

Human Rights Position Paper

Our commitment to respect human rights

As part of [our core principles](#), we are committed to respecting internationally recognized human rights in all our operations and throughout our value chain. This commitment is in line with the [United Nations Guiding Principles on Business and Human Rights](#) (UNGPR) and the International Labor Organization (ILO) [Declaration on Fundamental Principles and Rights at Work](#). Further support is provided by our human rights framework, which includes policies, a governance structure, a focus on salient issues, due diligence processes to identify and mitigate risks, a grievance mechanism and reporting on risks and actions.

Policies

Code of Conduct and directives

Our [Code of Conduct](#) outlines the responsibility we take for avoiding the infringement of human rights, and for remediating any human rights impact resulting from our activities, our products, or any activities that our business partners conduct on our behalf. The Code of Conduct is supplemented by directives on topics such as health and safety, anti-harassment and child labor. Our Code of Conduct and directives apply to all employees, in all countries in which we operate.

Business Partner Code of Conduct

We have a diverse supply chain and recognize the essential role our business partners play in helping us deliver our high quality and responsibly sourced products. Our [Business Partner Code of Conduct](#) sets out the ethical behavior we expect from anyone we do business with, including our suppliers, distributors and agents. All new business partners are expected to apply the principles laid down in the Business Partner Code of Conduct, or apply equivalent principles. Non-compliance with the Business Partner Code of Conduct may lead to measures being taken, including termination of the business relationship.

Governance

Human Rights Committee

Our Executive Committee is responsible for ensuring that the company operates in line with its core principles of safety, integrity and sustainability, including its commitment to respecting human rights. In 2016, a Human Rights Committee was established – reporting to the Executive Committee through the General Counsel and the Director of Human Resources, and working closely with the Director of Sustainability – with responsibility for implementing and maintaining the company's human rights framework. The committee is cross-functional and includes Directors of Compliance (chair), Internal Audit (co-chair), Health Safety and Environment, Procurement, Operations, People Development and Occupational Health, Business Partner Compliance, the legal counsel for human rights and the Manager of Sustainability Reporting.

The Committee meets frequently to review findings and progress, and to provide guidance where necessary. Our Executive Committee and Supervisory Board received training on human rights.

Incentives

Sustainable performance and respect for human rights is incentivized in that 30 percent of the conditional grant of shares for our executives is based on AkzoNobel's performance in the RobecoSAM assessment over a three-year period. This assessment includes consideration of the company's reporting with regard to respect for human rights.

All employees must confirm that they have understood and acted in accordance with our Code of Conduct in their annual performance and development dialog.

In addition, at the end of the year, managers must confirm through the Non-Financial Letter of Representation process that their business was operated in accordance with the Code of Conduct, including principles that respect human rights. If deficiencies are noted, they must set and implement actions to remedy them.

Salient issues

One of the first tasks of the Human Rights Committee was to identify AkzoNobel's salient issues. This will enable the company to focus on areas that potentially pose the greatest risk to human rights. Salient issues are defined by the UNGP Reporting Framework as those human rights that are at risk of the most severe negative impact through a company's activities or business relationships. With the help of the global accountancy and advisory firm Mazars, the Human Rights Committee mapped the severity and likelihood of human rights risks. Four salient issues were identified, which were approved subsequently by the Executive Committee and reviewed by the Supervisory Board. These salient issues are being verified with internal and external stakeholders – such as works councils, suppliers, customers and investors – to assess their validity and to understand if other human rights risks may also need to be identified as salient. In defining these salient issues, the company has further identified the initial areas on which to focus its resources. While that focus is initially within our own operations, we will learn from our findings to better inform ourselves of the issues that may potentially also exist with our business partners. The four salient issues and our initial focus can be summarized as follows:

1. Health and safety in our operations and our supply chain

Being a manufacturing company, the health and safety of people is one of our highest priorities. AkzoNobel has implemented a global people, process and product safety management program, through which we strive to ensure that the highest safety standards are applied to our activities and sites. In addition, our Life-Saving Rules program embeds eight key safety rules that must be applied with zero tolerance, along with one golden rule that all our employees are empowered to stop work that they recognize as being unsafe. We assess the safety of employees at our suppliers through several processes, including the [Together for Sustainability](#) assessments and audits, and the [Supply Support Visits program](#). In 2017, we are investigating how to better leverage the information available through these processes in order to understand the health and safety risks that exist for people in our operations and supply chain.

We will continue to study the impact that certain chemicals may have on people in our value chain, and the impact some of our operations may have on the communities around us. Depending on the results of these studies and their timing, we will take measures to avoid infringement of human rights and address adverse human rights impacts resulting from our activities and the activities of parties in our supply chain contributing to our products.

2. Working conditions at our sites

Our people are essential to the success of our company. We won't achieve our vision of leading performance in the markets in which we operate without an engaged workforce that believes AkzoNobel is a great place to work. We must therefore offer decent working conditions, including fair working hours, reasonable salaries and appropriate facilities, such as restrooms, restaurants and dormitories. Through our overtime tracking and reporting, we know that in certain parts of the company people sometimes work long hours. We are conducting a study into overtime to establish on the one hand the need and desire to work longer hours, and on the other hand the effect this may have on the health and safety of people. We are also conducting a study into the salaries of certain groups of employees who may be vulnerable to low standards of living. In addition, we are adding an advanced review of the facilities at our sites to our HSE audits. The information resulting from these studies and audits will help us focus our efforts on providing decent working conditions for our workforce, in accordance with the UNGP and ILO standards. In the context of the UK Modern Slavery Act, our Executive Committee and Supervisory Board have been trained on modern slavery as has the managing board of our Decorative Paints business in the UK. At the beginning of 2017, we have published our [2016 Modern Slavery Statement](#).

