430	87	973	599	169	119	1,556	2,543
Other current liabilities	3,438	3,634	3,716	3,704	2,912	2,870	2,602	2,742	3,164	3,037
Current portion of provisions	601	494	451	422	241	211	231	232	149	166
Liabilities held for sale	49	11	–	–	2,196	–	–	–	—	—
Total current liabilities	**5,049**	**4,950**	**4,597**	**4,213**	**6,322**	**3,680**	**3,002**	**3,093**	**4,869**	**5,746**
Average invested capital[3]	10,007	9,871	10,475	6,422	6,494	6,340	7,026	6,834	6,829	8,062
Capital expenditures[4]	666	588	651	634	613	184	214	258	288	292
Depreciation	472	477	487	206	202	181	293	297	281	281
Operating Working Capital[5]	1,384	1,418	1,385	1,405	927	898	1,068	878	1,247	1,760
Net debt	1,529	1,606	1,226	1,252	1,951	(5,861)	802	1,034	2,340	4,089
Ratios										
Equity/non-current assets	0.62	0.62	0.68	0.68	0.88	1.68	0.80	0.73	0.66	0.54
Inventories and receivables/other current liabilities	1.18	1.20	1.16	1.18	1.07	1.17	1.28	1.17	1.31	1.47
Operating working capital as % of revenue[6]	9.9	10.1	9.7	10.2	10.2	9.7	11.9	9.9	13.0	16.9

[1] 2016 is represented to present the Specialty Chemicals business as discontinued operations.
[2] Includes the impact of the adoption of IFRS 16 "Leases".
[3] Refer to glossary for definition.
[4] Capital expenditures include investments in intangible assets as from 2018.
[5] As from 2018 trade payables include certain other payables, which were previously classified as Other working capital. Trade payables, Operating working capital and Other working capital items have been represented for this change of definition for some €240 million.
[6] Operating working capital is measured against four times fourth quarter revenue.

Segment statistics

In € millions, for the year ended December 31	2013	2014	2015	2016	2017	2018	2019[1,2]	2020	2021[3]	2022
Decorative Paints										
Revenue[1]	4,174	3,909	4,007	3,835	3,898	3,699	3,670	3,558	3,979	4,371
Operating income	398	248	345	366	334	308	425	551	622	392
Adjusted operating income	199	248	345	357	351	346	418	573	580	397
ROS%	4.8	6.3	8.6	9.3	9.0	9.4	11.4	16.1	14.6	9.1
OPI margin%	9.5	6.3	8.6	9.5	8.6	8.3	11.6	15.5	15.6	9.0
Average invested capital	2,896	2,824	2,959	2,783	2,803	2,798	3,106	2,799	2,872	3,678
ROI%	6.9	8.8	11.7	12.8	12.5	12.4	13.4	20.5	20.2	10.8
Capital expenditures	171	143	158	107	112	50	62	77	108	91
Average number of employees	16,800	15,500	15,100	14,800	14,700	14,100	12,900	12,100	12,500	13,800
Average revenue per employee (in €1,000)	248	252	265	259	265	262	284	294	318	317
Average operating income per employee (in €1,000)	24	16	23	25	23	22	33	46	50	28
Performance Coatings										
Revenue[1]	5,571	5,589	5,955	5,665	5,775	5,587	5,549	4,957	5,603	6,472
Operating income	525	545	792	735	668	577	565	665	616	444
Adjusted operating income	525	545	792	759	669	629	688	700	614	493
ROS%	9.4	9.8	13.3	13.4	11.6	11.3	12.4	14.1	11.0	7.6
OPI margin%	9.4	9.8	13.3	13.0	11.6	10.3	10.2	13.4	11.0	6.9
Average invested capital	2,463	2,480	2,692	2,586	2,860	3,066	3,325	3,388	3,520	3,894
ROI%	21.3	22.0	29.4	29.4	23.4	20.5	20.7	20.7	17.4	12.7
Capital expenditures	143	143	147	159	129	107	113	146	147	167
Average number of employees	21,300	21,000	19,700	19,300	19,800	19,200	18,000	17,500	17,000	18,000
Average revenue per employee (in €1,000)	262	266	302	294	292	291	308	283	330	360
Average operating income per employee (in €1,000)	25	26	40	38	34	30	31	38	36	25

[1] The 2019 figures are restated to represent revenue from third parties instead of group revenue.
[2] Includes the impact of the adoption of IFRS 16 "Leases".
[3] Operating income, adjusted operating income, EBITDA and adjusted EBITDA (and related measures) per segment for 2021 have been updated to reflect changes in the financial reporting structure related to a narrower definition of corporate activities and corporate costs in corporate and other activities.

