

# Reporting principles

## Sustainability Statements 2020

This document explains the materiality assessment and the reporting principles of the key performance indicators presented in the Annual Report 2020 and on the corporate website. This document needs to be read in conjunction with the Sustainability Statements in the Annual Report 2020.

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## 1. Reporting policies

### 1. Reporting boundaries

Please see Note 1 - section 'general information', 'consolidation' and 'associates and joint ventures', of the consolidated financial statements.

### 2. Boundaries and Comparability

Since 2010, we report acquisitions from the date of purchase, recognizing that reporting improvements may be required at these facilities. Recent significant changes:

- In 2020 data excludes the acquisitions of Mapaero, and Mauvilac
- In 2019 data includes the acquisition of Xylazel and excludes the acquisition of Mapaero
- In 2018 AkzoNobel completed the separation of Specialty Chemicals. All data reported reflects AkzoNobel Paints & Coatings and excludes Specialty Chemicals, unless stated otherwise. Further, 2018 data includes the acquisitions of Fabryo and Colourland Paints and excludes the acquisition Xylazel

We identify issues that affect comparability in the text or footnotes.

## 2. Materiality process

We have used the principle of materiality to review our strategic priorities and to assess the topics to include in the Sustainability Statements of the Annual Report 2020. In 2018, a detailed materiality assessment was conducted. In 2020, we updated the assessment of those topics most material for a focused Paints and Coatings company, based on the potential impact of each topic on the acceleration of our strategy and on its importance for stakeholder decision making. The 2020 assessment did not significantly impact the placement of the topics in the matrix itself and therefore the 2020 assessment is a confirmation of our sustainability strategy and choice of topics for external reporting.

The results are presented in a Materiality Matrix by plotting the strategic importance horizontally versus stakeholder decision making vertically.

Topic	Internal	External
Resource productivity	High	High
Employee development	High	Medium
People/process safety	High	High
Circular economy	Medium	Low
Supplier sustainability	Medium	Medium
Customer satisfaction	High	High
Sustainable portfolios	High	High
Climate strategy	High	Medium
Product safety	Medium	High
Integrity	Medium	Medium
Human rights	Medium	Medium
Community involvement	Low	Low
Fair taxes	Low	Low

Internally, to assess the importance of each sustainability topic for our strategy, four areas of risk and opportunity were identified: Operations, Markets, Remaining ahead of regulation and Identity. In each area, key topics were identified and classified as having a low, medium or high potential to accelerate our strategy, based on the current impact we have across our value chain.

Externally, the results were reviewed against the priorities of key stakeholders' decision making as it relates to AkzoNobel. The high priority topics are presented in Annex 1 for each stakeholder group.

For 2020, the materiality assessment is updated by the following items:

1. Internal assessment
  - Based on survey of Sustainability core team ranking the most relevant topics (as defined in 2018) in three categories (low, medium, high)
2. External assessment
  - Based on survey of relevant functions linked to the external stakeholder groups ranking the most relevant topics (as defined in 2018) in three categories (low, medium, high)
  - Added customers as an additional group of external stakeholders

Results of 2020 assessment are signed off by the chair of the Sustainability Council.

### 3. Indicators and reporting processes

In our Annual Report 2020 the main sustainability themes and corresponding indicators are grouped according to our approach to Sustainability:

- People: note 1-4: employees, health & safety, AkzoNobel Cares, human rights
- Planet: note 5-7: reducing carbon emissions, towards a zero waste company, responsible procurement
- Paint: note 8: sustainable solutions and customer value

In the annual report, the most material performance indicators are presented. Our performance on the other indicators is disclosed via our corporate website. In this section of the reporting principles, all performance indicators are described. For each indicator it is indicated if it is disclosed in the Annual Report 2020 or on the corporate website.

As broadly acknowledged by organizations, governments, regulators and reporting standards, the preparation of the Sustainability Statements requires management to make judgments, estimates and assumptions that affect amounts reported. The estimates and assumptions are based on experience and various other factors that are believed to be reasonable under the circumstances. The estimates and underlying assumptions are reviewed on an ongoing basis. Mainly the KPIs of sustainable solutions and climate (scope 3 upstream and downstream) have a higher degree of judgement and complexity for which changes in the assumptions and estimates could result in different results than those recorded in the Sustainability Statements in the Annual Report 2020.

Please refer to the Sustainability Statements of the Annual Report 2020 for further information on the sustainability business imperatives.

#### 1. Sustainability statements: People

Notes 1, 2, 3 and 4 of the Sustainability Statements in the Annual Report 2020 detail the themes and indicators related to People.

- **Employee indicators**

Reported in Annual Report 2020		
<b>Organization health</b>	Organizational health score	The overall percentile score is used in external reports. In 2019 four quarterly surveys were held with results per quarter. For the annual report of 2019 the Q4 scores are reported. In 2020 two quarterly surveys were conducted with results in Q1 and Q3. For the annual report the Q3 scores are reported.
<b>Diversity and inclusion</b>	Female executives	Percent of women at executive level.
<b>Employees</b>	Employee numbers	Number of FTE (full time equivalent) at year-end. Reported for AkzoNobel as a whole and per Business Area.

Reported on corporate website		
Talent management	Executive vacancies filled internally	Number of executive level appointments filled by internal candidate as a percentage of all executive appointments.
	High potential turnover	Number of employees who are identified as consistent high performer who leave the company, as percentage of all employees that are identified as consistent high performer.
Diversity and inclusion	Female executive potential pool	Number of women identified as executive potentials as a percentage of all executive potentials.

