

AkzoNobel received several questions before and during the meeting. Below are the answers to the questions as discussed live during the Annual General Meeting on Thursday, April 22, 2021.

Agenda Item 2 Financial year 2020

(a) Report of the Board of Management for the financial year 2020

Question Eumedion and Federated Hermes International

When it comes to sustainability and the 'People, Planet, Paint' approach and related ambitions, can you reflect on the People component, as two ambitions originally set for 2020 - organizational health score to be in the top quartile and 25% female executives - were not achieved?

Answer

Answered by CEO Thierry Vanlancker

We monitor our culture closely through the Organizational Health Index. We actually saw an increase of 11 percentage points since 2018 in our OHI score (58 to 69) and our management team scores top decile. We're striving to keep improving by following up in key attention areas and target a top quartile score. Regarding female executives; we target more than 30% female executives by 2025. We achieved a 3 percentage point increase in 2020, up at 21% versus 18% in 2019.

We have taken further steps to ensure we keep improving towards our target. We now have a new program in place to further boost the senior female leadership pipeline through recruitment and succession planning and we introduced an action plan for all business units and functional management teams, while launching different development options for women with leadership potential.

Question Eumedion and Federated Hermes International

In terms of the Planet ambitions on Climate, AkzoNobel has set the target of a 50% reduction in greenhouse gas emissions (Scope 1 and 2) by 2030. Will you consider setting a Scope 3 emissions reduction target and would the board consider showing leadership by enabling shareholders to cast an advisory vote on the climate transition plan at the next annual general meeting, following the examples of Royal Dutch Shell and Unilever?

Answer

Answered by CEO Thierry Vanlancker

Regarding our Planet ambitions, we have indeed set ambitious targets for carbon emission reduction when it comes to our own operations. Our 2030 ambitions are to reduce carbon emissions by 50% and move towards zero waste as a company. We are also taking numerous steps to reduce our scope 3 emissions, both upstream and downstream. For example, our sustainable solutions can help our customers to reduce carbon emissions and open up business opportunities. As we prefer to focus on the things that are within our control, we have set ambitious, quantified targets for scope 1 and 2. As a final remark on

putting these plans to a vote; we consider sustainability targets integral to our overall company strategy, which is not subject to approval at the AGM either.

Question Eumedion and Federated Hermes International

How are you ensuring your direct lobbying activities and those of trade associations you are a member of are aligned with the Paris Agreement? How will you increase transparency regarding your internal processes and procedures to ensure alignment of direct and indirect climate lobbying activities with the Paris agreement as well as providing examples of actions taken to address any misalignment when identified?

Answer

Answered by CEO Thierry Vanlancker

To the last point on lobbying activities: AkzoNobel has a tradition of supporting climate action, and we have voiced our support for the Paris Climate Agreement, as well as the importance of a green recovery and making a success of the Green Deal, for example through participation in the CEO Alliance. From that perspective, we review the positions of the associations we are a member of. We ensure alignment via our internal stakeholder management processes. In case you would have examples of associations (where AkzoNobel is a member) that take positions against climate action, we hope you will bring these to our attention.

Question VBDO

AkzoNobel has communicated its commitment towards maintaining biodiversity in a position statement on biodiversity and ecosystems. In line with AkzoNobel's recent actions on this issue, VBDO would expect AkzoNobel to report more comprehensively on progress towards its commitment. In the coming years, can AkzoNobel commit to report on the most salient biodiversity risks, the company's impact and report on its progress with regards to mitigating these risks, both in its own operations, in its supply chain and from the use of its products?

Answer

Answered by CEO Thierry Vanlancker

After divesting our Specialty Chemicals business, biodiversity is no longer considered a material priority to AkzoNobel's operations. The most important aspect regarding biodiversity and ecosystems for the current AkzoNobel focused on paints and coatings, is water use, therefore we have set an ambition for 100% of our most water intensive sites to reuse water by 2030.

We also endorsed the UN's CEO Water Mandate and assessed the water-related risks at our manufacturing sites.