Regional statistics

In € millions	2018	2019[2]	2020	2021	2022
The Netherlands					
Revenue by destination	318	359	342	335	319
Revenue by origin	458	484	434	445	409
Capital expenditures	25	42	46	45	45
Average invested capital	1,560	1,622	1,713	1,701	2,038
Number of employees[1]	2,400	2,400	2,300	2,400	2,300
UK					
Revenue by destination	818	838	838	882	900
Revenue by origin	918	951	975	1,034	1,092
Capital expenditures	29	16	15	26	24
Average invested capital	758	850	623	553	503
Number of employees[1]	3,200	3,200	3,000	3,000	3,000
Other EMEA countries					
Revenue by destination	3,304	3,308	3,147	3,591	3,814
Revenue by origin	3,096	3,093	2,994	3,385	3,584
Capital expenditures	56	66	75	74	71
Average invested capital	1,533	1,816	1,899	1,916	2,087
Number of employees[1]	11,100	11,000	11,000	11,300	11,100
North America					
Revenue by destination	1,233	1,246	1,114	1,163	1,416
Revenue by origin	1,263	1,278	1,126	1,194	1,445
Capital expenditures	20	32	43	37	42
Average invested capital	716	707	689	784	899
Number of employees[1]	3,000	3,100	3,000	3,100	3,100
Latin America[3]					
Revenue by destination	716	709	601	744	1,298
Revenue by origin	718	674	588	724	1,282
Capital expenditures	12	11	11	15	16
Average invested capital	335	350	290	315	823
Number of employees[1]	2,400	2,400	2,300	2,400	5,100
China					
Revenue by destination	1,329	1,268	1,205	1,418	1,396
Revenue by origin	1,321	1,271	1,198	1,389	1,387
Capital expenditures	13	15	24	30	32
Average invested capital	732	908	852	876	878
Number of employees[1]	5,300	4,900	4,500	4,400	4,300
Other Asian countries and Pacific					
Revenue by destination	1,538	1,548	1,282	1,454	1,703
Revenue by origin	1,482	1,525	1,215	1,416	1,647
Capital expenditures	29	32	44	61	62
Average invested capital	706	773	768	684	834
Number of employees[1]	7,100	6,800	6,100	6,200	6,300

[1] At year-end.
[2] Includes the impact of the adoption of IFRS 16 “Leases”.
[3] Previously reported as South America.

GLOSSARY

Adjusted EBITDA
Adjusted EBITDA is operating income excluding depreciation, amortization and identified items.

AGM or EGM
Annual General Meeting of shareholders; Extraordinary General Meeting of shareholders.

Alternative performance measures (APM)
AkzoNobel uses APM adjustments to the IFRS measures to provide supplementary information on the reporting of the underlying developments of the business. APM include, but are not limited to, adjusted operating income, (adjusted) EBITDA, adjusted earnings per share, ROS and ROI.

BBS
Behavior-based safety. A global program run at all AkzoNobel locations.

Business Partner Code of Conduct
Explains what we stand for as a company, what we value and how we run our business. It brings our core values of safety, integrity and sustainability to life and shows what they mean in practice.

Capital expenditures
The total of investments in property, plant and equipment and investments in intangible assets.

Carbon footprint
The total amount of greenhouse gas (GHG) emissions caused during a defined period of a product's lifecycle. It is expressed in terms of the amount of carbon dioxide equivalents CO_2(e) emitted. Greenhouse gases include CO_2, CO, CH_4, N_2O and HFCs, which have a global warming impact. We also include the impact of VOCs in our targets.

Code of Conduct
Defines our core values and how we work. It incorporates fundamental principles on issues such as business integrity, labor relations, human rights, health, safety, environment and security and community involvement.

Comprehensive income
The change in equity during a period resulting from transactions and other events, other than those changes resulting from transactions with shareholders in their capacity as shareholders.

Constant currencies
Calculations exclude the impact of changes in foreign exchange rates.

Earnings per share
Net income attributable to shareholders divided by the weighted average number of common shares outstanding during the year. Adjusted earnings per share are the basic earnings per share, excluding identified items and taxes thereon.

EBITDA
Operating income excluding depreciation and amortization.

EMEA
Europe, Middle East and Africa.

Emissions and waste
We report emissions to air, land and water for those substances which may have an impact on people or the environment: CO_2, NOx and SOx, VOCs, hazardous and non-hazardous waste. Definitions are in the Sustainability statements.

HSE&S
Health, safety, environment and security.

Identified items
Identified items are special charges and benefits, results on acquisitions and divestments, major restructuring and impairment charges and charges related to major legal, environmental and tax cases.

Invested capital
Total assets (excluding cash and cash equivalents, short-term investments, investments in associates, the receivable from pension funds in an asset position, assets held for sale) less current income tax payable, deferred tax liabilities and trade and other payables.

Latin America
Excludes Mexico.

Leverage ratio
Calculated as net debt divided by EBITDA, which is calculated as the total of the last 12 months.

Lost time injury rate (LTIR)
The number of lost time injuries per 200,000 hours worked. Full definitions are in the Sustainability statements.

Net debt
Defined as long-term borrowings plus short-term borrowings less cash, cash equivalents and short-term investments.

North America
Includes Mexico.

North Asia
Includes, among others, China, Japan and South Korea.

Operating income
Operating income is defined in accordance with IFRS and includes the relevant identified items. Adjusted operating income excludes identified items.

