

# Reporting principles

## Sustainability Statements 2019

This document explains the materiality assessment and the reporting principles of the key performance indicators presented in the Annual Report 2019 and on the corporate website. This document needs to be read in conjunction with the Sustainability Statements in the Annual Report 2019.

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## 1. Reporting policies

### 1. Reporting boundaries

We report on consolidated data from entities (more than 50% ownership) and joint ventures where we have management control, but exclude all data from entities in which we participate, but where we have minority ownership, or no management control. For joint operations, in accordance with IFRS 11 (joint arrangements), we report environmental data based on the consolidation percentage of the P&L statement. Health and safety aspects are included for the total operations as if AkzoNobel is the employer and has the legal responsibility.

### 2. 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 2019 data includes the acquisition of Xylazel and excludes the acquisition of Mapaero and Mauvilac.
- 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 2019. In 2018, a detailed materiality assessment was conducted. In 2019, 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 results are presented in a Materiality Matrix by plotting the strategic importance horizontally versus stakeholder decision making vertically and can be found in the Managing sustainability section of the Annual Report 2019.

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 below for each stakeholder group.

### Stakeholder focus

Investors	Suppliers	Governments
<ul style="list-style-type: none"> <li>• Resource productivity</li> <li>• Sustainable solutions</li> <li>• Safety</li> <li>• Climate strategy</li> </ul>	<ul style="list-style-type: none"> <li>• Resource productivity</li> <li>• Safety</li> <li>• Customer satisfaction</li> <li>• Integrity</li> <li>• Human rights</li> <li>• Fair taxes</li> </ul>	<ul style="list-style-type: none"> <li>• Resource productivity</li> <li>• Circular economy</li> <li>• Climate strategy</li> </ul>
Peers	Media	Benchmarks / thought leaders
<ul style="list-style-type: none"> <li>• Resource productivity</li> <li>• Safety</li> <li>• Sustainable solutions</li> <li>• Integrity</li> </ul>	<ul style="list-style-type: none"> <li>• Employee development</li> <li>• Customer satisfaction</li> <li>• Sustainable solutions</li> <li>• Safety</li> </ul>	<ul style="list-style-type: none"> <li>• Resource productivity</li> <li>• Safety</li> <li>• Sustainable solutions</li> </ul>

### 3. Indicators and reporting processes

In our Annual Report 2019 the main sustainability themes and corresponding indicators are grouped according to our approach to Sustainability:

- Paint: note 1-3: sustainable solutions, customer value and collaborative innovation
- Planet: note 4-6: resource productivity, health & safety and supplier sustainability
- People: note 7-9: employees, human rights and AkzoNobel Cares

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 2019 or on the corporate website.

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 2019.

Please refer to the Sustainability Statements of the Annual Report 2019 for further information on the sustainability business imperatives.

#### 1. Sustainability statements: Paint

Notes 1, 2 and 3 of the Sustainability Statements in the Annual Report 2019 detail the themes and indicators related to Paint.

#### Economic indicators definitions

<b>Products and services</b>	<b>Eco-premium solutions</b>	A measure of the sustainability of our products compared with competitive products, which have customer/ consumer benefits, as percentage of our revenue.
	Reported in Annual Report 2019	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 & wellbeing), and not significantly worse in any other criteria.
	<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.
	Reported in Annual Report 2019	
<b>Customer engagement</b>	<b>Delivery efficiency index</b>	% of orders dispatched on time, in full (against promised delivery date).
	Reported on corporate website	A measure of delivery/ service performance for our customers, based on On-Time-In-Full (OTIF).

## Reporting process

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

Business units report their performance bi-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.

## 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 4, 5 and 6 of the Sustainability Statements in the Annual Report 2019 detail the themes and indicators related to Planet.

### Environmental indicators

<b>Raw materials</b>	<b>Renewable raw materials</b>  Reported on corporate website	<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>Own operations</b>	<b>Renewable energy</b>  Reported in Annual Report 2019	<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>  Reported on corporate website	<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>Renewable heat</b>  Reported on corporate website	<p>% renewable heat used in our operations</p> <p>Renewable heat is heat that is generated from inexhaustible resources e.g. wind, solar, hydro, biomass and tidal. Expressed as the share of renewable heat AkzoNobel measures/ uses in its own operations relative to the total heat used.</p>
	<b>Energy use</b>  Reported in Annual Report 2019	<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>Direct CO2(e) emissions (scope 1)</b>  <b>Indirect CO2(e) emissions (scope 2)</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> <p>We measure the six main greenhouse gases defined in the Greenhouse Gas Protocol.</p>

