

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

Questions relate to agenda item 2.

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

Answer

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

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

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

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

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

Answer

Thierry Vanlancker: In response to the second question, we continue to monitor risks and opportunities related to climate change and the transition towards a circular economy, as recommended by the Taskforce for Climate related Financial Disclosures (TCFD). We partnered with industry peers and the World Business Council for Sustainable Development (WBCSD) to develop guidelines for TCFD implementation as they relate to our sector. To clarify our adoption of these recommendations, we provide an index table of the TCFD recommendations on our website.

We're aware that climate change may have a future impact on our business, as it may lead to more frequent and extreme weather events, resulting in supply chain disruption and changing market dynamics. In addition, it may also result in a global price on carbon and increased prices for raw materials. We're already taking steps to address this, for example by adopting an internal carbon price for large investment decisions, introducing sustainable portfolio management to develop low-carbon and more circular solutions and making the circular economy a key element of our Paint the Future startup challenge.

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

Answer

Thierry Vanlancker: Coming back to the question regarding the Ecovadis supplier benchmark, AkzoNobel has been a member of Together for Sustainability (TfS) for 6 years to proactively manage the sustainability performance and risk management of our suppliers. Through this program suppliers are assessed on the overall score in their EcoVadis online assessment, as well as their score on labor and human rights. We have set thresholds for both assessments for suppliers to meet our expectations.

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

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

In 2020, we aim to accelerate our program by continuing to request improvements for the suppliers under development and inviting additional suppliers to take part in the assessment. To further improve the transparency on the results of the EcoVadis assessments, we are

committed to put effort in requesting EcoVadis to provide more transparency on their data and assessment to external stakeholders.

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

Answer

Thierry Vanlancker: On the diversity policy, please be informed that we are developing an increasingly engaged, diverse and capable workforce to deliver our strategy. We believe it's also important that our management teams reflect the diversity of our overall workforce, because inclusive and diverse teams are better able to understand customer needs and innovate to meet their requirements. We report on the number of female executives, which was 18% for our organization in 2019.

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

In order to create strong and diverse high-performing teams across the company, we implemented a global recruitment guideline for an inclusive and unbiased hiring practice of internal and external candidates. This year, we also rolled out a global mentoring platform; a virtual place for mentors and mentees to connect and build professional relationships to advance talent in our organization. As a final remark, in addition to our annual report, in our website, we publish more extensive diversity metrics, such as age, function and management level by gender.