Operational cash flow
We use operational cash flow to monitor cash generation. It is defined as operating income excluding depreciation and amortization, adjusted for the change in operating working capital and capital expenditures.

OPI margin
Operating income as a percentage of revenue.

R&D
Research and development.

Relevant markets
Segments and regions of the paints and coatings industry from which AkzoNobel generates revenue.

ROI (return on investment)
ROI is adjusted operating income of the last 12 months as a percentage of average invested capital.

ROS (return on sales)
ROS is adjusted operating income as a percentage of revenue.

Shareholders' equity per share
Akzo Nobel N.V. shareholders' equity divided by the number of common shares outstanding at year-end.

South Asia Pacific
Includes South East Asia and Asia Pacific.

Total reportable rate of injuries (TRR)
The number of injuries per 200,000 hours worked. Full definitions are in the Sustainability statements.

TSR (total shareholder return)
Compares the performance of different companies' stocks and shares over time. Combines share price appreciation and dividends paid to show the total return to shareholders. The relative TSR position reflects the market perception of overall performance relative to a reference group.

VOC
Volatile organic compounds.

INDEX

Reporting principles

Our reporting principles describe in detail the definitions, methods and major assumptions for all sustainability metrics reported in our annual report and on our website. The full version is available on our website via https://www.akzonobel.com/en/about-us/sustainability-/reporting-principles-

Social

Organizational health	The overall percentile score is used in external reports. In 2019, four quarterly surveys were held with results per quarter. For the annual report of 2019, the Q4 scores were reported. Since 2020, frequency was changed to two (Q1 and Q3) survey. For 2022, we have decided to change the frequency to once a year. Therefore the reported results in the 2022 annual report are from Q2, 2022. All permanent employees are part of the survey except for contingent workers, contractors, temporary or interns.
Female executives	Percentage of women at executive level. Executive level includes all employees with an executive position grade at AkzoNobel and its subsidiaries, including the members of the Executive Committee who are not members of the Board of Management. Executive level further includes the members of the board of management and the supervisory board of each of Akzo Nobel Nederland B.V., Akzo Nobel Decorative Coatings B.V., Akzo Nobel Car Refinishes B.V. and International Paint (Nederland) B.V. The company's executives are considered as AkzoNobel's sub top as referred to in the Dutch Gender Diversity Bill implemented in 2022.
Total reportable injury rate (TRR)	The total reportable injury rate (TRR) is the number of injuries resulting in a medical treatment case, restricted work case, lost time case or fatality, per 200,000 hours worked. Temporary workers are reported with employees, since day-to-day management is by AkzoNobel. The classifications of injuries are in line with OSHA guidelines.
Lost time injury rate employees/temporary workers	The lost time injury rate (LTIR) is the number of injuries resulting in a lost time case per 200,000 hours worked. Temporary workers are reported together with employees since day-to-day management is by AkzoNobel.
Life-changing injuries	Life-changing injuries are injuries to employees, temporary workers and contractors that are considered life-changing. This includes (but is not limited to): coma, some level of permanent disability (including loss of sight or hearing), organ removal, the requirement for ongoing multiple surgeries, lingering trauma, any amputation of digits or limbs, skin grafts, the insertion of plates, pins or screws. This category also includes fatalities.
Occupational illness rate employees	The total number of reportable occupational illness cases for the reporting period per 200,000 hours worked. This parameter is reportable for employees. Occupational illness is defined as any abnormal condition or disorder other than one resulting directly from an accident caused by, or mainly caused by, work-related factors over a period of time rather than an instantaneous event, and recognized during the reporting year as part of national schemes or regulations. Occupational illness rate employees includes illness related to mental health caused by work conditions.
Loss of primary containment – Level 1 and 2	A loss of primary containment (LoPC) from a process or uncontrolled or unsafe release from a pressure relief device (PRD) that exceeds the Level 1 chemical release threshold. Level 1 includes on-site injury to employees, contractors or members of the general public that leads to severe injury; release that is observable or has impact off-site and can give rise to public concern and local media attention; permit violation (significant regulatory action as a result of LoPC Level 1 release); damage (including financial and quality of life) to local stakeholders (such as local suppliers or neighbors) or exceeding €25,000 asset damage. Level 2 includes reportable injury, medical treatment injury, restricted work injury, or lost time injury not resulting in severe injury; release almost certainly contained on site, not readily controlled, with no observable impact off-site; external complaint which affects company reputation for some employees; orexceeding €2,500 asset damage.
Regulatory actions Level 4	Formal legal notification with fines above €100,000 (Level 4).
Security incident Level 3	Security incidents are divided into three categories, dependent on severity, from small up to Level 3 – a significant security incident. They are also separated into three incident category types (crime against a person, property crime and financial crime). This is the number of security incidents (Level 3) resulting from: 1. Crime against person/organization: kidnapping, robbery, malicious wounding, murder, other fatality resulting from criminal activity, multiple victims (>5) 2. Property crime: hijacking, sabotage, terrorism or any of the above with loss or damage to property >€10,000 3. Financial crime: >€10,000
AkzoNobel Cares (number of projects and number of people empowered)	Social impact programs effort; consists of four programs: "Let's Colour", SOS Children's Villages, Education Fund and local AkzoNobel CSR projects (e.g. CSR in India). • Number of community people trained • Number of projects AkzoNobel Cares projects are defined as a separate activity benefiting people in communities, involving AkzoNobel employees or funding, reported to the central AkzoNobel Cares team quarterly. Community people empowered with new skills are people with vulnerable backgrounds, including young people at risk, who are trained in painting, professional and life/soft skills as a result of project/activity/participation delivered by AkzoNobel employees or through financial donations.

