Supplementary information regarding 2020 remuneration report

April 8, 2021

Short-term incentive (STI)

In total, 70% of the STI is linked to financial objectives and 30% is related to personal objectives. For the STI, an on-target performance pay-out is 100% of annual base salary for the CEO and 65% for the CFO. The maximum opportunity is capped at 150% of on-target. There is no STI pay-out below threshold level.

Results

Objective	Actual	Weighting	Target realization
Return on sales (ROS)*	15%	35%	Above target
Operational cash flow (OCF)+	€1,340m	35%	Below target
Personal objectives	See below	30%	Above target

+excluding currency impact; *ROS = adjusted operating income as percentage of revenue

Personal objectives
The individual and qualitative objectives reflect progress towards the achievement of long-term strategic objectives, with a weighting of 30%. The approach to individual and qualitative objectives was the same as previous years and reflects progress towards the achievement of long-term strategic objectives. The changes implemented throughout the organization in 2020 have been significant and successful, including:

- Delivering on transformation programs
- Implementation of margin management
- Launch of company purpose
- Improved organizational health (employee engagement)

Outcome
The results shown in the above table resulted in a pay-out for the CEO of 110.22% of salary and 71.64% of salary for the CFO. In determining the outcome of the STI elements, the Remuneration Committee also applied a reasonableness test in which the actual level of the financial as well as the personal performance was critically assessed in light of the assumptions made at the beginning of the year, taking into account the impact of COVID-19. The test also included an assessment of the progress made with the strategic objectives under prevailing market conditions.

Long-term incentive (LTI)

Vesting of the LTI Share Plan 2018-2020: Return on investment (ROI)
In line with the Remuneration Policy, vesting of 50% of the shares conditionally granted is linked to AkzoNobel's ROI performance. The company's ROI performance at the end of the performance period was reviewed by the Supervisory Board.

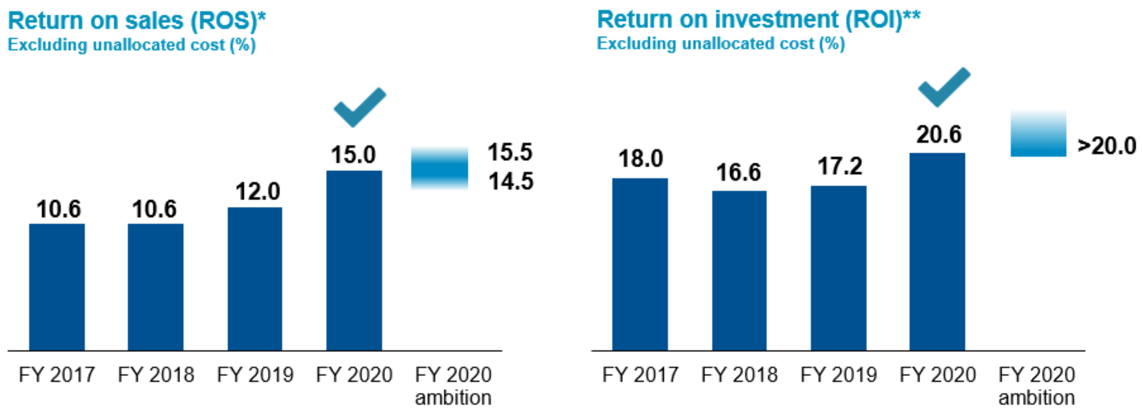
The Supervisory Board recognized that the initial ROI target was not fully in line with the company's new strategy. They decided not to adjust the target, but to apply their discretionary power and to evaluate performance against the ROI** ambition, as defined and communicated by AkzoNobel during an Investor Update event in February 2020 (slide 27). This resulted in a vesting of 106% for the ROI element of the LTI.

AkzoNobel's 2020 targets, initially announced by previous management in April 2017, were intended to deliver profitability in line with leading peers. The company updated its ROI** ambition from 25% to 20% to consider lower revenue growth, impact of IFRS 16, and recent bolt-on acquisitions. The significant improvement in ROI, both relative to AkzoNobel's historical performance as well as leading paints and coatings companies, is shown in image 1 and image 2 below.

Performance Incentive Plan (PIP)
The 2020 Performance Incentive Plan was an exceptional, one-off plan to incentivize improvement of ROS, put in place and approved by the AGM following the divestment of Specialty Chemicals. It supported the achievement of 15% ROS* by the end of 2020, presented to shareholders as financial guidance towards upper quartile industry performance.

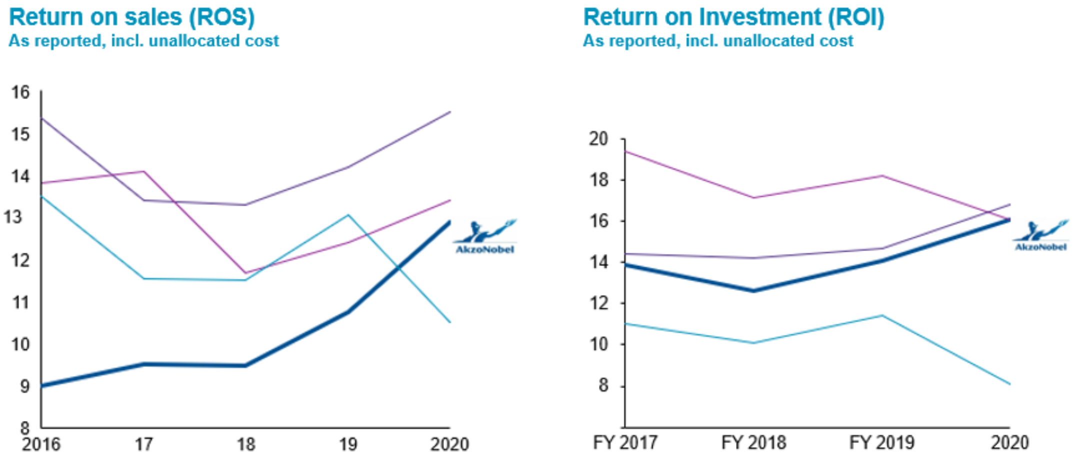
No matching shares were granted to the CEO or CFO in 2020, because this arrangement was suspended for the period 2018-2020. The value of the suspended share matching plan was effectively put “at risk” to (partially) fund the PIP, depending on the achievement of 15% ROS* by 2020.

Image 1: AkzoNobel delivered 15 by 20 promise and step-change in performance



*ROS = adjusted operating income as percentage of revenue; **ROI = adjusted operating income of the last 12 months as percentage of average invested capital (Excluding unallocated corporate center cost and invested capital)

Image 2: AkzoNobel improved to upper quartile paints and coatings industry performance



Remuneration policy 2021 and beyond

AkzoNobel’s Grow & Deliver strategy will balance growth and profitability improvement. Therefore, the proposed remuneration policy reflects these ambitions, and includes Environmental, Social and Governance (ESG) metrics in both the STI as well as the LTI. ESG metrics are aligned with AkzoNobel’s People. Planet. Paint. approach to sustainability, including ambitions related to Total Reportable Rate of Injuries (TRR), Non-re-usable Waste, Energy use and Renewable Electricity use.

Please contact investor.relations@akzonobel.com for further information and refer to the website for AGM documentation.