Reported in Annual Report 2019	
<b>Volatile organic compounds</b>	Volatile organic compound emissions in absolute measures (kilotons) and kg per ton production.
Reported in Annual Report 2019	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.
<b>NOx and SOx emissions</b>	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).
Reported on corporate website	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> .
<b>Total waste</b>	Total waste in absolute measures (kilotons) and kg per ton production. Waste is reported as total weight, not dry weight.
Reported in Annual Report 2019	<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 in absolute measures (kilotons) and kg per ton of production.
Reported in Annual Report 2019	<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> <p>Hazardous Waste is waste that is classified as such according to the definition of the national, state or local legislation in place.</p>
<b>Fresh water use</b>	Fresh water use as absolute measure (million m <sup>3</sup> ) and m <sup>3</sup> per ton production.
Reported in Annual Report 2019	<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>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.
Reported on corporate website	Chemical Oxygen Demand is amount of oxygen required for the chemical oxidation of substances in the waste water effluent.
<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.
Reported in Annual Report 2019	



## A. 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.

### *Procurement raw materials business warehouse*

- 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’.

Data covers the period of 1 May 2018 – 30 April 2019. This is reflective indicator of performance, as year on year changes are very small.

## Climate

<b>Climate change – cradle-to-grave</b>	<b>Cradle to Grave Carbon Footprint (Scope 1, 2, and 3)</b>	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).  The footprint includes the six main greenhouse gases defined in the Greenhouse gas protocol.  Upstream: category 1—purchased goods and services.
	Reported in Annual Report 2019	Downstream: category 10—processing of sold products, category 11—use of sold products, category 12—end-of-life treatment of sold products.  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.

## 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) for 2018 is from 1 October 2017 - 30 September 2018 and for 2019 1 October 2018 - 30 September 2019.

The results in the Annual Report 2019 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 2019. The other categories are not included in the Annual Report 2019, 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 reported 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 1 gives further details on the methodology, data sources, and assumptions for each Scope 3 category included in the Annual Report 2019.

### Health and safety indicators

<b>People safety</b>	<b>Total reportable injury rate employees/temporary workers</b>  Reported in Annual Report 2019	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.
	<b>Total reportable rate (TRR) Contractors</b>  Reported in annual report 2019	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>  Reported in Annual Report 2019	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>Loss time injury frequency rate (LTI) for Contractors</b>  Reported in Annual Report 2019	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>Total illness absence rate</b>	The number of lost working hours, whether work-related or not work-related, per reporting period due to all illnesses and injuries as a

	Reported on corporate website	percentage of the scheduled working hours per reporting period. This parameter is reportable for employees only.
	<b>Occupational illness rate Employees</b>  Reported in Annual Report 2019	The total number of reportable Occupational Illness Cases of Occupational Illnesses for the reporting period per 200,000 hours worked. This parameter is reportable for Employees and Temporary Workers.
	<b>Wellness checkpoint use</b>  Reported on corporate website	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.
<b>Process safety</b>	<b>Loss of primary containment Process safety event</b>  Reported in Annual Report 2019	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>  Reported in Annual Report 2019	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.  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.
	<b>Loss of primary containment level 2</b>  Reported in Annual Report 2019	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.  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.
	<b>Process safety event - Level 3</b>  Reported in Annual Report 2019	PSE Level 3 covers all Losses of Primary Containment and Near Misses which are not level 1 or 2.  A level 3 PSE is triggered by the following types of events: <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>Product safety</b>	<b>Priority substances with management plan</b>  Reported on corporate website	% 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).
<b>HSE&amp;S management</b>	<b>Management audits plus reassurance audits</b>  Reported in Annual Report 2019	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.
	<b>Regulatory actions level 4</b>  Reported in Annual Report 2019	Regulatory actions from self-reported issues (level 1) to formal legal notification with fines above € 100,000 (level 4).

## 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.

## Supplier indicators

<b>Supplier management</b>     Reported in Annual Report 2019	<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>
     Reported in Annual Report 2019	<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) 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 established global principles, for example UN Global Compact, Responsible Care charter.</p>
    Reported in Annual Report 2019	<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 suppliers in % with smelters for tin and cobalt which are conformant with the Responsible Mineral Assurance Process standard or an equivalent standard.</p>
   Reported in Annual Report 2019	<b>Awareness building</b>	<p>Number of buyers who participated in our sustainability basic online training in % of buyers nominated by the procurement management team to join this mandatory training.</p>

## Procurement systems and databases

- **Business Partner Code of Conduct**  
The progress on signed business partner Code of Conduct (CoC) declarations across AkzoNobel is reported on a quarterly 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
  - 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: People

Notes 7,8 and 9 of the Sustainability Statements in the Annual Report 2019 detail the themes and indicators related to People.