## Reporting process

### *HR Data Management system (SuccessFactors)*

SuccessFactors is AkzoNobel's global HR system for managing employee data, including talent and performance management, recruitment and learning data. The system stores a range of personal and job information; including management line, salary, job history, etc. SuccessFactors is a real time system running AkzoNobel's processes and forms the basis of monthly or quarterly internal reporting as well as external HR reporting.

Data is entered and authorized at defined levels in country and business organizations. There are monthly data checks for some aspects while data quality is being improved. Talent information is updated annually following the end of year review process.

External reporting is managed by the HR analytics manager, based on defined management reports. Output is reviewed and audited at AkzoNobel HR corporate level. Crunchr is used for data visualization and analytics on the source data derived from SuccessFactors.

### *Organizational Health Index*

Results from the organizational health index (OHI) are collected in the OHI database and reported by McKinsey. Because of anonymity AkzoNobel has no access to these detailed data and the data review, authorization and audit is the responsibility of McKinsey. AkzoNobel receives a report with consolidated results.

- **Health and safety indicators**

Reported in Annual Report 2020		
People safety	Total reportable injury rate employees/temporary workers	The total reportable injury rate (TRR) is the number of injuries resulting in a medical treatment case, restricted work case, lost time case or fatality, per 200,000 hours worked. In line with OSHA guidelines, temporary workers are reported with employees, since day-to-day management is by AkzoNobel.
	Total reportable injury rate (TRR) Contractors	The contractors total reportable rate (TRR) is the number of contractor injuries, resulting in medical treatment cases, restricted work cases, lost time injuries or fatalities, per 200,000 hours worked.

	<b>Lost time injury rate employees/temporary workers</b>	The lost time injury rate [LTIR] is the number of injuries resulting in a lost time case per 200,000 hours worked. Temporary workers are reported together with employees since day-to-day management is by AkzoNobel.
	<b>Lost time injury rate Contractors</b>	The contractor lost time injury rate [LTIR] is the number of contractor injuries resulting in a lost time case per 200,000 hours worked.
<b>Employee health</b>	<b>Occupational illness rate Employees</b>	The total number of reportable Occupational Illness Cases of Occupational Illnesses for the reporting period per 1,000,000 hours worked. This parameter is reportable for Employees and Temporary Workers.
<b>Process safety</b>	<b>Loss of primary containment Process safety event</b>	A loss of primary containment is an unplanned release of material, product, raw material or energy to the environment (including those resulting from human error). Loss of primary containment incidents are divided into three categories, dependent on severity, from small, on-site spill/ near misses up to Level 1 – a significant escape.
	<b>Loss of primary containment level 1</b>	<p>A Loss of Primary Containment (LOPC) from a process or uncontrolled or unsafe release from a pressure relief device (PRD) that exceeds the Level 1 chemical release threshold.</p> <p>Level1 includes on-site injury to employees, contractors or members of the general public which leads to severe injury; release that is observable or has impact off-site and can give rise to public concern and local media attention; permit violation (significant regulatory action as a result of LOPC Level 1 release); damage (including financial and quality of life) to local stakeholders (such as local suppliers or neighbors), or exceeding 25K Euro asset damage.</p>
	<b>Loss of primary containment level 2</b>	<p>A Loss of Primary Containment (LOPC) from a process or uncontrolled or unsafe release from a pressure relief device (PRD) that exceeds the Level 2 chemical release threshold.</p> <p>Level 2 includes reportable injury; medical treatment injury, restricted work injury, or lost time injury not resulting in severe injury, release almost certainly contained on site, not readily controlled, with no observable impact off-site, external complaint which affects company reputation for some employees, or exceeding 2.5K Euro asset damage.</p>
	<b>Process safety event - Level 3</b>	<p>PSE Level 3 covers all Losses of Primary Containment and Near Misses which are not level 1 or 2.</p> <p>A level 3 PSE is triggered by the following types of events:</p> <ul style="list-style-type: none"> <li>• LOPC below threshold conditions of PSE Level 1 and 2 according to the categorization flowchart</li> <li>• Safe operating limit excursions: process parameter deviation that exceeds the safe operating limit applicable to the phase of operation</li> <li>• Primary containment inspection or testing results outside documented acceptable limits</li> <li>• Trip or Safety Instrumented system (SIS) activation</li> <li>• Other Process Safety Near Misses</li> </ul>
<b>HSE&amp;S management</b>	<b>Regulatory actions level 4</b>	Regulatory actions from self-reported issues (level 1) to formal legal notification with fines above € 100,000 (level 4).

Reported on corporate website		
Employee health	Total illness absence rate	The number of lost working hours, whether work-related or not work-related, per reporting period due to all illnesses and injuries as a percentage of the scheduled working hours per reporting period. This parameter is reportable for employees only.
	Wellness checkpoint use	The wellness checkpoint is the electronic company occupational health tool available for all employees. It allows employees, and their families, to carry out health risk assessments and develop improvement plans. Anonymous data can be collected at team, location or business level to identify common improvement activities required.
Product safety	Priority substances with management plan	% progress on current phase of the priority substance program.  A priority substance is reviewed and managed when it has been reviewed under the AkzoNobel priority substance process and is listed as prohibited or restricted in the AkzoNobel company-wide priority substance standard (STD 6).
HSE&S management	Management audits plus reassurance audits	Number of HSE&S audits, including reassurance audits.  The HSE&S Audit process combines a continuous improvement tool for sites with a periodic audit managed by the HSE&S team supervised by the internal auditing department. Audits include experienced practitioners from business and expertise groups. For most sites the frequency is every five years. For sites with an intrinsic high hazard rating, this frequency is every three years.

