

Sustainability overview

Oddo BHF – Environment Forum
Paris June 8, 2017

Step change in growth and long-term value creation

Step change in growth and long-term value creation

Accelerating growth momentum and enhanced profitability

Creating two focused businesses as a logical next step

Clear separation within 12 months

Increasing returns to shareholders

Committed to investing in sustainability, innovation and society

Best placed to unlock value ourselves



Accelerating growth momentum and enhanced profitability

Paints and Coatings

2016-2018
guidance*

ROS 10-12%

ROI >18%



Specialty Chemicals

2016-2018
guidance*

ROS 11.5-13%

ROI >16%



Clear aim to grow faster than relevant markets

2020 guidance for AkzoNobel (current portfolio) ROS 14% and ROI >20%

* Excluding unallocated corporate center costs and invested capital; assumes no significant market disruption



Strong culture to support a step change in growth and value creation

Core principles: Safety Integrity Sustainability	Customer focused	We build successful partnerships with our customers
	Deliver on commitments	We do what we say we will do
	Passion for excellence	We strive to be the best in everything we do, every day
	Winning together	We develop, share and use our personal strengths to win as a team

Top quartile safety performance

Engagement increasing for six years running

Our Code of Conduct:



Ongoing commitment to invest in sustainability, innovation and society

100% renewable energy and carbon neutral by 2050

50% of products provide **sustainability benefits**

10% energy saving through heat reflection Weathershield

Consortium leader for purchase of wind power

10% fuel saving and carbon credits for ship owners Intersleek

Key for long-term sustainable value creation

Ongoing commitment to invest in sustainability, innovation and society

99
“Let’s Colour”
projects,
impacting 3.8m
lives

3,600+
volunteers
took part in
Community
Program
projects

€1bn
innovation
investment
until 2020

4,000
scientists
130 labs
10,000+
patents

300+
Human Cities
projects

Key for long-term sustainable value creation

Sustainability embedded in everything we do and an integral part of the way we do business

Eco-premium solutions: Invest to lead in the market

- ↗ Assessed along the full value chain against the following criteria:
 - Energy efficiency (consumption)
 - Use of natural resources/raw materials
 - Emissions and waste
 - Toxicity
 - Risks (for accidents during production, transportation etc.)
 - Land use
 - Health/well-being
- ↗ Significantly better in at least one of the above criteria, and not significantly worse in any
- ↗ Only classified as eco-premium when outperforms the mainstream product on the market





AkzoNobel

Furniture makers in China can now switch to using more eco-friendly coatings after AkzoNobel developed a new water-based system. Aquasilk – an innovative anti-scuff coating with superior hardness and excellent clarity – contains substantially lower levels of volatile organic compounds (VOCs) than the traditional solvent-based systems they replace.





AkzoNobel

Berol DR-B1 – an essential ingredient for cleaning which meets stringent US EPA standards. Degreasers prepared with Berol DR-B1 exhibit quick break behavior, meaning that the oil removed during washing separates rapidly from the used cleaning solution and can be removed, allowing the remaining water to be disposed of safely.

BEROL®

Dissolvine M-40 is a chelating agent with a readily biodegradable active ingredient (known as MGDA) which is more sustainable than some current alternatives. It will enable the detergent industry to meet stringent rules requiring the removal of phosphate builders in their formulations, without compromising on performance.



Dissolvine[®]
master the elements

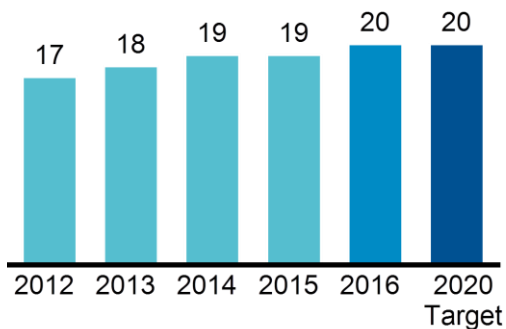
Resource Efficiency Index: key financial long-term indicator

- 1 **The Resource Efficiency Index** is defined as gross margin divided by cradle-to-grave carbon footprint – reported as an index.
 - **Gross margin:** we selected gross margin as an indicator of added value – it is comparatively stable and captures the effects of efficiency improvements
 - **Carbon footprint:** a good proxy for resource efficiency across our value chains
- 1 Our Carbon Policy and cradle-to-gate carbon footprint intensity targets have been in place since 2009. We moved to cradle-to-grave intensity targets in the strategy we launched in 2013