Question VBDO

AkzoNobel has a range of products branded as "sustainable solutions", which have a benefit in at least one of the six sustainability categories identified by AkzoNobel. VBDO values that AkzoNobel provides sustainable products to customers, especially considering that 40% of

AkzoNobel's total sales are currently sustainable solutions. For customers and other stakeholders, it is important to truly understand the impact that these sustainable solutions have on the relevant sustainability categories. Can AkzoNobel provide more insight into the sustainability criteria in 2021, such as the minimum requirements of these products, and the total breakdown of the products into the different sustainability categories?

Answer

Answered by CEO Thierry Vanlancker

We aim to grow our sustainable solutions from around 40% of our revenue in 2020 to over 50% by 2030. Our sustainable solutions are products that bring sustainability benefits, comparing to mainstream solutions, whilst not having any negative sustainability characteristics. In our Sustainable Product Portfolio Assessment, we use six criteria for this categorization, ranging from reduced carbon to recycled material use, as described in our annual report. By using these criteria in communications to our customers, it helps them to achieve their own sustainability ambitions when buying products from AkzoNobel.

Question VBDO

VBDO would like to compliment AkzoNobel with accelerating its supplier ESG programme in 2020. This was a point of attention that VBDO also raised at last years' AGM. AkzoNobel's progress is evidenced by the fact that the company has seen a significant increase in the percentage of evaluated suppliers, with the company currently having assessed 75% of its suppliers. However, 32% of evaluated suppliers do not meet AkzoNobel's minimum requirements. VBDO recognises that AkzoNobel engages with suppliers in order to have suppliers increase their score. Can AkzoNobel report year-on-year on the number of suppliers that have improved their sustainability performance, are at risk of underperforming and with whom the relationship has been ended for ESG considerations?

Answer

Answered by CEO Thierry Vanlancker

Regarding on our supplier ESG program, we've continued to assess and improve our suppliers' sustainability practices using programs provided by Together for Sustainability. Over the past years we've both extended the scope of this program by lowering the spend threshold and including country and industry risks. In fact, most of our developmental suppliers are small or medium sized companies based in risk regions. They typically require multiple assessments to reach the target score. We will continue to report on the suppliers in our sustainability program and together with EcoVadis, we organize training to help suppliers improve.

Question VBDO

VBDO would like to compliment AkzoNobel with the many diversity initiatives that it has implemented, such as the executive sponsors of diversity networks, the unconscious bias training and the policies to reduce bias in recruitment and promotion. VBDO is very curious to hear from AkzoNobel whether and how these policies have affected the diversity and inclusion of the company. When can stakeholders expect AkzoNobel to publish the results of

its D&I efforts and can VBDO expect AkzoNobel to start reporting on inclusion results (e.g. through an inclusion index) in upcoming annual report?

Answer

Answered by CEO Thierry Vanlancker

Diversity is key to AkzoNobel's People. Planet. Paint. strategy. Indeed, we have rolled out several initiatives in 2020 to support diversity and inclusion in the company, such as an unconscious bias training, an inclusive leadership guide and the launch of internal diversity networks, such as True Colors and the Women Inspired Network. We regularly run surveys within the different networks to see how we can improve going forward.

Question VBDO

With EU regulation coming up in the near future related to supplier due diligence, VBDO would expect AkzoNobel to increase its transparency on human rights and labour conditions related issues and results. Can AkzoNobel commit to provide additional details on its due diligence process and improvements in the year 2021?

Answer

Answered by CEO Thierry Vanlancker

We have relatively limited exposure as a paints and coatings company. We mostly mix products from other chemical companies and, in that sense, the exposure to human rights is relatively limited. We did, together with EcoVadis, look into certain suppliers who are more sensitive to make sure we have a clear overview and a clear mitigation plan. We will definitely take it on board to see how we can incorporate that into our 2021 sustainability report.

Added by Chairman Nils Andersen

Many companies either have been or are on the journey on securing better visibility of their suppliers, both from environmental as well as from a labour perspective. Without committing to any specific action, I can assure this is an area where we'll continue to improve our effort on and it's definitely a focus area for all companies in the world and very strongly so for AkzoNobel.