## Reporting process

### *HSE&S Suite (Enablon)*

Each location reports their health and safety data monthly/ quarterly via the HSE&S Suite (Enablon). The HSE&S Manual includes detailed reporting guidance: this includes performance data and progress against company programs, e.g. Behavioral Based Safety, Life Saving Rules. The data is authorized at regional level and critically reviewed and audited at AkzoNobel corporate level. From 2012 onwards, safety data has been reported monthly. Locations cover the employee population including manufacturing sites, office blocks, group of stores/ sales offices, etc.

Other reporting routes:

### *Wellness Check Point*

- Wellness checkpoint use  
Data is collected from the web-based wellness checkpoint system and reviewed and audited at AkzoNobel HSE&S corporate level.

### *Product Stewardship & Regulatory Affairs SharePoint*

- Priority substances with management plan  
Data is reported quarterly and reviewed by the Product Stewardship and Regulatory Affairs Leadership group and audited at AkzoNobel HSE&S corporate level.



**HSE&S Audit summary**

- HSE&S Audits

The HSE&S Audit Manager monitors progress against an annual plan. Results are critically reviewed and authorized at AkzoNobel corporate level, then reported to business managers, HSE&S leadership group and Audit Committee.

- **Social programs indicators**

Reported in Annual Report 2020		
<b>Community</b>	<b>AkzoNobel Cares</b>	Social impact programs effort; consists of four programs: Let's Colour, SOS Children's Villages, Community Program and Education Fund <ul style="list-style-type: none"> <li>• Number of projects</li> <li>• Community people trained</li> </ul>

**Reporting process****Let's Colour program**

- Program involvement  
The program is managed by the Global Marketing team. Local Marketing teams report project data on a quarterly basis using a standard template. The outcomes are reviewed by business management teams and assessed at corporate level.
- Lives impacted  
The lives impacted is estimated using standard guidance on how to evaluate different types of project, for example houses/ street; public building/ establishment, public areas, others.

Measurement metric	Remarks/ guidance
<b>Number of people who benefit from the project (calculation guidance)</b>	
<b>Area painted</b>	<b>Lives impacted</b>
Houses/ Street	Number of residents
Building/ Establishment (e.g. school, old age home, childcare centre, club)	Number of people who attend establishment (no double counting)
Public areas (e.g. park, rail station, parking, shopping centre, water tower)	Number of people who visit the area (local council, online search)
Others (e.g. wall on road, bridge)	Number of people who live in that area, people who can see the painted area in daily life

**Community Program**

The program is managed by the Integrated Sustainability team. Every project reports their data using a standard template, similar with the one used in Let's Colour. The same measurement is also used to estimate the number of beneficiaries. Calculation of beneficiaries are performed by each project team. Where actual numbers are not available, project teams are responsible for determining underlying assumptions to calculate overall estimated number of beneficiaries.

**SOS Children's Villages**

The program is managed by the Global Marketing Team. The measurement is taken from a database digital platform that is developed by SOS. The database is based on the theory of change and all

partnership activities are filled in by local SOS and local AkzoNobel teams. The total overview of the data collected and provided to AkzoNobel at the end of the year.

### **Education Fund**

The program is managed by Corporate Communications. The measurement of the social impact is done by our partner, PLAN International, which includes the number of community people trained and benefitted from the projects. The number of people trained is measured per project—not per year, whereas the number of people benefitted is measured by the exact number of people who followed the training which was/is supported by AkzoNobel's funds.

## **2. Sustainability statements: Planet**

Our value chain reporting is carried out using standard templates and procedures. The definition of each value chain parameter that is reported and the reporting process in place for each value chain aspect are described below. Notes 5, 6 and 7 of the Sustainability Statements in the Annual Report 2020 detail the themes and indicators related to Planet.

### **Environmental indicators (*reducing our carbon footprint*)**

Reported in Annual Report 2020		
<b>Own operations</b>	<b>Renewable energy</b>	<p>% renewable energy consumed</p> <p>Renewable energy is energy (electricity or heat) that is generated from inexhaustible resources; e.g. wind, solar, hydro, biomass and tidal.</p> <p>Energy is expressed as 'primary' energy, or fuel equivalents. Expressed as the share of renewable energy AkzoNobel uses in its own operations relative to the total energy used. We use an average efficiency factor of 40%.</p>
	<b>Renewable electricity</b>	<p>% renewable electricity used in our operations</p> <p>Renewable electricity is electricity that is generated from inexhaustible resources; e.g. wind, solar, hydro, biomass and tidal. Expressed as the share of renewable electricity AkzoNobel measures/ uses in its own operations relative to the total electricity used.</p>
	<b>Energy use</b>	<p>The energy consumption of AkzoNobel in absolute measures (1000*TJ) and per ton of production.</p> <p>Energy is expressed as 'primary' energy, or fuel equivalents, used on our sites and to generate electricity/ heat used on our sites. Production is output from each designated production unit (external and internal sales).</p>
	<b>Volatile organic compounds</b>	<p>Volatile organic compound emissions in absolute measures (kilotons) and kg per ton production.</p> <p>Note: In 2018 and 2019 we have further improved our VOC modeling. As the emissions are strongly dependent on solvent type, process, use of an abatement system and product composition, we developed and implemented a tool incorporating all these factors.</p>
	<b>Direct CO2(e) emissions (scope 1)</b>	<p>The total greenhouse gas emissions from processes and combustion at our facilities and indirect emissions from purchased energy in absolute measures (Mt CO<sub>2</sub>e) and kg CO<sub>2</sub>e per ton production. Excludes transport.</p>