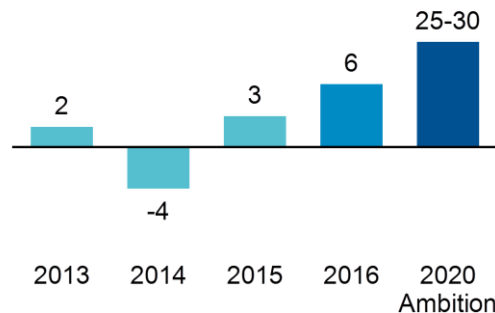


Progress made towards the 2020 targets and ambitions

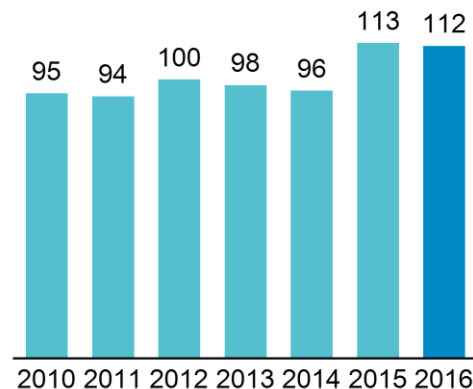
Eco-premium solutions with downstream benefits in % of revenue



Cradle-to-grave carbon footprint
% reduction CO₂(e) per ton of sales from 2012

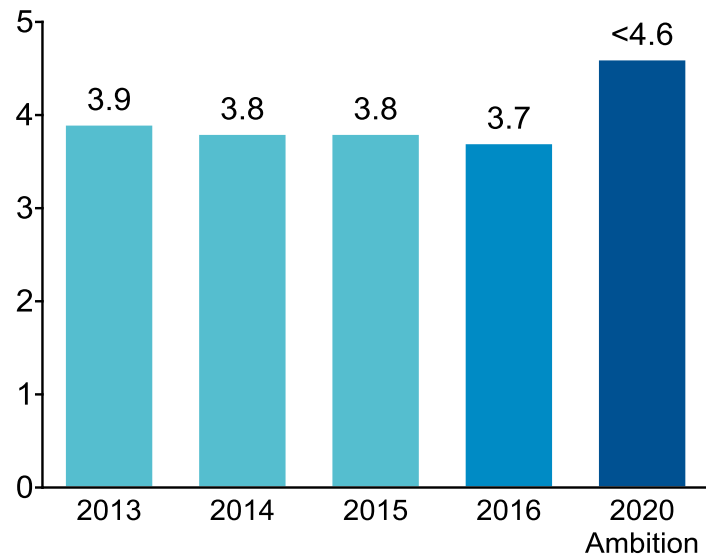


REI
Resource Efficiency Index
Gross margin/CO₂(e) indexed



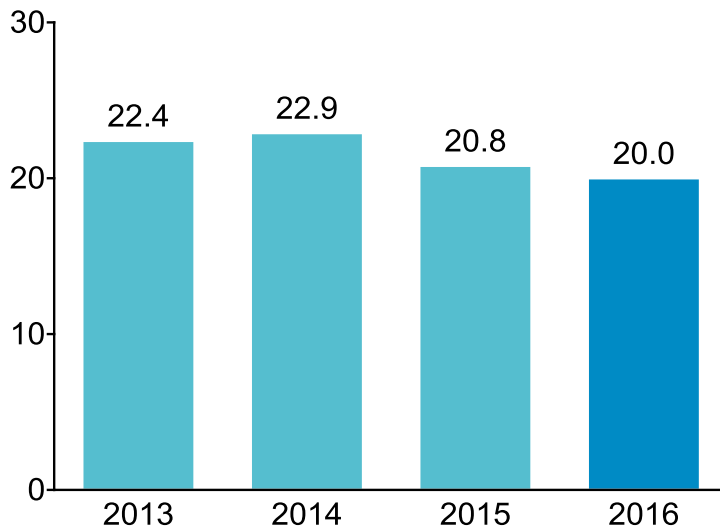
Collaboration with suppliers and customers crucial to reach 2020 ambition

Own operations carbon footprint



Up and downstream carbon footprint

Including VOC emissions



An aerial, high-angle photograph of a container ship's deck. The deck is densely packed with multi-colored shipping containers in shades of red, yellow, blue, and green. The ship is moving through a clear, turquoise blue ocean. In the distance, another container ship is visible on the horizon under a bright, slightly cloudy sky.

AkzoNobel

AkzoNobel and leading global container shipping company Maersk Line signed a strategic sustainability partnership to reduce carbon emissions per container shipped by 10%.

Planet
Possible™

The Planet Possible logo features the text "Planet Possible" in a clean, sans-serif font, with a trademark symbol. To the right of the text is a stylized graphic consisting of three curved, overlapping lines that suggest a globe or a wave.

Contract with energy company Vattenfall will ramp up the supply of renewable electricity to facilities in Sweden and Finland. AkzoNobel currently has a global renewable energy share of 40%; this contract takes the share in the Nordic region to 60%.