Environmental

Energy use	The energy consumption of AkzoNobel in absolute measures (1,000 TJ) and per ton of production. Energy is expressed as "primary" energy, or fuel equivalents, used on our sites and to generate electricity/heat for our sites.
Percentage renewable energy	Percentage renewable energy used in our operations. Renewable energy (in fuel equivalent) is the sum of energy used from renewable electricity, biomass, renewable steam and hot water. Energy is expressed as "primary" energy, or fuel equivalents. Expressed as the share of renewable energy AkzoNobel uses in its own operations relative to the total energy used. We use an average efficiency factor of 40%.
Percentage renewable electricity	Percentage renewable electricity used in our operations. Renewable electricity is electricity that is generated from inexhaustible resources, such as wind, solar, hydro, biomass and tidal. Expressed as the share of total renewable electricity (own generated plus imported from grid) AkzoNobel uses in its own operations relative to the total electricity used.
Greenhouse gas emissions – Scope 1 (direct) and Scope 2 (indirect)	The total greenhouse gas emissions from processes and combustion at our facilities and indirect emissions from purchased energy in absolute measures (Mt CO_2e) and kg CO_2e per ton of production. Emissions from transport in own operations is very limited and therefore not material compared to other Scope 1 and 2 emissions. As transport is not material to Scope 1 and 2, these scopes exclude transport. We measure and report CO_2 in line with the GHG Protocol. The other gases from the GHG Protocol are considered immaterial and not actively measured.
Volatile organic compounds	Volatile organic compound emissions in absolute measures (kilotons) and kg per ton production. Volatile organic compounds (VOCs) are emitted as gases from certain solids or liquids, for instance from solvent-based paints.
Total waste	Total waste in absolute measures (kilotons) and kg per ton production. Waste is reported as total weight, not dry weight. Waste is any material arising from our routine operations which is not incorporated into final products and not directly released to atmosphere or direct to surface water. Non-reusable waste is waste which is not used for resource recovery, recycling, reclamation, direct re-use or alternative uses (e.g. composting).
Circular use of materials	The amount of materials reused by AkzoNobel and third parties (reusable waste plus by-products) divided by the total waste plus by-products (percentage).
Hazardous waste	Hazardous waste is waste that is classified and regulated as such according to the national, state, provincial or local legislation in place.
Total waste to landfill	All hazardous and non-hazardous non reusable waste (in absolute measures (kilotons) and kg per ton production) as it leaves our premises in the reporting period, sent for disposal to landfill.
Total fresh water use and consumption	Fresh water use as absolute measure (million m^3) and m^3 per ton production. • Extraction recorded as surface, ground and potable water • Use recorded as cooling, process and other use (e.g. hygiene, grounds) The majority of water is used for cooling and returned to the original source, slightly heated. Fresh water consumption as absolute measure (million m^3) and m^3 per ton production. Fresh water consumption is the fresh water use minus cooling water and water in product. Cooling water is excluded as it is extracted and returned from the same basin only with a potentially altered temperature (chemically unchanged).
Suppliers signed Business Partner Code of Conduct (% of spend)	Percentage product related spend (measured in euro value) with suppliers (raw materials and packaging) who have signed our business partner Code of Conduct. Percentage non-product related (NPR) spend (measured in euro value) with suppliers who have signed our Business Partner Code of Conduct. Our Business Partner Code of Conduct states that we want to do business with business partners who endorse our ethical values and our social and environmental standards. We therefore require suppliers to sign our Business Partner Code of Conduct, which is based on the AkzoNobel Code of Conduct.
Suppliers sustainability risk analysis (baseline)	Number of suppliers who have been identified as risk to AkzoNobel due to their spend level (>€250,000), country risk (sensitive and emerging countries using EcoVadis' country risk profile) and/or category risk. Spend levels are based on the prior reporting year, which means for the 2022 annual report, 2021 spend levels were used.
Suppliers participating in sustainability program	Number of suppliers who performed an EcoVadis online assessment or TfS onsite audit (in % of baseline as indicated under "Sustainability risk analysis").
Suppliers in sustainability program – in line with expectations	Number of suppliers who meet our expectation in the EcoVadis assessment (in % of baseline as indicated under "Sustainability risk analysis"): 45 total score and human right and labor score of 50.
Suppliers in sustainability program – under development	Suppliers who have performed the EcoVadis assessment but who are not yet meeting our expectation. Suppliers have three years to reach the minimum EcoVadis scores (see "Suppliers in line with our expectation").