	<b>Indirect CO2(e) emissions (scope 2)</b>	We measure the six main greenhouse gases defined in the Greenhouse Gas Protocol.
<b>Reported on corporate website</b>		
<b>Raw materials</b>	<b>Renewable raw materials</b>	<p>Renewable raw materials as % of organic materials purchased</p> <p>Renewable raw materials as % of total materials purchased</p> <p>A renewable raw material is one that is wholly or partly derived from a biomass source that is continually replenished. If the RM is partly based on biomass, the renewable share is defined by the fraction of renewable carbon. Excludes: energy, utilities and other auxiliaries; water purchased on site; packaging materials; non-product related materials (NPR).</p> <p>We use renewable raw materials as % of organic materials purchased as the main KPI since this focuses on fossil materials which may be replaced by renewables.</p>
	<b>NOx and SOx emissions</b>	<p>NOx and SOx emissions in absolute measures (kilotons) and kg per ton production. Emissions from manufacturing processes which are discharged directly to air (e.g. after any abatement process).</p> <p>NOx comprises NO and NO<sub>2</sub> and is expressed as metric tons of NO<sub>2</sub>, SOx comprises SO<sub>2</sub> and compounds of sulfur and is expressed as metric tons SO<sub>2</sub>.</p>

### Environmental indicators (*towards a zero waste company*)

<b>Reported in Annual Report 2020</b>		
<b>Own operations</b>	<b>Total waste</b>	<p>Total waste in absolute measures (kilotons) and kg per ton production. Waste is reported as total weight, not dry weight.</p> <ul style="list-style-type: none"> <li>• Reusable waste</li> <li>• Non-reusable waste</li> </ul> <p>Waste is any material arising from our routine operations which is not incorporated into final products and not directly released to atmosphere or direct to surface water.</p> <p>Non reusable waste is waste which is not used for resource recovery, recycling, reclamation, direct re-use or alternative uses; e.g. composting.</p>
	<b>Hazardous waste</b>	Total hazardous waste to landfill in absolute measures (kilotons) and kg per ton of production
	<b>Fresh water use</b>	<p>Fresh water use as absolute measure (million m<sup>3</sup>) and m<sup>3</sup> per ton production.</p> <ul style="list-style-type: none"> <li>• Extraction recorded as surface, ground and potable water;</li> <li>• Use recorded as cooling, process and other use (e.g. hygiene, grounds).</li> </ul> <p>Water consumption is a small proportion of water use: majority of water is used for cooling and returned to the original source, slightly heated.</p>
<b>Reported on corporate website</b>		
<b>Own operations</b>	<b>Hazardous waste</b>	<p>Total hazardous waste in absolute measures (kilotons) and kg per ton of production.</p> <ul style="list-style-type: none"> <li>• Reusable waste</li> <li>• Non-reusable waste, not to landfill and</li> <li>• Non-reusable waste to landfill,</li> </ul>

		Hazardous Waste is waste that is classified as such according to the definition of the national, state or local legislation in place.
	<b>Soil &amp; Groundwater remediation</b>	Costs associated with the assessment and remediation of historical soil and groundwater contamination. We report the provision we have set aside (as per IFRS standards and audited by External Audit) for such remediation in millions of EUR.
	<b>Chemical Oxygen Demand (COD)</b>	Chemical oxygen demand of the waste water effluent discharged directly from our facilities into surface waters as absolute measure (kilotons) and kg per ton production.  Chemical Oxygen Demand is amount of oxygen required for the chemical oxidation of substances in the waste water effluent.

## Reporting processes – own operations

### HSE&S Suite (Enablon)

Each designated environmental location reports their environmental data monthly via the HSE&S Suite. The HSE&S Manual includes detailed reporting guidance. The data is authorized at site and regional level are critically reviewed by the HSE&S Global team.

- Renewable energy (electricity and heat)  
Site data is extracted from the HSE&S Suite – calculated from ‘fuel mix’ data from our energy suppliers or country grid factors.

## Climate

Reported in Annual Report 2020		
<b>Climate change – cradle-to-grave</b>	<b>Cradle to Grave Carbon Footprint (Scope 1, 2, and 3)</b>	<p>Our CO<sub>2</sub>(e) footprint in million tons of CO<sub>2</sub>(e) including scope 1 (own operations), scope 2 (energy use) and scope 3 (upstream) and scope 3 (downstream).</p> <p>The footprint includes the six main greenhouse gases defined in the Greenhouse gas protocol.</p> <p>Upstream: category 1—purchased goods and services.</p> <p>Downstream: category 10—processing of sold products, category 11—use of sold products, category 12—end-of-life treatment of sold products.</p> <p>The climate change impact of VOC emissions is included in the cradle-to-grave footprint, due to the impact VOC emissions have within the paints and coatings industry.</p>

## Reporting processes – Climate

AkzoNobel assesses their cradle-to-grave carbon footprint annually in accordance with the Greenhouse Gas Protocol Corporate Value Chain Accounting and Reporting standard, and the WBCSD Chemical Sector Working Group Guidelines. Cradle-to-grave includes Scope 1 & 2 and Scope 3 upstream and downstream emissions. The reporting process for Scope 1 & 2 is explained in the Environmental indicators. We include the climate change impact from VOCs in our measurements. The results are given in million metric tonnes of carbon dioxide equivalents, independent of any GHG trades, such as purchases, sales, or transfers of offsets or allowances.

The data used for Scope 3 carbon footprint (upstream and downstream) is from 1 October - 30 September.

