

This report describes the implementation of our Remuneration Policy in 2020 for members of the Board of Management and Supervisory Board.

We have a clear strategic focus to become the reference in paints and coatings with strong global brands, leading market positions and a balanced geographic exposure across all regions. Our strategy is aimed at long-term value creation.

To realize our strategy and create the long-term value we aim for, it's essential that we can attract and retain high caliber members to our Board of Management and Supervisory Board. This is reflected in the remuneration policies for each of these boards.

The Remuneration Policy for the Board of Management (the "Policy") was first adopted by shareholders at the Annual General Meeting (AGM) in 2005. It has undergone several amendments since then – most recently in 2018 – and was adopted by shareholders at the Annual General Meeting (AGM) in 2020 (with 92% of votes in favor). Details about its implementation in 2020 can be found below in chapter 1.

The Remuneration Policy for the Supervisory Board was adopted by shareholders at the 2014 AGM, with some limited changes being approved at the AGM in 2020 (with 99% of votes in favor). Details about the implementation of the current policy in 2020 are in chapter 2.

The execution of remuneration for both the Board of Management and Supervisory Board has been fully compliant with the applicable policies. The revised European directive on the encouragement of long-term shareholder engagement (SRD II), and its codification in Dutch law, have been considered in the disclosure presented in this report.

For a full description of the Remuneration Policy for both the Board of Management and the Supervisory Board, please visit our website.

The remuneration for the financial year 2020, as described in this report, is subject to an advisory vote at the 2021 AGM. Questions raised in the 2020 AGM regarding remuneration items were addressed in the respective meeting, resulting in 94% votes in favor of the 2019 Remuneration report.

1. REMUNERATION FOR THE BOARD OF MANAGEMENT

The Policy is designed to enable the Board of Management to achieve the company's objectives, while balancing the perspectives of shareholders and other key stakeholders. The focus on performance is achieved by including both short- and long-term incentives, to ensure that the Board of Management reaches the annual expected level of performance, while bearing in mind the sustainability of the company.

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.

When implementing the Policy, the Remuneration Committee consults with external remuneration professionals to obtain appropriate benchmark data, and on other matters where it requires independent advice.

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 will contribute to building sustainable long-term value creation, with targets for the return for shareholders and the return on invested capital. Following the separation of Specialty Chemicals, a one-off long-term incentive to reward bringing value creation at a higher level has been added for the performance period 2018-2020.

Prior to agreeing on incentives, the Remuneration Committee conducted scenario analyses of the possible financial outcomes of meeting different performance levels, and how they may affect the structure and value of the Board of Management's total remuneration.

In 2020, the labor market peer group, as referred to in the Policy, consisted of the following companies:

- Ahold Delhaize
- Air Liquide
- ASML
- DSM
- Ferro Corporation
- Henkel
- KPN
- LafargeHolcim
- PPG Industries
- Randstad
- RELX Group
- RPM International
- Sherwin-Williams
- Signify
- Sika
- The Linde Group
- Vopak
- Wolters Kluwer

One table on page 79 specifies the elements of the Remuneration Policy, describing purpose, design and the link to our company strategy, as well as their (potential) value. The other table on page 79 gives an overview of the remuneration of the members of the Board of Management who were in office in 2020. Although we temporarily suspended our financial ambition as a result of COVID-19, no changes were made to the incentive plans of the Board of Management.

Base salary

The Remuneration Committee reviewed the salaries of members of the Board of Management during the year, considering market data, inflation data

The elements of the Remuneration Policy strategy

The goal of our Remuneration Policy for the Board of Management is to offer an on-target total remuneration package around the median of the labor market peer group.