#### Employee indicators

<b>Employees</b>	<b>Human Capital ROI ratio</b>  Reported on corporate website	Human Capital ROI is the return for a one euro investment into human capital for AkzoNobel, which is calculated by the EBIT divided by the total cost of workforce. Human Capital ROI ratio = the total operating revenue minus non-workforce related costs (all operating expenses except for the total cost of workforce), divided by the total cost of workforce
	<b>Employee numbers</b>  Reported in Annual Report 2019	Number of FTE (full time equivalent) at year-end.  Reported for AkzoNobel as a whole and per Business Area.
<b>Organization health</b>	<b>Organizational health score</b>  Reported in Annual Report 2019	In 2018, for the first time the organization's health was measured by the Organizational Health Index survey. The overall percentile score is used in external reports. In 2019 four quarterly surveys were held with results per quarter. For the annual report the Q4 scores are reported. In previous years the Gallup engagement survey (Gallup Q12) was used to measure employee engagement.
<b>Diversity and inclusion</b>	<b>Female executives</b>  Reported in Annual Report 2019	Percent of women at executive level.
	<b>Female executive potential pool</b>  Reported on corporate website	Number of women identified as executive potentials as a percentage of all executive potentials.
<b>Talent management</b>	<b>Executive vacancies filled internally</b>  Reported in Annual Report 2019	Number of executive level appointments filled by internal candidate as a percentage of all executive appointments.
	<b>High potential turnover</b>  Reported in Annual Report 2019	Number of employees who have been identified with upwards potential who leave the company voluntarily as percentage of all employees who have been identified with upwards potential.

#### Reporting process

##### ***HR Data Management systems (SuccessFactors and myCareer)***

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

Data is input 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 the abovementioned systems.

**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.

**Social programs indicators**

<p><b>Community</b></p>	<p><b>Community Program</b></p> <p>Project breakdown by site</p> <p>Reported in Annual Report 2019</p>	<p>Annual involvement in the Community Program</p> <ul style="list-style-type: none"> <li>• Number of projects</li> <li>• Number of employees</li> <li>• Estimated beneficiaries</li> <li>• Spend / investment</li> </ul> <p>The Community Program encourages employees to engage in hands on involvement in their local communities in projects contributing to increasing education, wellbeing, healthcare and sanitation as well as eradicating poverty. The Community Program is regulated by a Directive and a Rule, stating responsibilities and supported by a toolkit for easier and consistent implementation of projects across the company.</p>
	<p><b>Let's Colour program</b></p> <p>Reported in Annual Report 2019</p>	<p>Annual involvement in the Let's Colour program:</p> <ul style="list-style-type: none"> <li>• Number of projects</li> <li>• Estimated beneficiaries</li> <li>• Painters trained</li> </ul> <p>The Let's Colour program demonstrates our belief in the power of color to improve people's lives. By adding color to societal programs we help to improve urban environments and make people's lives more liveable and inspiring. The program is managed within the Decorative Paints business.</p>



## Reporting process

While using different reporting systems, both Community Program and Let's Color program track the same set of metrics, including the number of projects and estimated beneficiaries.

### Community Program

- Community Program Involvement  
The program is managed by the Social Sustainability Manager or Community Program administrator. Every project reports their data using a standard on-line template, which includes providing information on participants, estimated beneficiaries, detailed spend, employees' hours, liters of paints (donated or reimbursed). Company data is monthly reviewed by the program administrator and the outcome is checked at AkzoNobel corporate level. The beneficiaries number per project is estimated using standard guidance on how to evaluate different types of project, for example houses/ street; public building/ establishment, public areas, others (see Let's Colour explanation below). In order to ensure consistent data reporting across the company, an explanatory guidance has been developed and comprehensively communicated to all the employees. 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.

### Let's Colour program

- Program involvement  
The program is managed with the Paints business Units. Marketing groups report project data every three months 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	<i>Number of residents</i>
Building/ Establishment (e.g. school, old age home, child care centre, club)	<i>Number of people who attend establishment (no double counting)</i>
Public areas (e.g. park, rail station, parking, shopping centre, water tower)	<i>Number of people who visit the area (local council, online search)</i>
Others (e.g. wall on road, bridge)	<i>Number of people who live in that area, people who can see the painted area in daily life</i>

## 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 2019. As in previous years this information is reported in the main body of the report.