The results in the Annual Report 2020 include the following GHG protocol scope 3 emission categories:

<b>Upstream</b>	Category 1: Purchased goods and services (incl. packaging)
<b>Downstream</b>	Category 10: Processing of sold products Category 11: Use of sold products Category 12: End-of-life treatment of sold products VOC's for processing and use of sold products

In line with the GHG protocol, the CO<sub>2</sub> quantities calculated for these categories (1, 10, 11, 12 and VOC's), are included in Scope 3 reporting of the AkzoNobel Annual Report 2020. The other categories are not included in the Annual Report 2020, based on the following reasoning:

- These categories include a small amount of CO<sub>2</sub> kt eq. for AkzoNobel as whole;
- These categories have traditionally not been reported in the annual report.

VOC emissions for processing and use of sold products, although not mentioned as a separate category in the GHG protocol, has been included as an additional category because VOC emissions take up a significant part of the downstream emissions for the majority of the AkzoNobel products and as a result a significant enough amount of the carbon emissions as a whole.

Annex 2 gives further details on the methodology, data sources, and assumptions for each Scope 3 category included in the Annual Report 2020.

### Supplier indicators (*responsible procurement*)

Reported in Annual Report 2020		
<b>Supplier management</b>	<b>Suppliers signed Business Partner Code of Conduct (% of spend)</b>	<p>% product related (PR) spend with suppliers (raw materials and packaging) who have signed our business partner Code of Conduct.</p> <p>% non-product related (NPR) spend with suppliers who have signed our business partner Code of Conduct.</p> <p>Our business partner Code of Conduct states that we want to do business with business partners who endorse our ethical values and our social and environmental standards. We therefore require suppliers to sign our business partner Code of Conduct, which is based on the AkzoNobel Code of Conduct.</p>
	<b>Suppliers in sustainability program - In line with our expectation</b>  <b>Suppliers in sustainability program - Under development</b>  <b>Suppliers participating in CSR program</b>	<p>Number of suppliers who have been identified as risk to AkzoNobel due to their spend level (&gt;250.000 Euro), country risk (sensitive and emerging countries using EcoVadis' country risk profile) and category risk (baseline).</p> <p>Number of suppliers who performed an EcoVadis online assessment or TfS onsite audit (in % of baseline).</p> <p>Number of suppliers who meet our expectation in the EcoVadis assessment (in % of baseline): 45 Total score and human right and labor score of 50.</p> <p>Together for Sustainability (TfS) is an initiative of the Chemical Industry to improve the sustainability practices in their supply chains and of which AkzoNobel is a member of since 2013. The assessments (performed by EcoVadis) and audits are based on</p>

		established global principles, for example UN Global Compact, Responsible Care charter.
	<b>High risk materials</b>	<p>Number of suppliers identified using high risk materials (cobalt and tin) in their manufacturing of products delivered to AkzoNobel.</p> <p>Number of suppliers disclosing smelters in their supply chain for cobalt and tin in % of suppliers confirmed using these materials.</p> <p>Number of unique smelters participating in RMAP or equivalent in % of smelters reported.</p>

### **Procurement systems and databases**

- Renewable raw materials

Reporting is based on:

1. The master purchasing database with spend and volume data for each material category, extracted annually
2. A list with material categories that are 'renewable raw materials' and 'organic raw materials'.

- Business Partner Code of Conduct

The progress on signed business partner Code of Conduct (CoC) declarations across AkzoNobel is reported on a monthly basis. Procurement categories or regions report their progress on signed business partner CoC declarations using a standard template. All supplier with purchases over 1,000 Euro, must sign the CoC or confirm in writing that it has equivalent business principles in place.

All data on suppliers covered by the Business Partner Code of Conduct are consolidated at corporate level with the percentage of spend covered extracted from master spend data. It is critically reviewed at corporate level.

- Together for Sustainability (TfS)

- EcoVadis assessment
- TfS audit

Number of suppliers covered by assessments and audits is collected and extracted from the EcoVadis and TfS online platform. It is reviewed and assessed at corporate level.

The EcoVadis assessment is a key component of our supplier evaluation process for Product Related and Non-Product Related suppliers. In scope are suppliers with global spend >250,000 Euro and work in a risk category or country. Suppliers with a total score <45 and human right and labor score <50 are required to perform annual re-assessment until the target score is reached. The TfS audit is focused on important suppliers based on their location (risk region) and the type of product (risk material) they are delivering on-site.

### 3. Sustainability statements: Paint

Notes 8 of the Sustainability Statements in the Annual Report 2020 detail the themes and indicators related to Paint.

#### Economic indicators definitions

Reported in the Annual Report 2020		
<b>Products and services</b>	<b>Eco-premium solutions</b>	<p>A measure of the sustainability of our products compared with competitive products, which have customer/ consumer benefits, as percentage of our revenue.</p> <p>An eco-premium solution is significantly better than competing offers in the market in at least one eco-efficiency criterion (toxicity, energy use, use of natural resources/ raw materials, emissions and waste, land use, risks, health &amp; wellbeing), and not significantly worse in any other criteria.</p>
Reported on corporate website		
<b>Products and services</b>	<b>Eco-performers</b>	These are solutions offering clear sustainability benefits, but which are overall on a par with mainstream in terms of sustainability performance.
<b>Customer engagement</b>	<b>Delivery efficiency index</b>	<p>% of orders dispatched on time, in full (against promised delivery date).</p> <p>A measure of delivery/ service performance for our customers, based on On-Time-In-Full (OTIF).</p>

#### Reporting process

##### ***Eco-premium solutions (EPS) with customer benefits***

Business units report their performance annually, using a company-wide methodology, with detailed guidance, and a standard template. Financial data used in this template is collected from business financial systems. The main financial data used for the EPS calculation is the revenue per BU. Actual revenue is used for all BUs, exception made to Powder Coatings that is using the segment growth applied to previous year revenue. All the outcomes are verified at BU level and critically reviewed by a sustainability specialist. Data covers 1 November 2018 until 31 October 2019 sales data.