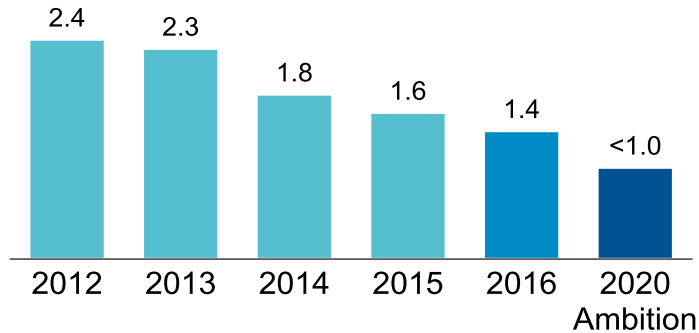
The Dutch government has signed an agreement with AkzoNobel recognizing the company's latest contribution to meeting national sustainability targets resulting from investments at its chemicals complex in Rotterdam.

AkzoNobel has signed a framework joint development agreement with specialty chemicals company Itaconix to explore opportunities for the production of bio-based polymers.

Progress on all key safety elements

People

- ↗ A common approach to behavior-based safety implemented at all sites. A self-assessment tool developed and piloted during 2016. Systematically applied, starting with all production sites in 2017
- ↗ Continued focus to achieve the ambition of <1 total reportable injury rate by 2020



Product

- ↗ Between 2012 and 2015 completed the review and management of 204 priority substances
- ↗ In total, 56 phased out and 148 restricted in use
- ↗ In 2016, scoring methodology updated, taking into account new scientific information and public concerns over hazardous substances
- ↗ A further 51 priority substances identified and in 2016 reviewed and managed 17 of these

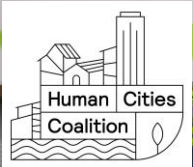
Process

- ↗ Process safety management (PSM) integral part of overall safety strategy
- ↗ PSM framework sets out minimum standards at all sites
- ↗ In 2016, Phase A sites completed implementation of their improvement plans





AkzoNobel



We are committed to bringing people, government, NGOs and businesses together to create opportunities for making cities more human.





Unveiling of great tribute to Johan Cruyff at historic location in Amsterdam



AkzoNobel to restore five artworks in Brazil ahead of 2017 architecture award

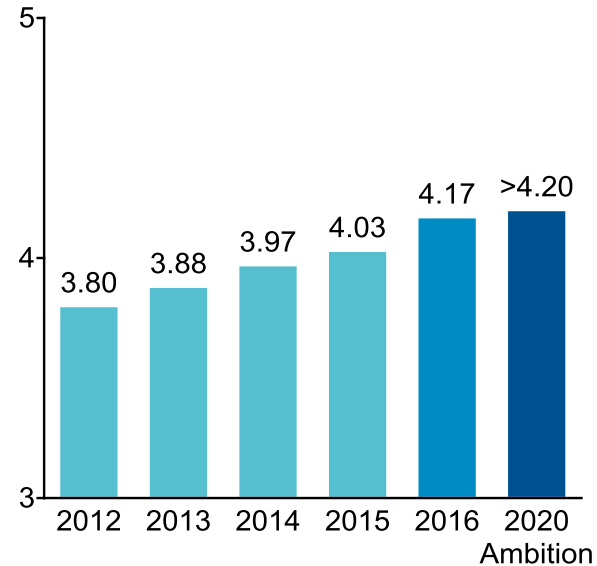


Color and community spirit transforms Buenos Aires slum

Building an engaged workforce

- Our people are critical to the success of our company
- Being able to give and receive feedback is vital to creating an engaging work environment. We therefore invite all our employees to participate in our annual engagement survey
- The engagement levels show a positive trajectory at all levels of the company
- Sites with top quartile engagement levels have a 41% lower total reportable injury rate than sites with bottom quartile levels

ViewPoint score employee engagement
(1 to 5 scale)

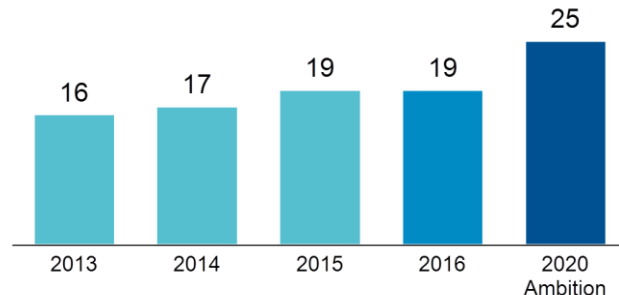


Leadership changes providing clear direction and driving culture change

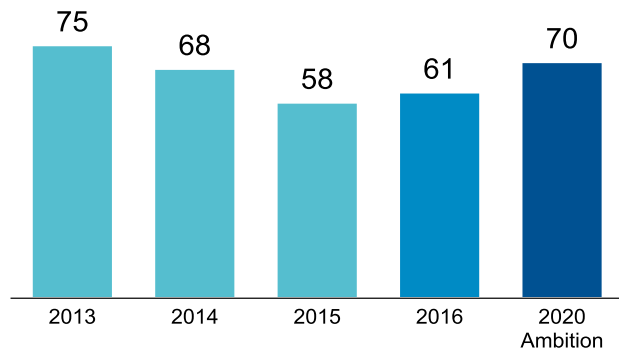
Diversity is an important factor

- Want our people to truly reflect and represent the many and varied cultures of the markets we serve and the different locations where we do business
- Inclusive and diverse teams better understand customer demands and make our organization stronger and more innovative
- Work hard to find and retain talent and provide continuous learning and development opportunities
- Objective is to create a high performing culture where employees can contribute to the best of their ability