Question European Investors-VEB

At the FY 2020 results presentation Akzo Nobel mentioned several positive developments in its Decorative Paints and Performance Coatings businesses (mainly Powder and Industrial Coatings). Could you comment on what this means for positive pricing momentum?

In 2020 price/mix effects only contributed marginally to organic growth. Does the board consider it realistic that AkzoNobel will return to price/mix performance as delivered in 2018 and 2019 without a meaningful negative volume effect?

In what segments and regions does AkzoNobel expect pricing initiatives will prove most difficult?

Capital expenditures in both Performance Coatings and Decorative Paints have shown a gradual increase both in absolute terms as well as in % of revenue over the past years.

Does AkzoNobel foresee capex as % of revenue to remain around 2020 levels in the foreseeable future?

Answer European Investors-VEB

Answered by CEO Thierry Vanlancker

We continue our strong focus on margin management. We were already planning to deliver 1-2% revenue from price increases in 2021, especially relevant for Decorative Paints and some other segments such as Vehicle Refinishes. Since then we've taken into account our latest view of raw material cost inflation and updated/upgraded our pricing initiatives.

Our strong pricing power was demonstrated during our results publication for the first quarter of 2021 yesterday. Q1 pricing was up 2% overall with 4% higher prices for Decorative Paints and up 1% for Performance Coatings, although price/mix was impacted by geo-mix effects.

Regarding capital expenditures; this is around €250 million per year, although slightly higher this year, as we are investing in growth, the integration of our asset footprint as well as our ERP landscape.

Question European Investors-VEB

The ROS for Decorative Paints in 2020 was above the ROS for Performance Coatings for the first time. Does AkzoNobel consider this to be a one-off, or have there been fundamental changes in these markets so that margin characteristics have also changed?

Answer

Answered by CEO Thierry Vanlancker

There is no reason Decorative Paints and Performance Coatings should be structurally different in terms of margin performance.

Question European Investors-VEB

AkzoNobel mentions that it was successful in building strong customer relationships, especially during the pandemic. Could you provide examples of this, as well as comment on why this should be sustainable?

Answer

Answered by CEO Thierry Vanlancker

I think it all goes back to the size and the approach AkzoNobel had in these segments. With size I mean, having the possibility of having multiple sources for our products to supply a customer, especially when countries are in lockdown, we had other areas/regions from which we could ship the materials. That gave certainty of supply and we saw that as a clear differentiator versus companies who were unable to do so. Secondly, another element was around the fact that we do have a strong balance sheet and therefore could support certain customers in their difficulties.

Question European Investors-VEB

AkzoNobel's ERP implementation forms a crucial part of the company's transformation. What are the remaining steps to be taken and what is AkzoNobel's timeline?

Answer

Answered by the CFO, Maarten de Vries

First of all, as Thierry mentioned in his earlier presentation, it's important to note that currently 65% of our revenue is already on our final ERP platform, internally called Saturn, and 90% is now on the 'big four' SAP platforms. The roadmap going forward is indeed to ultimately get 100% on our Saturn system, as part of the PRISM program. That will take us to early 2024, so by 2023 we will have consolidated all the different ERP systems on the four SAP platforms and then the next step is to consolidate those four to our ultimate one platform. I'd like to say I'm very proud of the team, because even during the COVID-period we have been able to manage implementations in a virtual way, and that is a completely new thing, we originally thought it would not be possible, but apparently there is much more possible if you just try it. So we are still making progress and continue to make progress in our ERP consolidation.

Question by European Investors-VEB

AkzoNobel launched its 'Grow & Deliver' strategy in February. Has AkzoNobel also reflected on its existing portfolio and identified segments and/or regions where it is underrepresented as part of the process culminating in this new strategic plan? If so, could you comment on the conclusions?

Answer

Answered by the Chairman, Nils Andersen

Yes, we can further expand geographically and also deepening product categories.

Agenda item 3 Financial Statements, result and dividend
(a) Adoption of the 2020 Financial Statements of the Company

Question European Investors-VEB

VEB refers to one of the key audit matters ‘Transformation to deliver towards the “Winning together: 15 by 20 strategy” and notes that the risk of management override of control was partially mitigated by suspending the ROS financial target. Why would the risk of override of controls have been mitigated while at the same time remuneration targets were left unchanged?