Product portfolio

Sustainable solutions	A measure of the sustainability of our products, which have customer/consumer sustainability benefits, as percentage of our revenue. The reporting period for sustainable solutions is November 2021-October 2022. A sustainable solution is a product or solution that has a sustainability benefit in one or more of the following sustainability criteria, when compared to other products or solutions which provide a similar functional effect/benefit to the user: reduced carbon and energy, health and well-being, less waste, reduced/reused and renewed material use and longer-lasting performance. A sustainable solution does not have any adverse effects in any of these sustainability criteria throughout the value chain.
Cradle-to-grave carbon footprint (Scope 1, 2, and 3)	Our CO_2(e) footprint in million tons of CO_2(e) including Scope 1 (own operations), Scope 2 (energy use) and Scope 3 (upstream) and Scope 3 (downstream). The footprint includes the six main greenhouse gases defined in the Greenhouse Gas Protocol. • Upstream – category 1: purchased goods and services • Downstream – category 10: processing of sold products; category 11: use of sold products; category 12: end-of-life treatment of sold products The climate change impact of VOC emissions is included in the cradle-to-grave footprint, due to the impact VOC emissions have within the paints and coatings industry. Assessment of Scope 3 emissions relies on using industry average data (category 1), use phase models (category 10 and 11) and Life Cycle Assessment (category 10, 11 and 12) for certain parts of our value chain. The numbers used are reviewed and updated conservatively to ensure proper data quality and comparability.

Appendix: List of affiliated legal entities and corporations

List at December 31, 2022, of affiliated legal entities and corporations in conformity with articles 379 and 414, Book 2 of the Dutch Civil Code belonging to Akzo Nobel N.V., Amsterdam