Female executives (%)

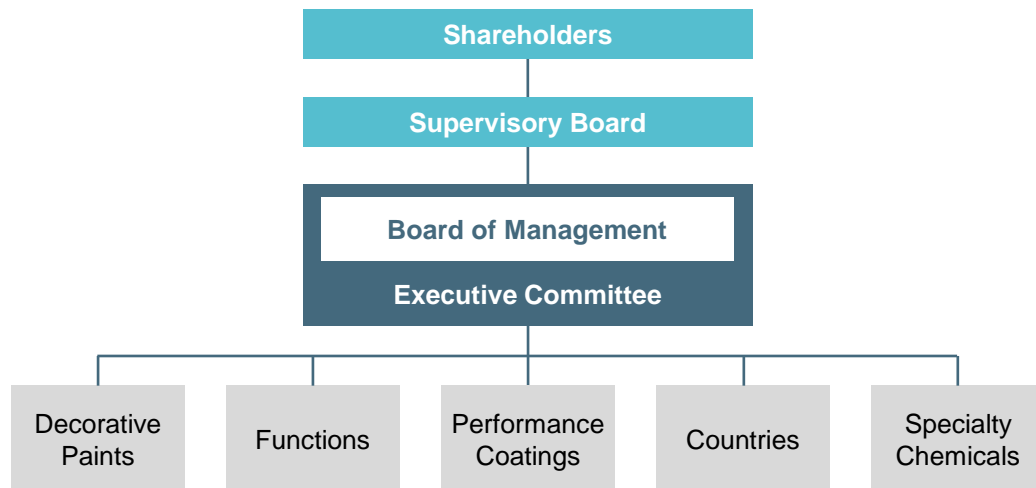


Executive vacancies filled internally (%)



Aspire to the highest standards of corporate governance

Governance structure



- Supervisory Board supervises and advises the Board of Management and supervises the general conduct of business of AkzoNobel
- Committed to the company's long-term value creation
- Regularly reviews the business strategy and plan
- Board of Management entrusted with the management of the company
- Operates in the context of an Executive Committee
- The Board of Management and the Executive Committee defines the strategic direction
- Establish and maintain internal policies and procedures for effective risk management and control



Supervisory Board members have diverse and appropriate experience

Supervisory Board



Antony Burgmans
(1947, Dutch)
Chairman
Appointed: 2006

R N

Former Chairman and CEO of Unilever;
Former Chairman of TNT Express ;
Former Non-Executive Director BP;
Member of the Supervisory Board of Jumbo Group;
Member of the Supervisory Board of SHV



Sari Baldauf
(1955, Finnish)
Appointed: 2012

R N

Former member of the Group Executive Board of Nokia Corporation;
Former Non-Executive Director of F-Secure;
Chairman of the Board of Fortum;
Supervisory Board member of Daimler and Deutsche Telekom



Peggy Bruzelius
(1949, Swedish)
Appointed: 2007

A

Former CEO of ABB Financial Services;
Former Executive Vice-President of SEB;
Former non-executive Director Axfood;
Non-executive Director of Lundin Petroleum, Skandia Mutual Life Insurance and Diageo;
Chairman of Lancelot Asset Management

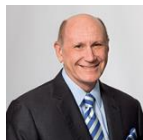


Byron E. Grote
(1948, American and British)
Deputy Chairman
Appointed: 2014

A

Former non-executive Director of Unilever;
Former Board member BP;
Non-executive Director of Anglo-American;
Non-executive Director of Standard Chartered

A = Audit Committee Member,
N = Nomination Committee Member,
R = Remuneration Committee Member



Louis Hughes
(1949, American)
Appointed: 2006

A

Former President and COO of Lockheed Martin;
Former Executive Vice-President of General Motors;
Chairman of InZeroSystems;
Member of the Boards of Directors of ABB group and Nokia Corporation;
Executive Advisor of Wind Point Partners



Pamela Kirby
(1953, British)
Appointed: 2016

R N

Non-executive Director at Reckitt Benckiser;
Non-executive Director at Hikma Pharmaceuticals;
Non-executive Director at DCC;
Senior Independent Director Vitrex.