Purpose	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) and the long-term incentive plan (LTI). 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. Annual review based on the market movement in the Netherlands and peer companies. In-depth benchmark at least every three years.	Base salaries at AkzoNobel target the median of the labor market peer group.
Short-term incentive (STI) Incentive aligning short-term business objectives and business drivers toward long-term value creation. Driving pay for performance.	The Supervisory Board sets 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. In total, 70% of the at-target STI is linked to financial objectives and 30% is related to personal objectives.	On-target performance: 100% of annual base salary for the CEO and 65% for the CFO. Maximum opportunity capped at 150% of on-target. Threshold: No STI pay-out below threshold level.
Long-term incentive (LTI) Encourage 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 predefined targets, observing a three-year vesting period. An additional two-year holding period after vesting applies. Performance targets are based on company strategy, driving long-term value creation. All LTI targets are linked to financial goals. Performance is measured over three financial years, starting with the year of grant.	The grant equals 150% of base salary. Maximum vesting opportunity is 150% of the number of performance shares vested.
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 shareholding requirement is 300% of annual base salary for the CEO and 150% for the CFO.
Pension and other benefits Post-retirement remuneration and other benefits, creates alignment with market practice.	A company-paid contribution 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 company car.	Pension contributions aligned with plans in place for employees in the Netherlands. Other benefits aligned with market practice.
Goal setting Goal setting is crucial to driving pay for performance aligned with company strategy and to ensure that decisions made and results delivered are aligned with the interests of our stakeholders.	Supervisory Board sets goals, their respective weight and targets (i.e. metric) 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.

and the level of increases that were to be applied for AkzoNobel employees in the Netherlands, including those who are covered by a collective labor agreement. Increases to the value of 2.75% of base salary were agreed, effective as of January 1, 2020:

- Thierry Vanlancker, CEO: €1,033,500
- Maarten de Vries, CFO: €695,500

Short-term incentive (STI)

In 2020, the financial objectives of the short-term incentive were return on sales (ROS) and operational cash flow (OCF), with each metric having a weighting of 35%. The individual and qualitative objectives reflect progress towards the achievement of long-term strategic objectives, with a weighting of 30%.

The company does not disclose the exact actual targets, as these are considered commercially sensitive. In view of transparency, we categorize our target realization as follows: zero pay-out, below target, at target, above target or maximum pay-out. In 2020, the achievement on ROS was above target and the achievement on OCF was below target.

Remuneration Board of Management for the reported financial year

in €	Fixed remuneration		Variable remuneration		Post-contract compensation ³	Total remuneration	Proportion of fixed and variable remuneration	
	Base salary	Fringe benefits ¹	One-year variable	Multi-year variable				
				LTI ²				PIP ⁴
Thierry Vanlancker Chief Executive Officer	1,033,500	9,700	1,139,124	1,109,765 ⁵	2,067,000	202,600	5,561,689	0.22/0.78
Maarten de Vries Chief Financial Officer	695,500	33,700	498,256	804,902 ⁶	1,391,000	136,300	3,559,658	0.24/0.76

¹ Social security contributions and car arrangement.

² Amounts based on IFRS2 expenses.

³ Compensation intended for build-up of retirement benefits instead of pension contributions.

⁴ PIP is the one-off Special Incentive Plan for the performance period 2018-2020.

⁵ At December 31, 2020, these shares had a market value of 1,583,237. Total remuneration based on this value amounts to 6,035,161.

⁶ At December 31, 2020, these shares had a market value of 1,348,124. Total remuneration based on this value amounts to 4,102,880.

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, 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.

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

- Thierry Vanlancker, CEO: €1,139,124 (110.22% of salary)
- Maarten de Vries, CFO: €498,256 (71.64% of salary)

No matching shares were granted to the CEO or CFO in 2020, as this arrangement has been suspended for the period 2018 to 2020. The value of the share-matching plan for these three years is invested in the 2020 Performance Incentive Plan.

LONG-TERM INCENTIVES (LTI)

Conditional grant LTI share plan 2020-2022

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 2020, the CEO and CFO received a conditional grant of shares equivalent to the face value of 150% of their annual base salaries. 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 12, 2020:

- 18,747 shares were conditionally granted to Thierry Vanlancker, CEO
- 12,616 shares were conditionally granted to Maarten de Vries, CFO

Vesting of the conditional grant is linked to two performance metrics:

return on investment (ROI) and relative total shareholder return (TSR), equally weighted and independently determining 50% of the LTI vesting. The Supervisory Board reviews ROI performance measure and target each year and ensures that both are directly linked to the strategic direction.