The assessment reviews AkzoNobel product groups against a 'mainstream' product in the market which delivers the same function. This can be an AkzoNobel or competitor offering. The review evaluates the performance for each element of a matrix which covers six phases of the value chain (raw materials, and upstream; processing, own manufacturing; distribution, customer; use phase/ end user; end of life) and seven sustainability aspects (toxicity and eco-toxicity; energy efficiency; natural resources/ raw materials; emissions and waste; risks, land use; health/ wellbeing). For each element the assessment is 'significantly better'; 'same as mainstream'; or 'significantly worse'.

In order to qualify as an eco-premium solution, the product group needs to be 'significantly better' in at least one sustainability aspect, across the value chain, and not 'significantly worse' in any aspect. In some cases, a quantitative assessment can clarify if the better-than-mainstream performance in certain aspects can offset the worse-than-mainstream performance in other aspects. In such cases, the solution must score at least 10% better in a total weighted score and not significantly worse in any of the aspects not included in the assessment.

Eco-premium solutions with customer benefits deliver the benefit in the sustainability aspect (are 'significantly better') in one of the downstream phases (customer; use phase/ end user; end of life). Where a benefit can be determined quantitatively, 'significantly better' is defined as a 10% improvement versus the mainstream solution. Where quantification is not possible, a weight of evidence approach is permitted, supported by external sources (e.g. customer testimonials) if available.

Annually, each eco-premium solution is assessed as to whether it is still an eco-premium solution, the mainstream is still valid, and the sustainability criteria assessed are still correct.

Eco-performers are solutions that have clear sustainability features and are at least as good as mainstream alternatives.

#### 4. Governance and Compliance: Compliance and Integrity management

Under the heading Compliance and Integrity Management, we report our integrity management indicators. These can be found on in the Compliance and Integrity management section of the AkzoNobel Annual Report 2020. As in previous years this information is reported in the main body of the report.

##### Integrity management indicators

Reported in the Annual Report 2020	
<b>Total reports registered</b> (for 2020 all reporting categories below reflect numbers based on all cases registered, not just those registered through the SpeakUp channels)	Overall number of alleged breaches of the Code of Conduct for calendar year registered through all channels, including SpeakUp (hotline, web, email) as well as those alleged breaches reported directly to management or Compliance.
<b>Registered reports Substantiated / unsubstantiated / referred</b>	For 2020, number of reports alleging breaches Substantiated (in whole or in part) within reporting year and including breaches reported in prior year.  For 2018/2019, number of reports alleging breaches Substantiated (in whole or in part) within the reporting year and including breaches substantiated in later year.  Referred means: allegation not related to a Code of Conduct violation; investigation referred to another department.
<b>Total number of dismissals resulting from registered reports</b>	Number of dismissals for Code of Conduct breaches <ul style="list-style-type: none"> <li>Resolved within reporting year, including dismissals for reports registered in prior year</li> </ul>

##### Reporting process

Integrity data is collected from businesses and functions in the below databases which are managed centrally by the Integrity & Compliance team.



***Speak Up Database***

- Alleged violations of the Code of Conduct are logged into the EthicsPoint Database together with the outcome of investigation

***Learning management system***

- Code of Conduct trained
- Life Saving Rules trained
- Competition Law Declaration

Data is collected from the web-based system and reviewed and audited at corporate level.

The learning management system also records data on mandatory e-learning for compliance areas such as competition law, export control, anti-bribery, fraud, Life-Saving Rules and privacy.

#### 4. Annex 1: Materiality assessment external stakeholders

Stakeholder group	Material topics
<b>Investors</b>	Resource productivity People/process safety Customer satisfaction Sustainable portfolios Climate strategy
<b>Customers</b>	People/process safety Customer satisfaction Sustainable portfolios Product safety
<b>Suppliers</b>	Resource productivity People/process safety Customer satisfaction Product safety Integrity Human rights Fair taxes
<b>Governments</b>	Resource productivity Climate strategy Fair taxes
<b>Peers</b>	Resource productivity People/process safety Sustainable portfolios Human rights
<b>External benchmarks</b>	Resource productivity People/process safety Sustainable portfolios
<b>Media</b>	Employee development People/process safety Customer satisfaction Sustainable portfolios Product safety