Dick Sluimers
(1953, Dutch)
Appointed: 2015

A

Former CEO of APG Group;
Member of the Supervisory Boards of Atradius, NIBC Bank and Euronext;
Trustee of the Erasmus University Trust;
Member of the Board of Governors of the State Academy of Finance and Economics



Ben Verwaayen
(1952, Dutch)
Appointed: 2012

R N

Former CEO Alcatel-Lucent;
Former Chief Executive/Chairman of the Board's Operating Committee of BT group;
Non-executive Director of Akamai Technologies and Bharti Airtel;
Non-executive Director of Ofcom



Recognition by external parties

AkzoNobel

91%
in RobecoSam
(Dow Jones
Sustainability Index)
Top 10%
ranking for
11 years

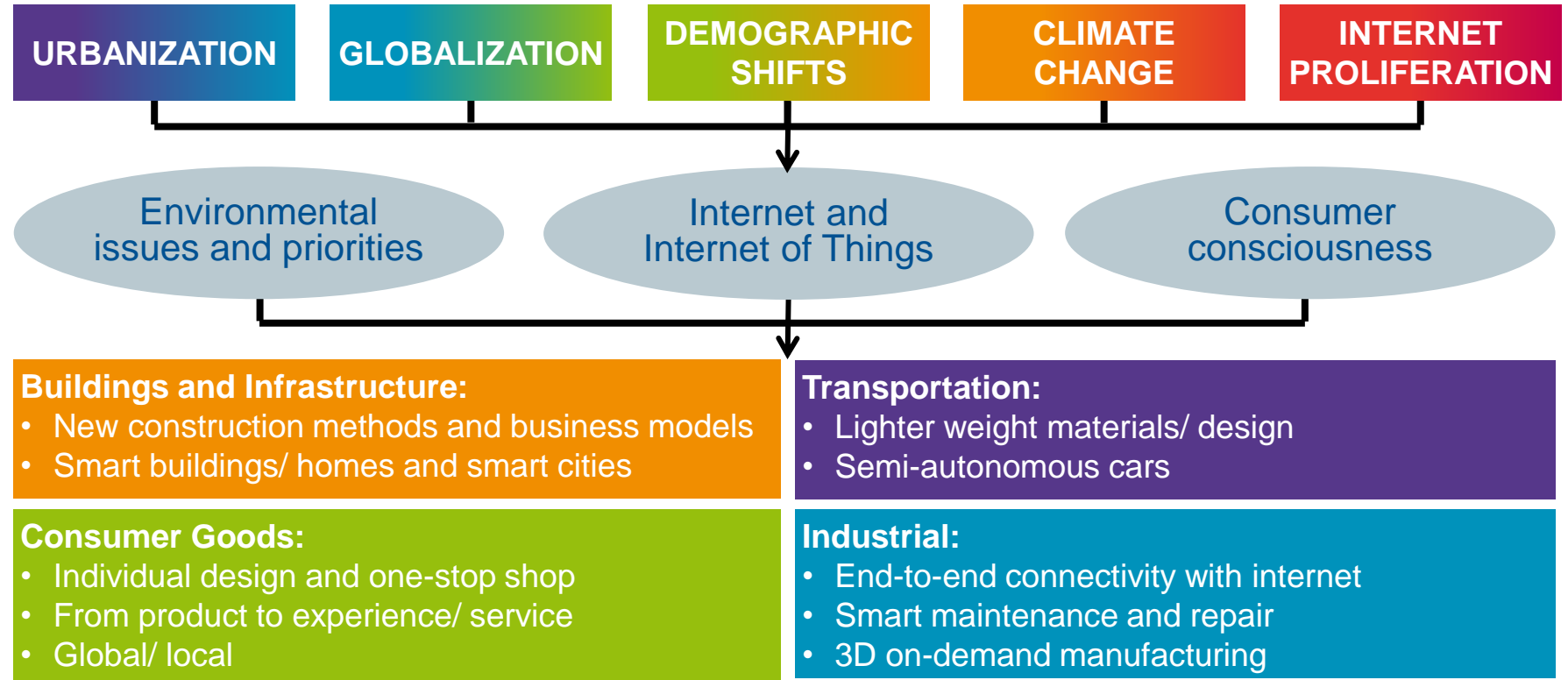
Included in
A-list
of CDP with
score **100/B**

Leading
in Sustainalytics
with score of
98%

**ISS corporate
governance
score of**
2*
*1 is highest,
10 is lowest

Appendix

Presence in a wide variety of markets provides a range of unique opportunities



Step change in growth and long-term value creation

Strategy: Create two focused businesses

- ↳ Separation within 12 months
- ↳ Dual-track process with project teams in place
- ↳ Focused Paints and Coatings strategy

Accelerating sustainable growth and profitability

- ↳ Clearer customer focus
- ↳ Fit for purpose organization and processes
- ↳ €150m savings per year from continuous improvement

2017
guidance
EBIT
+€100m

2020
guidance¹
ROS 15%
ROI >25%

Increased shareholder returns:

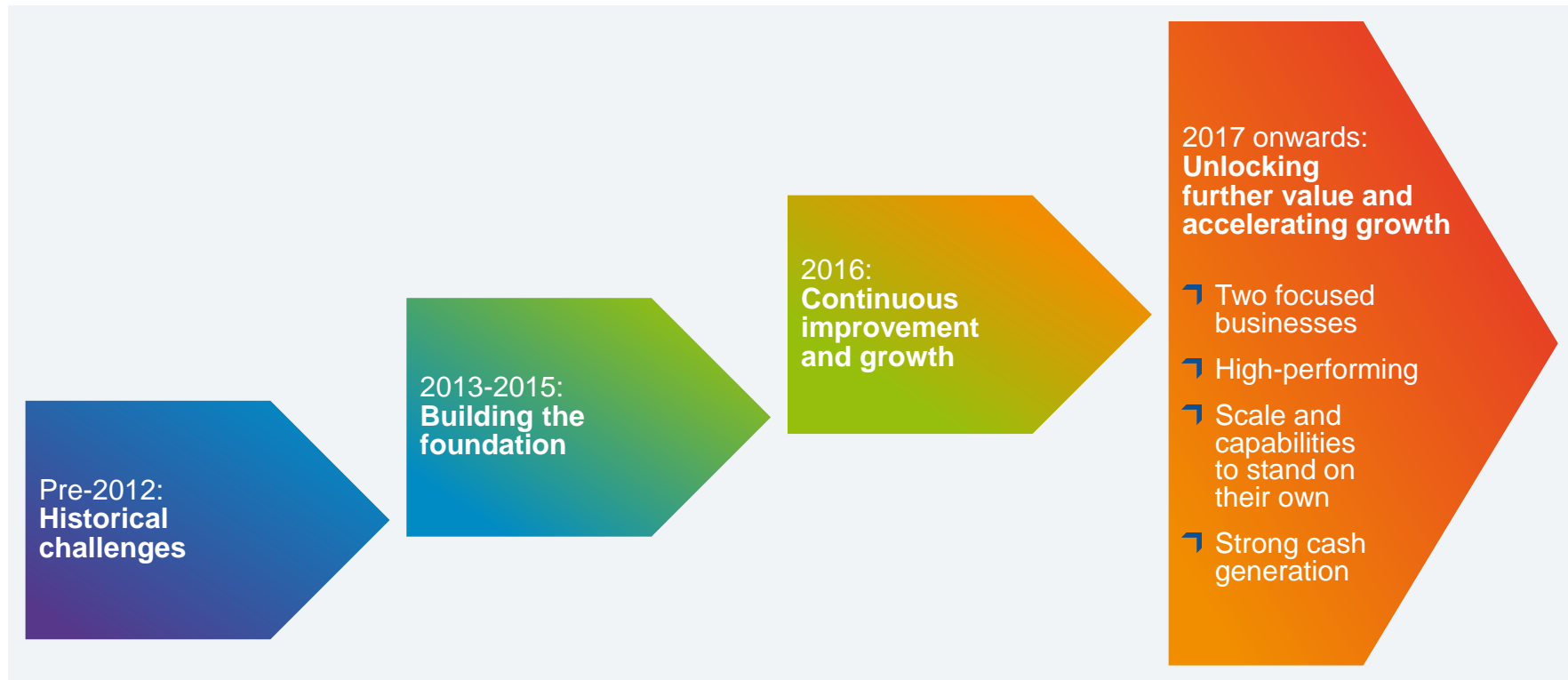
- ↳ 50% higher dividend for 2017²
- ↳ €1bn special cash dividend
- ↳ Vast majority of net proceeds returned³

Strong financial and operational foundation

1) Excluding unallocated corporate center costs and invested capital; assumes no significant market disruption;

2) Dividend per share €1.65 for Paints and Coatings in 2018; 3) Specialty Chemicals separation