The performance level determines: (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.

TSR is measured relative to an industry peer group, consisting of the following nine companies:

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

This industry peer group is reviewed on a regular basis to ensure that the companies in the group remain appropriate peers.

The vesting schedule that will apply to the relative TSR metric is listed in the table below. When making the performance assessment, the TSR result of AkzoNobel is included within the ranked peer group.

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

Vesting of the LTI Share Plan 2018-2020

Under the LTI Share Plan 2018-2020, a conditional grant of 20,200 shares was

made to the CEO and a conditional grant of 17,200 shares made to the CFO.

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 target as defined and communicated at the beginning of 2020. This resulted in a vesting of 106% for this specific part of the long-term incentive.

For the 2018 conditional grant, 50% was linked to AkzoNobel's relative total shareholder return (TSR) performance compared with the companies in a defined industry peer group. Independent external experts conducted an analysis to calculate the number of shares that will 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 2018 to 2020 resulted in the sixth position within the ranking of the peer group companies. This ranking resulted in a vesting of 50% for this part of the long-term incentive.

Based on the company's combined ROI and TSR performance, the final vesting percentage of the 2018 conditional grant – after including the dividend yield of 14.37% during the performance period – equaled 89.21%.

The Remuneration Committee determined that:

- Thierry Vanlancker would vest 18,020 shares, subject to a further two-year holding requirement. At December 31, 2020, these shares had a market value of €1,583,237

**2020 remuneration of the Board of Management –
Number of performance-related shares**

	Plan	Performance period	Award Date	Vesting Date	End of holding period	Balance at January 1, 2020	Awarded in 2020	Vested in 2020	Forfeited in 2020	Dividend in 2020	Balance at December 31, 2020
Thierry Vanlancker Chief Executive Officer	ANS2017	2017-2019	January 1 2017	February 12 2020	February 12 2022	25,842	–	(25,842)	–	–	–
	ANS2018	2018-2020	January 1 2018	February 17 2021	February 17 2023	22,505	–	–	(5,083)	598	18,020
	ANS2019	2019-2021	January 1 2019	February 2022	February 2024	23,117	–	–	–	616	23,733
	ANS2020	2020-2022	January 1 2020	February 2023	February 2025	–	18,747	–	–	499	19,246
Maarten de Vries Chief Financial Officer	ANS2018	2018-2020	January 1 2018	February 17 2021	February 17 2023	19,163	–	–	(4,328)	509	15,344
	ANS2019	2019-2021	January 1 2019	February 2022	February 2024	15,557	–	–	–	414	15,971
	ANS2020	2020-2022	January 1 2020	February 2023	February 2025	–	12,616	–	–	336	12,952

- Maarten de Vries would vest 15,344 shares, subject to a further two-year holding requirement. At December 31, 2020, these shares had a market value of €1,348,124

An overview of all shares awarded, or due to, Board of Management members is shown on this page.

2020 Performance Incentive Plan

The 2020 Performance Incentive Plan is an exceptional, one-off plan to incentivize improvement of the company's return on sales (ROS), put in place and approved by the AGM following the divestment of Specialty Chemicals. It supports achievement of 15% ROS (excluding unallocated corporate center cost) by the end of 2020, presented to shareholders as financial guidance towards upper quartile industry performance.

The Supervisory Board set the ROS to be achieved by the end of 2020 as shown in the table below.

In determining the outcome of the Performance Incentive Plan, 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 and

the decision to pause and suspend the 15 by 20 ambition. The test also included an assessment of the progress made with the strategic objectives under prevailing market conditions.

Actual ROS performance was 15.0% (excluding unallocated cost). The Remuneration Committee subsequently determined that payments for the Board of Management would be:

- Thierry Vanlancker, CEO: €2,067,000 (200% of salary)
- Maarten de Vries, CFO: €1,391,000 (200% of salary)

Claw back and value adjustment

In 2020, there was no cause for a claw back or value adjustment by the Remuneration Committee.

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 member of such persons.