VEB further requests PwC to elaborate on the audit procedures performed regarding the design and the implementation of internal controls aimed at mitigating fraud risks, and the risk of management override control in particular.

Answer

Answered by lead partner PwC Fernand Izeboud

To address the question from VEB on our assessment of the pressures inherent to the 15 by 20 targets: pressure comes from various sources. The announcement by management of the suspension of the targets reduced external expectations and as such mitigated some of the pressure. The pressure from the remuneration targets was unchanged. As you can see from our report our procedures remained largely consistent with prior year.

The second VEB question concerns how we more generally consider internal controls relating to fraud and management override.

We evaluate the design and the implementation of internal controls that mitigate fraud risks, of which important ones are segregation of duties and the process around whistleblowing. For a description of the processes put in place by AkzoNobel to mitigate the risks I refer to the sections ‘risk management’ and ‘integrity and compliance management’ on pages 73-77 of the annual report. We consider controls at both group and component level. Our local teams are best suited for this as they have the best local understanding. We then supervise their work. When addressing the ‘override’ risk - the risk that controls are circumvented – this has to be seen in combination with substantive procedures. And we have a predominantly substantive approach in this area.

Questions by European Investors-VEB for PwC

1. What examples of signals might have been overlooked during the audit as a result of a somewhat different audit design and approach due to COVID-19?
2. In its assurance report on non-financial indicators (page 139 of the annual report), PwC reports that it has performed a limited assurance review. This included, amongst others, the identification of areas with a higher risk of ‘material misstatement within the indicators. Could PwC give some colour on the nature of these areas and how the materiality of these ‘key assurance matters’ was set

Answer

Answered by lead partner PwC Fernand Izeboud

The first question is quite a hypothetical question. As an auditor it's one of the key things we always ask ourselves; what did we potentially overlook? It's very hard to give examples of what we may have overlooked... Let me therefore turn that around. We asked ourselves; what did we usually do in a physical environment that we now have to do virtually? And what does that mean? Like I said in my earlier statement, we did intensify our communication with the local teams to understand the local circumstances and to make sure we were comfortable with their audit approach and adjustment. We also looked at which are the areas where we actually need to have physical presence. For example, working at physical inventory counts was required and we were able to do so physically, taking into account all the measures that were in place.

In addition, the company has an ERP system with a lot of digital information, so a lot can be accessed remotely, and we did. So, all in all, I think the actual impact on our audit from that aspect was limited and I don't see any major areas where we last year would've addressed that physically and now remotely that in my view were white spots. I think my audit covered it sufficiently.

Over to the second question on non-financial indicators. We did a limited assurance engagement and that is akin to a review. As always in our work, we look at what the risk is of material misstatement. For non-financial indicators, that judgement is a little bit different than for financial indicators, because you have to look at each of them individually. So, we set the bar and then look at the potential risks that might address that.

If you look at areas of potential higher risk, I would say that we listened to shareholders quite a bit into our analysis of what you have indicated as important. That is the materiality assessment done by management. So, we obviously look at the same areas, similar to questions asked previously in this meeting. That includes water usage, carbon footprint and all of the individual indicators that we issued in our report.

Agenda item 5

Remuneration

(a) Amendment Remuneration Policy for the Board of Management

Question European Investors-VEB

Considering AkzoNobel's focus on value creation for what reason is the weight of the ROI target being reduced from 50% to 20%?

It is also proposed to replace the ROS target in the STI by an absolute measure of profitability (i.e. adjusted operating income). At the same time an adjusted EBITDA target is introduced for the LTI. Could the Supervisory Board comment on the rationale for these changes?

Answer

Answered by Chairman of the Remuneration Committee Dick Sluimers

As part of AkzoNobel's "15 by 20" strategy, the company was focused on improving its margins, to become the reference in the industry, therefore incentive metrics were centred around margins. Having achieved this significant milestone, the company will shift its focus and balance growth and margin improvement going forward, as part of its Grow & Deliver strategy. Incentive metrics have therefore been aligned to reflect this change and are more focused around growing absolute profit as well as revenue, to align with the new strategy, also in LTI. Furthermore, it was felt by the Supervisory Board that sustainability should also be part of the incentive metrics and therefore AkzoNobel's People. Planet. Paint. ambitions play an important role in LTI as well.