Creation of two focused businesses is the logical next step

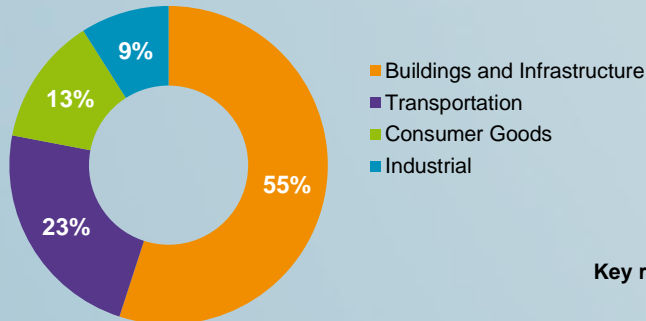


The new world of Paints and Coatings

AkzoNobel

€9.5bn revenue
€1.4bn EBITDA
€1.1bn EBIT
11.7% ROS
20.8% ROI
34,400 people

Revenue by end-user segment

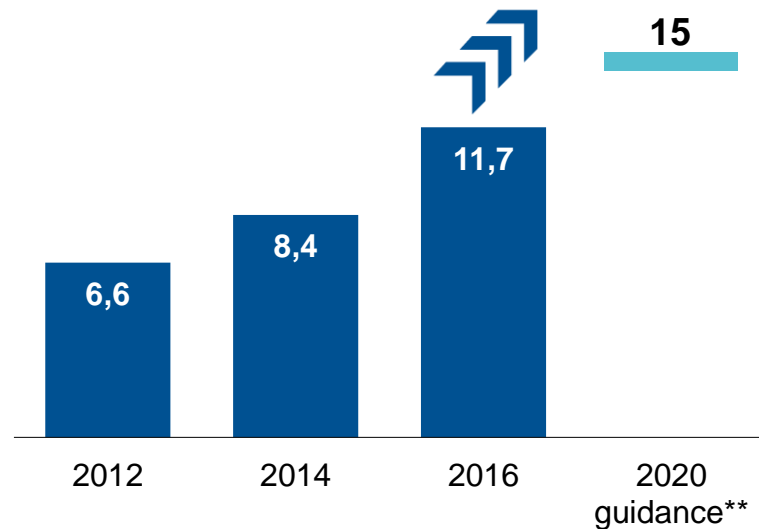


All figures are based on year-end 2016, excluding unallocated corporate center costs and invested capital

Well positioned to accelerate growth and enhance profitability

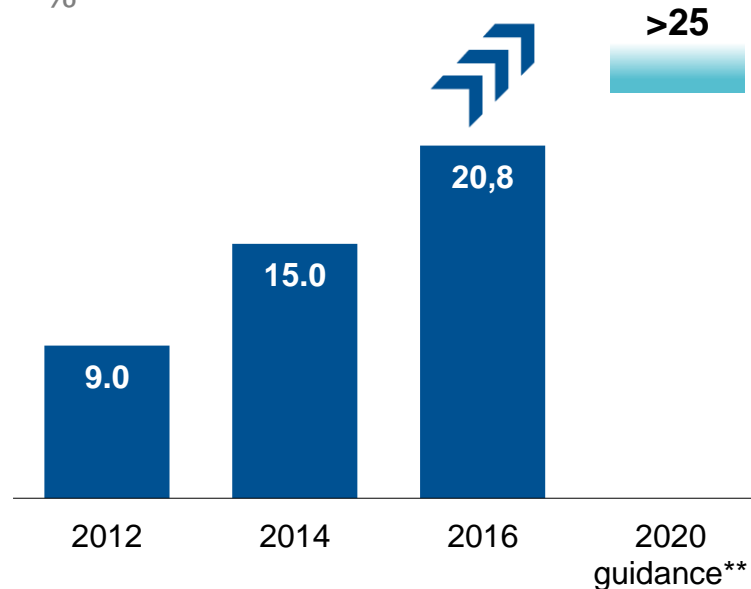
Return on sales*

%



Return on investment*

%



*ROS% = EBIT/revenue and moving average ROI (in %) = 12 months EBIT/12 months average invested capital

**Excluding unallocated corporate center costs and invested capital; assumes no significant market disruption

World class Specialty Chemicals business

€4.8bn revenue

€953m EBITDA

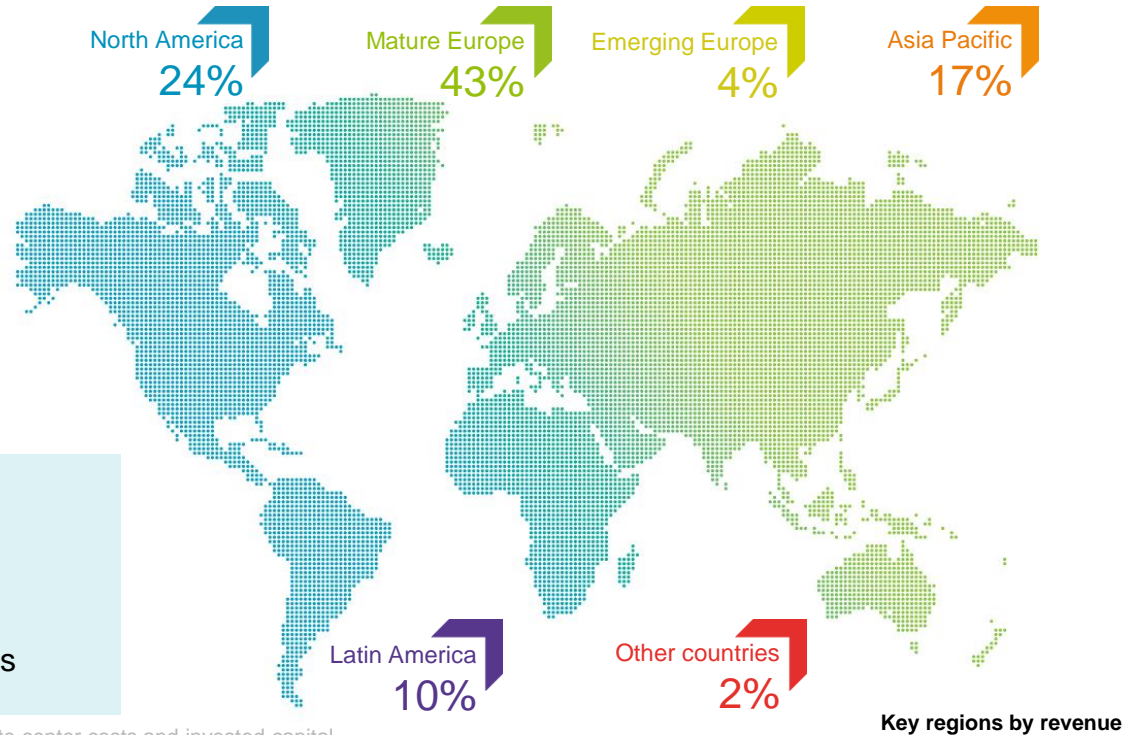
€629m EBIT

13.2% ROS

17.9% ROI

9,000 people

- ↗ Balanced portfolio of interlinked businesses
- ↗ High profitability in all businesses
- ↗ Proven resilience of portfolio through cycles
- ↗ Leadership positions in high growth segments