Shareholding requirements and share matching

As of December 31, 2020, CEO Thierry Vanlancker held 43,518 shares, of which 1,720 qualified for share-matching under the Share-Matching Plan on a ratio 1:1. The matching shares were conditionally granted in 2018 and will be released in 2021, subject to the terms of the Share-Matching Plan. Shares acquired in 2020 by the CEO contribute towards his required shareholding. On December 31, 2020, he fulfilled this requirement by holding the equivalent of 370% of his annual base salary in shares.

As of December 31, 2020, CFO Maarten de Vries held 5,678 shares. The shares acquired by the CFO during 2020 contribute towards his required shareholding. On December 31, 2020, he did not yet fulfill the shareholding requirement of 150%, as the shares represented a value at that date of 72% of his annual base salary.

Shares obtained by members of the Board of Management under the performance-related share plan are

Performance range – 2020 Performance Incentive Plan

	Below threshold	Threshold	Target	Maximum
2020 ROS target	<14%	14%	15%	≥17%
Award level	0% of base salary	100% of base salary	200% of base salary	400% of base salary

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

in €			Divestment Specialty Chemicals		
	2016	2017	2018	2019	2020
Remuneration CEO	Ton Büchner	Thierry Vanlancker			
Fixed compensation	1,339,000	1,135,825	1,151,900	1,186,500	1,245,800
Total direct compensation	3,518,900	2,825,863	2,899,883	3,561,212	5,561,689
% change fixed compensation	9%	(15%)	1%	3%	5%
% change total compensation	2%	(20%)	3%	23%	56%
Remuneration CFO	Maëlys Castella		Maarten de Vries		
Fixed compensation	710,300	715,016	797,600	819,800	865,500
Total direct compensation	1,586,400	2,169,290	1,515,816	1,843,977	3,559,658
% change fixed compensation	4%	1%	12%	3%	6%
% change total compensation	20%	37%	(30%)	22%	93%
Company performance					
Net income attributable to shareholders	970,000,000	832,000,000	6,674,000,000	539,000,000	630,000,000
Net income % change	(1)	(14)	702	(92)	17
ROI	14.4	13.9	12.6	14.1	16.1
ROI % change	3%	(3%)	(9%)	12%	14%
Adjusted operating income (OPI)	928,000,000	905,000,000	798,000,000	991,000,000	1,099,000,000
Adjusted OPI % change	(37%)	(2%)	(12%)	24%	11%
Average remuneration on a full-time equivalent basis of employees					
Average salary per employee ¹	58,559	53,453	56,619	54,825	56,061
% change average remuneration	(1%)	(9%)	6%	(3%)	2%

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

taken into account for share ownership purposes as soon as they have become unconditional. This includes vested shares to be retained during the blocking period of two years after vesting.

Comparative information

In compliance with point (b), paragraph 1 of Article 9b of the EU Directive on long-term shareholder engagement, we present on this page:

- The annual change of remuneration of each individual member of the Board of Management
- The performance of the company
- The average remuneration on a full-time equivalent basis of company employees over at least the five most recent financial years

Over the last few years of transition, the company's performance fluctuated significantly as the table above shows. In 2018, net profit increased sharply, 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. Restructuring due to

discontinued operations, for example, resulted in a reduction of the average salary per employee, followed by increases when operations stabilized and profits increased again. In 2018, the increase in average salary was also influenced by the inclusion of a one-off €57 million pension cost for the UK guaranteed minimum pension equalizations.

The pay ratio between the total compensation of the CEO in 2020 and the total compensation of an AkzoNobel employee (calculated as an average of all employees as of December 31, 2020) is 99.2* (2019: 65.0).

*The increase is mainly due to the 2020 Performance Incentive Plan payment. Without this one-off special payment the ratio would have been 62.3.

Post-contract compensation

Board of Management members receive contributions towards post-contract benefits, which are defined as a percentage of income, as determined by the Supervisory Board. Currently, they are based on age. Contributions are paid over the base salary in the current

year and vary depending on the Board member's age.

Board contracts

Agreements for members of the Board of Management are concluded for a period not exceeding four years. After the initial term, re-appointments may take place for consecutive periods of up to four years each. The notice period by the Board member, and by the company, shall be subject to a six-month term. Members of the Board of Management normally retire in the year they reach legal retirement age.