3. Discrimination and harassment among employees

At AkzoNobel, we strive to foster a culture of dignity and respect, free of harassment and discrimination. We recognize that a little over 20 percent of reports received through our grievance mechanism ([SpeakUp!](#)) relate to some form of harassment. We are conducting a study into the root causes of these cases to identify any key themes. In this light, we have also studied the anonymous Wellness Checkpoint Survey data of employees. This data does not directly support that discrimination and harassment is an issue for the company, but does show deviation in businesses and regions. This is now being examined more closely. All findings will be used to adjust or implement training and sanction standards.

4. Under-age labor in our supply chain

AkzoNobel does not employ people under the age of 16, irrespective of whether local laws provide for a lower minimum age. We expect the same from all companies in our supply chain that contribute to the products and services we procure. While our information supports that we do not employ children under the age of 16, and while all our business partners are expected to apply the standards explained in our [Business Partner Code of Conduct](#), we do not have comprehensive data to support that child labor does not occur further upstream in our supply chain. We recognize the leverage we carry in part of the supply chain of our mica-based pearlescent pigments, and we undertook due diligence in close cooperation with suppliers and two NGOs, namely Terre des Hommes and SOMO (the Center for Research on Multinational Corporations). Information regarding this child labor due diligence was published by Terre des Hommes and SOMO in their combined Report in March 2016. We are conducting a further study, particularly focusing on the origin of raw materials in our supply chain. The information resulting from this study will enable us to plan for coaching and auditing of parties in our supply chain, and for taking appropriate action against non-compliance with our fundamental principle of respecting human rights.

Demonstrating our commitment

We demonstrate our commitment by engaging in various human rights initiatives and projects. For instance, we participated in a project led by the United Nations Global Compact (UNGC) Netherlands Network in partnership with Shift, Oxfam affiliates and other Global Compact local networks. This Global Perspectives Project, launched in 2014, explores how to improve awareness and build capacity in the area of human rights in four key countries – Indonesia, Mexico, South Africa and Turkey. Senior managers at AkzoNobel have participated in workshops organized in Indonesia and Mexico, together with local representatives of other companies and civil society. They shared experiences, challenges and ways forward to ensure greater business respect for human rights. It has led to an [updated publication and an online portal](#). The project builds on the successful 2008-2010 Business and Human Rights Initiative, in which several Dutch multinationals – including AkzoNobel – collaborated to contribute to the development of the UNGP.

In 2015, AkzoNobel recognized its leverage in the global mica (mineral) supply chain and ‘conducted significant due diligence’ in close cooperation with its suppliers and the NGO’s Terre des Hommes and SOMO. According to both NGO’s, AkzoNobel ‘identified, prevented and mitigated the adverse impacts of child labor’ in this supply chain. AkzoNobel continues its due diligence activity and mitigation actions, and more recently AkzoNobel became one of the founding companies of the [‘Responsible Mica Initiative’](#), a collaboration between suppliers, industry users and NGO’s with the goal of eradicating child labor in the Mica supply chain in India.

Due diligence

Embedding a due diligence process is at the core of the UN Guiding Principles. We operate several due diligence processes that help us identify and assess human rights risks and impacts, on which we engage and communicate. For example, our HSE audits assess the health and safety conditions at our sites. Standardized assessments, surveys and audits form part of the Together for Sustainability program, which is designed to identify and assess sustainability practices, including human rights, in our supply chain. Our Supplier Support Visits also help identify and address human rights risks at certain long-term local suppliers in emerging markets. We have developed a business partner screening process which helps us identify human rights issues with potential business partners who may be perceived as high risk because of the nature of their industry, or the countries in which they are located. In 2016, we introduced an online Privacy Impact Assessment (PIA) tool as part of the further implementation of our Binding Corporate Rules. The PIA helps us to assess the level of compliance with our rules and privacy laws of applications and procedures in which the personal data of our people, customers, suppliers and business partners is processed.

We recognize we have more work to do to identify specific risk areas, engage with stakeholders, and act on findings and structure actions that can address them. This will facilitate our mechanism for self-improvement and will enable us to build more systematic due diligence processes.

Grievance mechanism

We promote a feedback culture through communications and training. An open atmosphere helps identify issues, including concerns relating to respect for human rights.

The [SpeakUp!](#) grievance mechanism offers our employees, business partners and the general public a confidential environment in which they can raise concerns relating to breaches of our Code of Conduct, including the human rights reflected therein. With the launch of the renewed Code of Conduct, the availability of the SpeakUp! process to raise concerns was widely communicated within the company. The results are reported every year and can be found in the [Compliance and integrity management chapter](#) in the Governance and Compliance section of our annual report.

Reporting

While we have previously reported on our commitment to respect human rights and the various processes that support this, 2016 was the first year we are reporting in a more integrated way [on our human rights framework in our annual report](#). Additional reporting on our human rights framework is also available on our corporate website and in our [UK Modern Slavery Act statement](#).

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