Question European Investors-VEB

For what reasons are capital requirements (capex, invested capital) of less relevance in the proposed remuneration policy?

Answer

Answered by the Chairman Nils Andersen

If the question is whether we are rewarding management less on investments in capex and assets, that is correct. We decided that the best way to create value for our shareholders, in our opinion, is to have more focus on growth. It's a conscious decision which was discussed at length with a selection of our shareholders in line with our Grow & Deliver strategy.¹

Question European Investors-VEB

ESG is introduced as a new performance metric for the LTI. Could the Supervisory Board elaborate on what targets have been set to measure progress on ESG performance? And will these targets apply for the entire three-year performance period?

Answer

With regards to the second question, 20% of the LTI is related to ESG factors, that are directly derived from our [People. Planet. Paint.](#) ambitions. These ESG metrics are: Total

¹ Answer slightly redacted for clarity.

Reportable Rate of Injuries (TRR), Non-reusable Waste, Energy use and Renewable Electricity use (as percentage of total use).

Agenda item 6**Board of Management**

(a) Re-appointment of Mr. T.F.J. Vanlancker

Question European Investors-VEB

What are the reasons for Mr. Vanlancker to be appointed for a two-year term?

Answer

Answered by CEO Thierry Vanlancker

After being with AkzoNobel since 2016, in the capacity of CEO for the last four years, I feel that a second term of two years as CEO is sufficient to launch and make significant progress on delivering our new Grow & Deliver strategy, further building on the success of '15by20' while providing certainty for the company in the short-term and allowing sufficient time for succession arrangements to be made.

Question Eumedion and Federated Hermes International

Following further engagement on the executive remuneration proposals, we commend the recent publication of supplementary information regarding the 2020 remuneration report. This will alleviate earlier concerns on the lack of disclosure of variable remuneration outcomes. Would it be possible to also provide more granular disclosure on the additional restricted share grant 2021, awarded to Mr. Vanlancker as part of his recent contract renewal, e.g. how many shares are granted and what is the value of this grant? And can you assure that the additional share grant will be clawed back in the situation that Mr. Vanlancker will be reappointed for another term during the 2023 AGM?

Question European Investors-VEB

Can the Supervisory Board provide the details of the restricted share grant 2021 to the CEO, i.e. grant size and applicable performance targets?

Answer to above questions

Answered by Chairman Nils Andersen

Under Dutch law, which includes the implementation of the Shareholder Rights Directive II, and the Dutch Corporate Governance Code, the remuneration policy may include discretionary power for the Supervisory Board in determining the remuneration of the members of the Board of Management. In line with the requirements of the Shareholder Rights Directive II, the current Remuneration Policy for the Board of Management was approved by the general meeting at the AGM in 2020 and includes such discretionary power. The Supervisory Board exercised its discretion as a temporary derogation from the current Remuneration Policy for the Board of Management to support the special share grant. As the re-appointment is for two years, the short-term incentive will not fully pay-out in every year and the long-term incentives will not fully vest every year (even if performance levels are met) due to pro-rata calculations that will apply at the end of the 2-year term. The Supervisory Board wishes to ensure that Mr. Vanlancker continues to serve in his role in order to finish the transformation of AkzoNobel and deliver on the strategy and ambitions for 2021-2023 and considers this an exceptional circumstance that justifies the temporary derogation. The

special grant represents 70% of at target long-term incentive compensation foregone, taking into consideration to the 2-year term. The additional share grant is part of the Mr. Vanlancker remuneration in 2021 and as such will be included in the Remuneration Report 2021 which will be put to an advisory vote at our AGM in 2022. Should Mr. Vanlancker be appointed for another term in 2023, the additional share grant will be revisited to ensure it remains compliant with the Remuneration Policy and the Long-Term Incentive Plan, acting within corporate governance principles.