### Integrity management indicators

<b>Total reports registered</b>	Overall number of alleged breaches of the Code of Conduct
<b>Reports received through SpeakUp!</b>	<p>Number of alleged breaches of the Code of Conduct reported via the SpeakUp! grievance mechanism. These reports are divided into the below main categories (depending on the nature of the alleged breach):</p> <ul style="list-style-type: none"> <li>• Safety</li> <li>• Integrity</li> <li>• Sustainability</li> </ul>
<b>SpeakUp! reports Category 1 / Category 2</b>	Category 1 SpeakUp! reports refer to matters with a financial impact of >€0.5 million; or involving senior management; or relating to competition law, anti-bribery or export control.
<b>SpeakUp! reports (partially) substantiated / unsubstantiated / referred</b>	<p>Number of alleged breaches (partially) substantiated within reporting year and including breaches substantiated in later year.</p> <p>Referred means: allegation not related to a Code of Conduct violation; investigation referred to another department.</p>
<b>Total number of dismissals resulting from SpeakUp! reports</b>	<p>Number of dismissals for Code of Conduct breaches</p> <ul style="list-style-type: none"> <li>• within reporting year</li> <li>• total, including dismissals in later year</li> </ul>
<b>Competition Law Compliance Declaration</b>	Number of employees that sign the annual declaration to confirm adherence to competition laws as articulated in the Competition Law Compliance Manual.
<b>Reported in text</b>	
<b>Non-financial letter of representation</b>	Number of general managers that has signed the non-financial letter of representation to confirm compliance with the Code of Conduct and other corporate non-financial requirements.
<b>Code of Conduct and Life Saving Rules training</b>	Percentage of employees with on-line access that have completed the mandatory online Code of Conduct and Life Saving Rules trainings.
<b>Reported in text</b>	

### Reporting process

Integrity data is collected from businesses in a number of databases. Data is authorized, verified and audited on corporate level.

***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 Certification

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-learnings for compliance areas such as competition law, export control, anti-bribery, fraud, Life-Saving Rules and privacy.

## 4. Annex 1: 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 (1 Oct 2017 - 30 Sep 2018 and 1 Oct 2018 - 30 Sep 2019). 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 most recent CEPE<sup>1</sup> and Ecoinvent databases. These databases are updated on a regular basis ensuring up to date, fully transparent and internationally accepted CO<sub>2</sub> eq/kg factors for each of the raw materials are used.</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).</p>
<b>Methodologies, allocation methods, and assumptions</b>	<p>Raw materials from the AkzoNobel purchased goods and services database were matched with the material names in the most recent CEPE and Ecoinvent databases. In case 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.</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 CEPE and Ecoinvent databases.
<b>Updated data 2019:</b>	Approach for calculating and reporting the indicator was updated and applied to reporting periods of 2018 & 2019.
<b>In AkzoNobel Annual Report:</b>	Yes, included as part of the AkzoNobel Annual Report.

<sup>1</sup> CEPE is The European Council of the Paint, Printing Ink and Artists' Colours Industry. <https://www.cepe.org/>