List of consolidated legal entities and corporations

		Ownership %[1]
Argentina		
Akzo Nobel Argentina S.A.	Buenos Aires	100
Aruba		
Arubaanse Verffabriek N.V.	Oranjestad	50.394
Australia		
Akzo Nobel Coatings (Holdings) Pty Limited	Sunshine	100
Akzo Nobel Pty Limited	Sunshine	100
Austria		
Akzo Nobel Coatings GmbH	Salzburg	100
Akzo Nobel Holding Österreich GmbH	Vienna	100
Belgium		
Akzo Nobel Paints Belgium NV	Vilvoorde	100
Auto Body Services CV (ABS)	Vilvoorde	84.615
Cleming BV	Vilvoorde	100
International Paint (Belgium) NV	Vilvoorde	100
Bolivia		
Pinturas Coral De Bolívia Ltda	Santa Cruz de la Sierra	100
Botswana		
Dulux (Botswana) (Pty) Limited	Gaborone	100
Brazil		
Akzo Nobel Ltda	Barueri	100
Canada		
Akzo Nobel Coatings Ltd	Ontario	100
Akzo Nobel Wood Coatings Ltd	Port Hope	100
Cayman Islands		
Ichem Reinsurance Company Limited	George Town	100
ICI International Investments	George Town	100
Chile		
International Paint (Akzo Nobel Chile) Ltda	Santiago	100
China		
Akzo Nobel (China) Investment Co., Ltd.	Shanghai	100
Akzo Nobel Car Refinishes (Suzhou) Co, Ltd.	Suzhou	100
Akzo Nobel Chang Cheng Coatings (Guangdong) Co., Ltd.	Shenzhen	100
Akzo Nobel Coatings (Dongguan) Co., Ltd.	Dongguan	100
Akzo Nobel Coatings (Jiaxing) Co., Ltd.	Jiashan	100
Akzo Nobel Coatings (Tianjin) Co., Ltd.	Tianjin	100
Akzo Nobel Decorative Coatings (China) Ltd	Guangzhou	100
Akzo Nobel Decorative Coatings (Langfang) Co., Ltd.	Langfang	100
Akzo Nobel International Paint (Suzhou) Co., Ltd.	Suzhou	100
Akzo Nobel Paints (Chengdu) Co., Ltd.	Chengdu	100
Akzo Nobel Paints (Guangzhou) Co., Ltd.	Guangzhou	90
Akzo Nobel Paints (Shanghai) Co., Ltd.	Shanghai	100
Akzo Nobel Performance Coatings (Changzhou) Co., Ltd.	Changzhou	100
Akzo Nobel Performance Coatings (Shanghai) Co., Ltd.	Shanghai	100
Akzo Nobel Powder Coatings (Chengdu) Co., Ltd.	Chengdu	100
Akzo Nobel Powder Coatings (Langfang) Co., Ltd.	Langfang	100
Akzo Nobel Powder Coatings (Wuhan) Co., Ltd.	Wuhan	100
International Paint of Shanghai Co., Ltd.	Shanghai	51
Colombia		
AkzoNobel Colombia S.A.S.	Medellin	100
Anhidridos y Derivados de Colombia S.A.S.	Medellin	100
Cacharreria Mundial S.A.S.	Medellin	100
Compania Global de Pinturas S.A.S.	Medellin	100
Interquim S.A.S.	Medellin	100
Oceanic Paints S.A.S.	Medellin	60
Costa Rica		
Pintuco Costa Rica PCR, S.A.	Cartago	100
Curacao		
Macomoca B.V.	Willemstad	100
Pintuco Curacao B.V.	Willemstad	100
Czech Republic		
Akzo Nobel Coatings CZ, a.s.	Prague	100
Denmark		
Akzo Nobel Deco A/S	Copenhagen	100
International Farvefabrik A/S	Herlev	100
Ecuador		
Interquimec S.A.	Quito	100
Pinturas Ecuatorianas S.A.	Guayaquil	100
Poliquim, Polimeros y Quimicos C.A.	Guayaquil	100
Egypt		
Akzo Nobel Egypt LLC	6th of October City	100
Akzo Nobel Powder Coatings S.A.E.	Giza	100
El Salvador		
Pintuco el Salvador S.A. de C.V.	San Salvador	100
Estonia		
Akzo Nobel Baltics AS	Tallinn	100
Eswatini		
Dulux Swaziland (Pty) Limited	Matsapha	100
Finland		
Oy International Paint (Finland) Ab	Helsinki	100
France		
Akzo Nobel Decorative Paints France S.A.	Thiverny	99.983
Akzo Nobel Distribution SAS	Corbas	99.975
Akzo Nobel SAS	Montataire	100
Mapaero SAS	Pamiers	100
SAS BOUCHER	Pamiers	100
Germany		
Akzo Nobel Coatings GmbH	Stuttgart	100
Akzo Nobel Deco GmbH	Wunstorf	100
Akzo Nobel GmbH	Cologne	100
Akzo Nobel Hilden GmbH	Hilden	100
Akzo Nobel Powder Coatings GmbH	Reutlingen	100
International Farbenwerke GmbH	Börnsen	100
Schramm Coatings GmbH	Offenbach am Main	100
Schramm Holding GmbH	Offenbach am Main	100
Greece		
Akzo Nobel Anonymous Company of Paints and Related Products	Athens	100
Varnishes and Paints Industry Vivechrom Dr. Stefanos D. Pateras S.A.	Mandra Attica	79.184
Guatemala		
Pintuco Guatemala S.A.	Guatemala	100
Guernsey		
Impkemix Trustee Limited	St. Peter Port	100
Honduras		
Pintuco de Honduras, S.A.	Choloma	100
Hong Kong SAR[2]		
Akzo Nobel Chang Cheng Limited	Hong Kong	100
Akzo Nobel HK (Holdings) Limited	Hong Kong	100
Akzo Nobel Paints Limited	Hong Kong	100
International Paint (East Russia) Limited	Hong Kong	51
International Paint (Hong Kong) Limited	Hong Kong	100
Mapaero HK Limited	Hong Kong	100
Schramm Hong Kong Co., Limited	Hong Kong	100
Hungary		
Akzo Nobel Coatings Zrt	Budapest	100
India		
Akzo Nobel Global Business Services LLP	Pune	100
Akzo Nobel India Limited	Kolkata	74.757
ICI India Research & Technology Centre	Mumbai	18.689
Indonesia		
PT Akzo Nobel Car Refinishes Indonesia	Jakarta	100
PT Akzo Nobel Wood Finishes and Adhesives Indonesia	Jakarta	100
PT ICI Paints Indonesia	Jakarta	55
PT International Paint Indonesia	Jakarta	100
Ireland		
Akzo Nobel (CR9) Limited	Dublin	100
Akzo Nobel Car Refinishes (Ireland) Limited	Dublin	100
Dulux Paints Ireland Limited[3]	Cork	100
ICI Fertilisers (Ireland) Limited	Cork	100
ICI Ireland Limited	Cork	100
Italy		
Akzo Nobel Coatings S.P.A.	Como	100
Japan		
Akzo Nobel Coatings K.K.	Tokyo	100
Kenya		
Akzo Nobel Kenya Limited	Nairobi	100
Kuwait		
International Warba Coatings Paint Mfg Co. W.L.L.	Kuwait	49
Latvia		
Akzo Nobel Baltics SIA	Riga	100
Lithuania		
Akzo Nobel Baltics, UAB	Vilnius	100
Malaysia		
Akzo Nobel Industrial Coatings Sdn Bhd	Kuala Lumpur	100
Akzo Nobel Paints (Malaysia) Sdn Bhd	Kuala Lumpur	59.949
Akzo Nobel Paints Marketing Sdn Bhd	Selangor	59.949
Colourland Paints Sdn Bhd	Selangor	59.949
International Paint Sdn Bhd	Johor Darul Takzim	70
Mauritius		
Coloris Ltd	Les Pailles	100
Mauvilac Industries Limited	Les Pailles	100
Mexico		
Akzo Nobel Performance Coatings S.A. de C.V.	Mexico City	100
Morocco		
Akzo Nobel Coatings S.A.	Casablanca	59.628