## 5. Annex 2: Data sources and methodology Scope 3 Carbon Footprint

### Category 1. Purchased goods and services (incl. packaging)

<b>Category description (from GHG Protocol)</b>	<i>Extraction, production, and transportation of goods and services purchased or acquired by the reporting company in the reporting year, not otherwise included in Categories 2 – 8. Packaging is also included as part of the purchased goods and services.</i>
<b>Types and sources of data</b>	<p>Primary data from the AkzoNobel purchased goods and services database for each of the specific reporting periods. The total volumes of raw materials purchased per business areas are used.</p> <p>Each of the purchased raw materials is matched with the CO<sub>2</sub> eq/kg related factors of that material, extracted from the CEPE and Ecoinvent databases. These databases are updated on a regular basis ensuring up to date CO<sub>2</sub> eq/kg factors for each of the raw materials are used. To further refine the matches with the CEPE and Ecoinvent databases the AkzoNobel (First Functional Breakdown (FFB)) database of all raw materials was used, and the factors were updated when necessary on concentration.</p> <p>Packaging materials are (currently) not included in the AkzoNobel purchased goods and services database and are therefore calculated separately. The amount of CO<sub>2</sub> eq/kg related to packaging per kg of sold product for each business unit, business area and key value chain (KVC) was calculated based on the amounts reported for packaging in 2017 (scope 3: upstream other). These datapoints are validated with the BUs each year.</p>
<b>Methodologies, allocation methods, and assumptions</b>	<p>Raw materials from the AkzoNobel purchased goods and services database were matched with material names in the AkzoNobel ACOAT, AkzoNobel FFB, CEPE and Ecoinvent databases. In cases of detailed raw material names in the AkzoNobel purchased goods and services database a more exact matching with materials in the CEPE and Ecoinvent database could be made, and the emission factors were updated on concentration of solids, solvents and water. Amount of water used as an ingredient was calculated as the difference between the sales and raw material purchase volumes.</p> <p>No direct supplier data was used, only the data available in the AkzoNobel purchased goods and services database.</p> <p>The CO<sub>2</sub> eq/kg related to packaging per kg of sold product for each business area and KVC was multiplied by the sales volumes for the specific business area and KVC in the reporting period.</p>
<b>Data quality</b>	Good, based on primary data from the AkzoNobel purchased goods and services database. All the purchased raw materials are included. And up to date CO <sub>2</sub> eq/kg factors are used, by matching the raw materials with data from the most recent CEPE and Ecoinvent databases.
<b>Updated data 2020</b>	Approach for calculating and reporting the indicator was updated and applied to reporting periods 2018, 2019 and 2020.
<b>In AkzoNobel Annual Report</b>	Yes, included as part of the AkzoNobel Annual Report.

## Category 10. Processing of sold products

This category is combined with the next category 11. Use of sold products. See description and methodology for calculating and reporting the indicator below.

## Category 11. Use of sold products

<b>Category description (from GHG Protocol)</b>	<i>Processing of intermediate products sold in the reporting year by downstream companies (e.g., manufacturers). &amp; End use of goods and services sold by the reporting company in the reporting year.</i>
<b>Types and sources of data</b>	<p>Primary data from the AkzoNobel business units on the total sales volumes of products for the specific reporting period. Also, a sales breakdown to the key value chains of each BU was used.</p> <p>For Performance coatings per business unit, and for each key value chain (KVC) the power use (MJ) per kg of sold product and natural gas use (MJ) per kg of sold product, and average share of VOC incineration in application and use were extracted from AkzoNobel product LCA models available in the GaBi software. This data was matched with the original scenarios and documentation developed for the LCA models in the GaBi software. Each of the BUs validates the data, and signed off their approval for using these datapoints for the carbon reporting of 2020. The BUs can request a change in the data, this needs to be supported by a background document explaining the changes and will be discussed between the BUs and the sustainability team for validity.</p> <p>For Decorative Paints processing and use of sold products is not reported, since there is no curing for Decorative Paints products, and therefore assumed no energy use or other relevant carbon dioxide emissions in application &amp; use phase.</p> <p>Updated CO<sub>2</sub> emission factors for power use and natural gas use are based on the respective world average of the IEA (International Energy Association (IEA) world average electricity grid mixAgency) and DEFRA world averages.</p>
<b>Methodologies, allocation methods, and assumptions</b>	<p>Emission factors for power use and natural gas for all products were assumed to be equal. The CO<sub>2</sub> eq/kg factor for power use (kg/MJ) varies each year and is based on the latest International Energy Association (IEA) world average electricity grid mix for averages from 2016, 2017 and 2018. With respective factors of 0.490, 0.485 and 0.475 kg CO<sub>2</sub> eq. (excluding biogenic) per kWh for that specific year. Using the IEA as a source for power is in line with AkzoNobel scope 1 and 2 calculations, where it is also. These factors are used. for the 2018, 2019 and 2020 footprint. The CO<sub>2</sub> eq/kg factor for natural gas (kg/MJ) is taken from DEFRA: Conversion-Factors-2019-Full-set-for-advanced-users.</p> <p>Additionally, the emissions caused by VOC incineration in curing process was</p>

	<p>added to the application and use stage. VOC carbon content identified based on the raw materials and procurement database was matched with the VOC incineration scenario per business unit.</p> <p>The calculation method of the CO<sub>2</sub> eq/kg emissions for use of sold products was done using the following formula:</p> $= \frac{\text{Sales volume}}{\text{RM mass}} * \left( \frac{\text{nat. gas}}{\text{per 1kg}} * \text{EF}_{\text{gas}} + \frac{\text{electricity}}{\text{per 1kg}} * \text{EF}_{\text{el}} \right) + \frac{\text{Fossil carbon in VOC}}{\text{in VOC}} * (1 - \% \text{ open application}) * \text{VOC content} * 3,67$
<b>Data quality</b>	Good, based on primary data from the AkzoNobel purchased goods and services database, primary data for sales volumes per BU and per key value chain, primary data on historic modelled product specific power and natural gas use per mass of production, and carbon content data obtained from AkzoNobel raw material databases, which have been validated and/or updated by each of the BUs.
<b>Updated data 2020</b>	Approach for calculating and reporting the indicator was updated and applied to reporting periods 2018, 2019 and 2020.
<b>In AkzoNobel Annual Report</b>	Yes, included as part of the AkzoNobel Annual Report.