## 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>Calculations are based on three elements:</p> <ol style="list-style-type: none"> <li>Sold product volumes for each of the KVC. Primary data collected from the BU's for each of the KVCs for the reporting periods 2018 and 2019.</li> <li>Technological model: this includes amount of energy use, carbon content, etc, per kg of sold product. This data comes from the KVC technology models internally developed by AkzoNobel. The technology models are last reviewed in 2017.</li> <li>CO<sub>2</sub> emissions factors for each of the technological aspects. These emissions have been updated in 2019 based on internationally accepted and used databases.</li> </ol> <p>1. Primary data from the AkzoNobel business units on the total sales volumes of products for the specific reporting period (1 Oct 2017- 30 Sep 2018 and 1 Oct 2018- 30 Sep 2019).</p> <p>2. 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 was extracted from AkzoNobel product LCA technology models. For Decorative Paints processing and use of sold products is not reported, since there is no application &amp; use phase as there is no curing for Decorative Paints products.</p> <p>3. Updated CO<sub>2</sub> emission factors for power use and natural gas use are based on EcoInvent world average and DEFRA world averages.</p>
<b>Methodologies, allocation methods, and assumptions</b>	Emission factors for power use and natural gas for all products were assumed to be equal. For the CO <sub>2</sub> eq/kg factor for power use (kg/MJ) the most recent EcoInvent database world average of 0.782 kg for CO <sub>2</sub> eq per kWh is used. 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.
<b>Data quality:</b>	Fair, based on primary data for sales volumes per BU and per key value chain and historic modelled product specific power and natural gas use per mass of production.
<b>Updated data 2019:</b>	Approach for calculating and reporting the indicator was updated and applied to reporting periods of 2018 & 2019.
<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>Calculations are based on three elements:</p> <ol style="list-style-type: none"> <li>Sold product volumes for each of the KVC. Primary data collected from the BU's for each of the KVCs for the reporting periods 2018 and 2019.</li> <li>Technological model: this includes amount of energy use, carbon content, etc, per kg of sold product. This data comes from the KVC technology models internally developed by AkzoNobel. The technology models are last reviewed in 2017.</li> <li>CO<sub>2</sub> emissions factors for each of the technological aspects. These emissions have been updated in 2019 based on internationally accepted and used databases.</li> </ol> <p>1. Primary data from the AkzoNobel business units on the sales volumes of products for the specific reporting period (1 Oct 2017 - 30 Sept 2018 and 1 Oct 2018 - 30 Sept 2019).</p> <p>2. For Performance Coatings, per business unit, and for each key value chain (KVC) the amount of product to end-of-life and carbon content per kg of sold product was extracted from AkzoNobel business area and key value chain LCA technology models. For Decorative Paints end-of-life per kg of product emission factors were calculated based on the total CO<sub>2</sub> eq/kg emissions reported for the End-of-life category per BU region in 2018 (Nov 2017 - Oct 2018) and 2019 (Nov 2018 - Oct 2019). The final reported amounts are calculated by multiplying these emission factors times sales volumes for the official reporting periods 2018 (Oct 2017- Sep 2018) and 2019 (Oct 2018 – Sep 2019).</p> <p>3. The CO<sub>2</sub> eq/kg factor for end-of-life was extracted from AkzoNobel business area and key value chain LCA technology models.</p>
<b>Methodologies, allocation methods, and assumptions</b>	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 end-of-life was extracted from AkzoNobel business area and key value chain LCA models.
<b>Data quality:</b>	Fair, based on primary data for sales volumes per BU and per key value chain and historic modelled product specific carbon content and amount of product to end-of-life per mass of production.
<b>Updated data 2019:</b>	Approach for calculating and reporting the indicator was updated and applied to reporting periods of 2018 & 2019.
<b>In AkzoNobel Annual Report:</b>	Yes, included as part of the AkzoNobel Annual Report.

## VOC emissions from processing and use of sold products

<b>Category description (from GHG Protocol)</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>Calculations are based on three elements:</p> <ol style="list-style-type: none"> <li>Sold product volumes for each of the KVC. Primary data collected from the BU's for each of the KVCs for the reporting periods 2018 and 2019.</li> <li>Technological model: this includes amount of energy use, carbon content, etc, per kg of sold product. This data comes from the KVC technology models internally developed by AkzoNobel. The technology models are last reviewed in 2017.</li> <li>CO<sub>2</sub> emissions factors for each of the technological aspects. These emissions have been updated in 2019 based on internationally accepted and used databases.</li> </ol> <p>1. Primary data from the AkzoNobel business units on the sales volumes of products for the specific reporting period (1 Oct 2017 - 30 Sep 2018 and 1 Oct 2018 - 30 Sep 2019).</p> <p>2. For Performance Coatings (PC), per business unit, and for each key value chain (KVC) the amount of VOC levels per kg of sold product was extracted from AkzoNobel business area and key value chain LCA technology models. For Decorative Paints VOC levels per kg of sold product were calculated based on the total CO<sub>2</sub> eq/kg emissions for VOCs in processing and use of sold products reported by the different BU's regions in the years 2018 and 2019. These calculated CO<sub>2</sub> eq/kg per product were multiplied by the sales volumes in the specific reporting period (1 Oct 2017 - 30 Sep 2018 and 1 Oct 2018 - 30 Sep 2019).</p> <p>3. Based on IPCC 2013 data, the CO<sub>2</sub> eq/kg factor for VOC's is set by the European Commission (EC) at 4.23kg CO<sub>2</sub> eq/kg of VOCs. The factor of 8kg CO<sub>2</sub> eq/kg previously used is updated by this 4.23kg CO<sub>2</sub> eq/kg</p>
<b>Methodologies, allocation methods, and assumptions</b>	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 EC at 4.23kg CO <sub>2</sub> eq/kg of VOCs. The factor of 8kg CO <sub>2</sub> eq/kg previously used by AkzoNobel is updated by this 4.23kg CO <sub>2</sub> eq/kg.
<b>Data quality:</b>	Fair, based on primary data for sales volumes per BU and per key value chain and historic modelled product specific VOC levels per mass of production.
<b>Updated data 2019:</b>	Approach for calculating and reporting the indicator was updated and applied to reporting periods of 2018 & 2019.
<b>In AkzoNobel Annual Report:</b>	Yes, included as part of the AkzoNobel Annual Report.