Akzo Nobel Performance Coatings Morocco S.A.R.L.		
	Casablanca	100
Distral Maroc S.A.	Rabat	59.608
Sadvel S.A.	Casablanca	59.625
Myanmar		
Akzo Nobel (M) Co. Ltd.	Yangon	100
Netherlands[4]		
*Akzo Nobel (C.) Holdings B.V.	Woerden	100
Akzo Nobel Assurantie N.V.	Arnhem	100
*Akzo Nobel Car Refinishes B.V.	Sassenheim	100
*Akzo Nobel Coatings International B.V.	Arnhem	100
*AKZO Nobel Decorative Coatings B.V.	Sassenheim	100
*Akzo Nobel Insurance Management B.V.	Arnhem	100
*Akzo Nobel Management B.V.	Arnhem	100
*Akzo Nobel Nederland B.V.	Arnhem	100
*Akzo Nobel Sino Coatings B.V.	Sassenheim	100
*Akzo Nobel Sourcing B.V.	Arnhem	100
*B.V. Alabastine (Holland)	Ammerzoden	100
*ICI Omicron B.V.	Rotterdam	100
ICI Theta B.V.	Rotterdam	100
*International Paint (Nederland) B.V.	Rhoon	100
*Panter B.V.	Hoofddorp	100
*Remmert Holland B.V.	Arnhem	100
*Syncoflex B.V.	Arnhem	100
New Zealand		
Akzo Nobel Coatings Ltd	Avondale	100
Nicaragua		
Industrial Pintuco Nicaragua S.A.	Managua	99.910
Norway		
Akzo Nobel Coatings AS	Oslo	100
Oman		
Akzo Nobel Oman SAOC	Muscat	50
Pakistan		
Akzo Nobel Pakistan Limited	Karachi	98.083
Panama		
Centro de Pinturas Pintuco, S.A.	Panama	100
International Paint (Panama) Inc.	Mercantil	100
Kativo Chemical Industries, S.A.	Panama City	99.965
Kativo Holding Co., S.A.	Panama City	100
KCI Export Trading Ltd	Panama	100
Pinturas Mundial de Panama, S.A.	Panama	100
Papua New Guinea		
Akzo Nobel Limited	Geheru	100
Peru		
Akzo Nobel Peru S.A.C.	Lima	100
Poland		
Akzo Nobel Car Refinishes Polska Sp. z o.o.	Warsaw	100
Akzo Nobel Decorative Paints Sp. z o.o.	Warsaw	100
Akzo Nobel Industrial Coatings Sp. z o.o.	Kostrzyn Wlkp.	100
International Paint Sp. z o.o.	Gdansk	100
Portugal		
Akzo Nobel Tintas para Automoveis Lda	Carregado	100
International Paint Ibéria, Lda	Setúbal	100
Tintas Titan, S.A.	Maia	100
Qatar		
Akzo Nobel LLC	Doha	100
Romania		
Fabryo Corporation Srl	Popesti-Leordeni	100
Russian Federation		
Akzo Nobel Dekor CJSC	Balashikha	100
OOO “Akzo Nobel Coatings”	Moscow	100
OOO “Akzo Nobel Lakokraska”	Orehovo-Zuevo	100
Saudi Arabia		
Akzo Nobel Saudi Arabia Ltd	Dammam	60
Singapore		
Akzo Nobel Adhesives Pte Ltd	Singapore	100
Akzo Nobel Car Refinishes (Singapore) Pte Ltd	Singapore	100
Akzo Nobel Paints (Singapore) Pte Ltd	Singapore	100
International Paint Singapore Pte Ltd	Singapore	100
Slovenia		
Akzo Nobel Adhezivi d.o.o.	Ljubljana	100
South Africa		
AkzoNobel South Africa (Pty) Ltd	Johannesburg	100
ICI Dulux (Pty) Ltd	Johannesburg	100
South Korea		
Akzo Nobel Industrial Coatings Korea Ltd.	Ansan	100
Akzo Nobel Powder Coatings Korea Co., Limited		
	Ansan	100
International Paint (Korea) Ltd	Busan	60
International Paint (Research) Ltd	Geoje City	100
Spain		
Akzo Nobel Coatings, S.L.U.	Barcelona	100
Sri Lanka		
Akzo Nobel Paints Lanka (Pvt) Ltd	Colombo	40
Sweden		
Akzo Nobel Adhesives AB	Stockholm	100
Akzo Nobel Car Refinishes AB	Tyresoe	100
Akzo Nobel Decorative Coatings AB	Malmö	100
Akzo Nobel Industrial Coatings AB	Malmö	100
Akzo Nobel Industrial Finishes AB	Västervik	100
Akzo Nobel Sweden Finance AB	Malmö	100
International Färg AB	Göteborg	100
Switzerland		
Akzo Nobel Car Refinishes AG	Bäretswil	100
Akzo Nobel Coatings AG	Neuenkirch	100
Taiwan		
Akzo Nobel Paints Taiwan Limited	Chung Li	100
International Paint (Taiwan) Limited	Kaohsiung	100
Thailand		
Akzo Nobel Coatings Limited	Nakornprathom	100
Akzo Nobel Paints (Thailand) Limited	Amphur Pakkred	100
Schramm SSCP (Thailand) Co., Ltd.	Rayong	100
Tunisia		
Société Tunisienne de Peintures Astral S.A.	Megrine	60
Türkiye		
Akzo Nobel Boya Sanayi ve Ticaret A.S.	Izmir	100
Akzo Nobel Kemipol Kimya Sanayi ve Ticaret A.S.		
	Izmir	51
Akzo Nobel Server Boya Sanayi ve Ticaret A.S.	Dilovasi/ Kocaeli	55