## Category 12. End-of-life treatment of sold products

<b>Category description (from GHG Protocol)</b>	<i>Waste disposal and treatment of products sold by the reporting company (in the reporting year) at the end of their life.</i>
<b>Types and sources of data</b>	<p>Primary data from the AkzoNobel purchased goods and services database, the AkzoNobel business units on the sales volumes of products for the specific reporting period. Also, a sales breakdown to the key value chains of each BU was used.</p> <p>For all BUs for each key value chain (KVC) the share of raw material reaching end-of-life as a part of a product was identified as the mass of the raw material not lost in application and use through release or incineration of VOCs. Each of the BUs validates the data, and signed off their approval for using these datapoints for the carbon reporting of 2020. The BUs can request a change in the data, this needs to be supported by a background document explaining the changes and will be discussed between the BUs and the sustainability team for validity.</p> <p>The FFB database, is used to characterize purchased raw materials by the water content, solvent content (differentiated by other solvents with BP &lt;250°C, aromatic solvents with BP &lt;250°C, and exempt solvents with boiling point 250-280°C). This database is taken as the most reliable source for this characterization.</p> <p>The latest ACOAT material codes, were used to specify the ACOAT-identified</p>

	materials in their composition, indicating material (or material inputs of mixtures), and downstream carbon footprints per materials or material inputs in mixtures (fossil and biobased).
<b>Methodologies, allocation methods, and assumptions</b>	<p>The latest ACOAT material codes were used to identify fossil and biogenic carbon content of the raw material not attributed to VOC solvents. As the carbon content of substances is the same concentration is changeable, this database was used as the core of raw materials characterization.</p> <p>The factor of 3.67 used in the formula is based on the molecular mass of CO<sub>2</sub> (44) and atom of carbon (12) (44 divided by 12).</p> <p>The calculation method of the CO<sub>2</sub> eq/kg emissions for end-of-life of sold products was done using the following formula:</p> $= \frac{\text{RM}}{\text{mass}} * \frac{\text{Fossil carbon}}{\text{in solids}} * \frac{\text{Solid content}}{\text{content}} * 3,67$
<b>Data quality</b>	Good, based on primary data from the AkzoNobel purchased goods and services database, primary data for sales volumes per BU and per key value chain, which have been validated and/or updated by each of the BUs, the Functional Breakdown database and the ACOAT-identified materials data.
<b>Updated data 2020</b>	Approach for calculating and reporting the indicator was updated and applied to reporting periods 2018, 2019 and 2020.
<b>In AkzoNobel Annual Report</b>	Yes, included as part of the AkzoNobel Annual Report.

## Category A1. VOC Emissions from processing and use of sold products

<b>Category description</b>	<p><i>Not part of the GHG protocol categories</i></p> <p><i>Volatile organic compounds (VOCs) are emitted as gases from certain solids or liquids, for instance from solvent based paints.</i></p>
<b>Types and sources of data</b>	<p>Primary data from the AkzoNobel business units on the sales volumes of products for the specific reporting period. Also, a sales breakdown to the key value chains of each BU was used.</p> <p>Based on IPCC 2013 data, the CO<sub>2</sub> eq/kg factor for VOC's is set by the European Commission (PEF method) at 4.23kg CO<sub>2</sub> eq/kg of VOCs. For all BUs the share of VOCs released in application and use were calculated based on the weighted average of sales volumes of each KVC of the business unit, LCA models available in the GaBi software and is matched with the original scenarios and documentation developed for the LCA models in the GaBi software. Each of the BUs validated, and updated the data, and signed off their approval for using these datapoints for the carbon reporting of 2020. The BUs can request a change in the data, this needs to be supported by a background document explaining the changes and will be discussed between the BUs and the sustainability team for validity.</p> <p>The FFB database is used to characterize purchased raw materials by the water content, solvent content (differentiated by other solvents with BP &lt;250°C, aromatic solvents with BP &lt;250°C, and exempt solvents with boiling point 250-280°C). This database is taken as the most reliable source for this characterization.</p>

	The latest ACOAT material codes were used to specify the ACOAT-identified materials in their composition, indicating carbon content of the VOC solvents per material.
<b>Methodologies, allocation methods, and assumptions</b>	<p>Updated CO<sub>2</sub> eq/kg for VOC is used. Based on IPCC 2013 data, the CO<sub>2</sub> factor for VOC's is set by the European Commission at 4.23kg CO<sub>2</sub> eq/kg of VOCs.</p> <p>All VOCs in raw materials are released in application (use) and either emitted to the atmosphere, or captured and incinerated. Each of the procured materials in the AkzoNobel purchased goods and services database was matched with the VOC content in it, and with the VOC emission scenario indicated per each business unit.</p> <p>The calculation method of the CO<sub>2</sub> eq/kg emissions for VOCs in processing and use of sold products was done using the following formula:</p> $= \frac{\text{RM}}{\text{mass}} * \frac{\% \text{ open}}{\text{application}} * \frac{\text{VOC}}{\text{content}} * 4.23$
<b>Data quality</b>	Good, based on primary data from the AkzoNobel purchased goods and services database, primary data for sales volumes per BU and per key value chain, historic modelled product specific carbon content and amount of product to end-of-life per mass of production which have been validated and/or updated by each of the BUs, the Functional Breakdown database and the ACOAT-identified materials data.
<b>Updated data 2020</b>	Approach for calculating and reporting the indicator was updated and applied to reporting periods 2018, 2019 and 2020.
<b>In AkzoNobel Annual Report</b>	Yes, included as part of the AkzoNobel Annual Report.