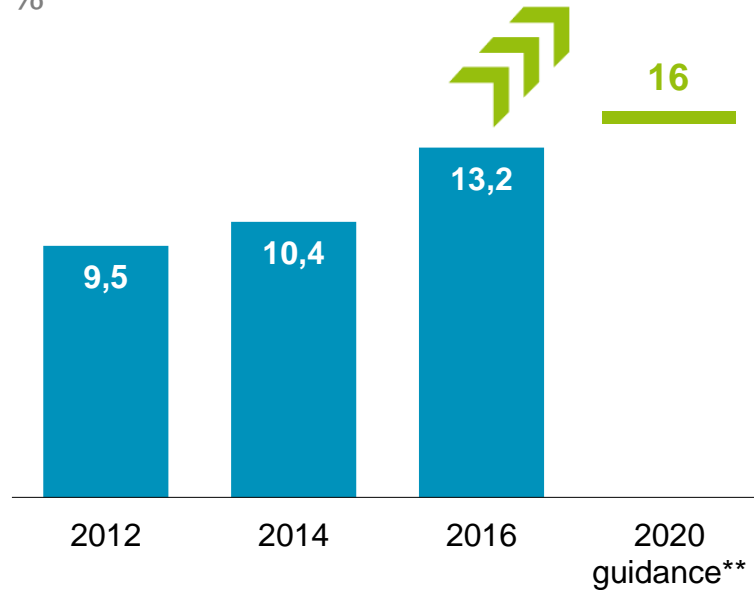
* All figures are based on year-end 2016, excluding unallocated corporate center costs and invested capital

Key regions by revenue

Well positioned to significantly improve performance: increased guidance

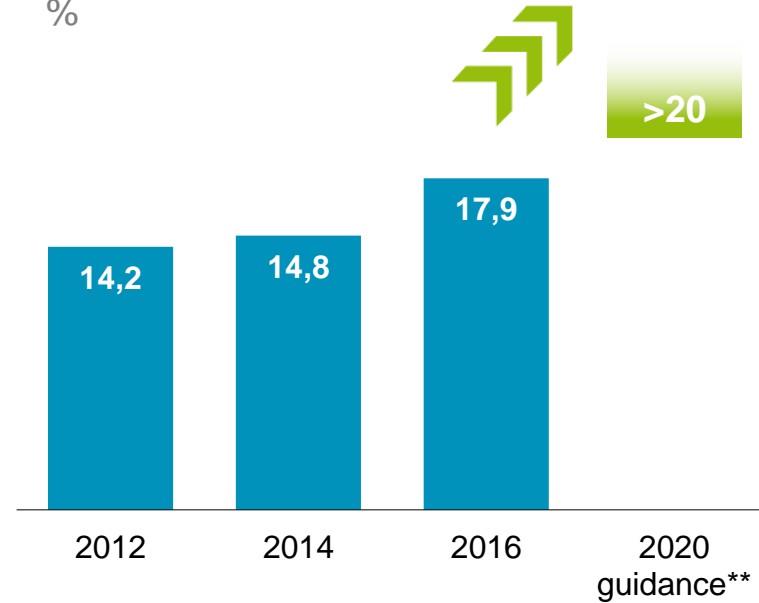
Return on sales*

%



Return on investment*

%



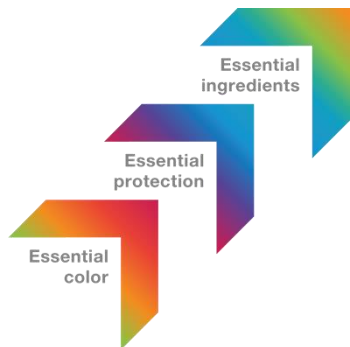
*ROS% = EBIT/revenue and moving average ROI (in %) = 12 months EBIT/12 months average invested capital

**Excluding unallocated corporate center costs and invested capital; assumes no significant market disruption

Leading markets positions delivering leading performance

AkzoNobel

TO CREATE **EVERYDAY ESSENTIALS** TO MAKE PEOPLE'S LIVES MORE LIVEABLE AND INSPIRING



Drive **digital** and **innovation**

Build world class brands and **color** expertise

#1 choice for customers

Lead the way in **sustainability**

Live our **values, principles,** and **develop our people**

Continue to **improve** and **excel**

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