International Paint Pazarlama Limited Sirketi	Istanbul	100
Marshall Boya Ve Vernik Sanayii A.S.	Dilovasi	92.974
Tekyar Teknik Yardim A.S.	Dilovasi	100
Uganda		
Akzo Nobel Uganda Limited	Kampala	100
Ukraine		
LLC “Akzo Nobel Holding Ukraine”	Kiev	100
United Arab Emirates		
Akzo Nobel Decorative Paints L.L.C.	Dubai	49
Akzo Nobel ME Coatings FZE	Jebel Ali Free Zone	100
Akzo Nobel UAE Paints L.L.C.	Dubai	48.979
United Kingdom		
Akzo Nobel (CPS) Pension Trustee Limited	Slough	100
Akzo Nobel (NASH) Limited	Slough	100
Akzo Nobel (NSC) Limited	Slough	99.902
Akzo Nobel Aerospace Coatings Limited	Slough	100
Akzo Nobel CIF Nominees Limited	Slough	100
Akzo Nobel Coatings (BLD) Limited	Slough	100
Akzo Nobel Coatings Limited	Slough	100
Akzo Nobel Decorative Coatings Limited	Slough	100
Akzo Nobel Finance Limited	Slough	100
Akzo Nobel Finance (2) Limited	Slough	100
Akzo Nobel Holdings Limited	Slough	100
Akzo Nobel ICI Holdings	Slough	100
Akzo Nobel Industrial Coatings Limited	Slough	100
Akzo Nobel Limited	Slough	100
Akzo Nobel Packaging Coatings Limited	Slough	100
Akzo Nobel Powder Coatings Limited	Slough	100
Akzo Nobel UK Ltd	Slough	100
Cuprinol Limited	Slough	100
Dulux Limited	Slough	100
Ergon Investments International Limited	Slough	100
Ergon Investments UK Limited	Slough	100
Flexcrete Technologies Limited	Slough	100
Hammerite Products Limited	Slough	100
Holywell-Halkyn Mining and Tunnel Company Limited		
	Slough	96.955
I C I Finance Limited	Slough	100
ICI Chemicals & Polymers Limited	Slough	100
ICI Paints (Trade Contract) Limited	Slough	100
Imperial Chemical Industries Limited	Slough	100
International Coatings Limited	Slough	100
International Paint Limited	Slough	100
International Paints (Holdings) Limited	Slough	100
Intex Yarns (Manufacturing) Limited	Slough	100
J.P. Mcdougall & Co. Limited	Slough	100
Mapaero UK Ltd	Crawley	100
Mortar Investments International Limited	Slough	100
Mortar Investments UK Limited	Slough	100
Polycell Products Limited	Slough	100
Resinous Chemicals Limited	Slough	100
Sales Support Group Limited	Slough	100
Scottish Agricultural Industries Limited	Edinburgh	100
Stevenston Holdings Limited	Edinburgh	100
United States of America		
Akzo Nobel Coatings Inc.	Delaware	100
Akzo Nobel Inc.	Delaware	100
Akzo Nobel Services Inc.	Delaware	100
Blue Water Marine Paint LLC	Delaware	100
Expert Management Inc.	Delaware	100
ICI Americas Inc.	Delaware	100
International Paint LLC	Delaware	100
Mapaero Inc.	Delaware	100
New Nautical Coatings Inc.	Florida	100
Uruguay		
Pinturas Inca S.A.	Montevideo	100
Vietnam		
Akzo Nobel Vietnam Limited	Binh Duong	100
Zambia		
Dulux Zambia (2005) Limited	Lusaka	100

List of non-consolidated legal entities and corporations

Colombia		
Glasst Innovation Company S.A.S.	Medellin	25
Minerales Industriales S.A.S.	Sabaneta	40
Italy		
Metlac Holding S.r.l.	Alessandria	49
Metlac S.p.A.	Alessandria	71.667

1 The ownership percentage represents the interest Akzo Nobel N.V. or one or more of its majority subsidiaries singly or jointly have in the issued share capital of the participation. The list does not include entities that are of insignificant relevance in respect of the insight required by law, such as dormant companies and companies in liquidation.

2 Hong Kong Special Administrative Region.

3 Akzo Nobel N.V. has declared in writing that it guarantees the commitments entered into by Dulux Paints Ireland Limited, in conformity with section 357(1) of the Irish Companies Act 2014.

4 With respect to the Dutch legal entities marked *, Akzo Nobel N.V. has declared in writing that it accepts joint and several liability for contractual debts of the relevant companies, in conformity with article 403, Book 2, of the Netherlands Civil Code.