2. REMUNERATION FOR THE SUPERVISORY BOARD

Members of the Supervisory Board receive a fixed remuneration based on roles and responsibilities. Travel expenses and facilities are borne by the company and reviewed by the Audit Committee.

Implementation of the Remuneration Policy for the Supervisory Board in 2020

resulted in the payout presented in the table below. According to the Code, members are not remunerated in shares.

3. REMUNERATION POLICIES FOR THE NEXT FINANCIAL YEAR

In 2020, the Supervisory Board evaluated the remuneration policies for the Board of Management and Supervisory Board. The Supervisory Board considered 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. As a result, a new policy was prepared for the remuneration of the Board of Management, to be submitted for approval at the AGM in April 2021.

Remuneration Policy for the Board of Management

Since 2017, AkzoNobel has been focused on its Winning together: 15 by 20 strategy to deliver 15% ROS (excluding unallocated cost) in 2020. The company's new Grow & Deliver strategy, including ambitions for 2021-23, balances growth (at least in line with relevant markets) and profitability improvement (an average 50 basis points increase in ROS per year). The



As official paint and coatings partner of the McLaren Racing team through our Sikkens brand, we were delighted to see them finish third in the 2020 F1 constructor standings. As well as supplying products for all painted parts of the race car, we also provided heat-shielding via our International product range.

Supervisory Board has concluded that the Remuneration Policy for the Board of Management should provide adequate and balanced remuneration in support of the new company strategy. For that purpose, a revised Remuneration Policy will be submitted to the AGM. The updated Remuneration Policy seeks to:

- Attract and retain high caliber people to the Board of Management by offering competitive remuneration against a European peer group
- Incentivize realization of the company's Grow & Deliver strategy and the short- and long-term ambitions through aligning metrics and targets around growth and delivery in STI and LTI

- Deliver sustainable value creation for shareholders and other stakeholders, by setting focused LTI metrics and simplifying share matching

Remuneration Policy for the Supervisory Board

The Supervisory Board has concluded that the Remuneration Policy for the Supervisory Board – adopted by the AGM in 2014 and approved with some limited changes in 2020 – is in line with the objectives of the company, but a proposal is made to use a European peer group going forward to benchmark the remuneration levels it provides. This change in the Remuneration Policy will be submitted to the AGM in April 2021.

Comparative table of remuneration of the Supervisory Board over last five reported financial years

in €	2016	2017	2018	2019	2020
Nils Smedegaard Andersen, Chairman ⁵	-	-	111,373	162,500	157,500
Anthony Burgmans ⁶	165,000	169,400	53,215	-	-
Peggy Bruzelius ⁷	113,800	116,200	119,318	37,710	-
Byron Grote, Deputy Chairman ²	105,800	134,300	135,500	130,500	114,250
Louis Hughes ⁸	116,200	120,000	32,322	-	-
Pamela Kirby ¹	57,050	100,000	92,500	92,500	87,500
Dick Sluimers	87,500	95,000	107,500	107,500	90,000
Ben Verwaayen ⁹	91,200	95,000	95,000	92,500	32,775
Sue Clark ⁴	-	7,900	87,995	92,500	87,500
Patrick Thomas ⁴	-	10,400	90,659	97,500	92,500
Michiel Jaski ⁴	-	5,400	78,159	87,500	85,000
Sari Baldauf ³	107,500	100,000	-	-	-
Jolanda Poots-Bijl ⁸	-	-	-	59,166	85,000
Total remuneration	844,050	953,600	1,003,541	959,876	832,025
% change total remuneration	12.68	12.98	5.24	(4.35)	(13.32)

¹ As of May 1, 2016.

² Deputy Chairman as of October 18, 2016.

³ From May 1, 2016, until December 1, 2017.

⁴ As of November 30, 2017.

⁵ As of May 1, 2018.

⁶ Until April 30, 2018.

⁷ Until April 30, 2019.

⁸ As of May 1, 2019.

⁹ Until April 24, 2020.