Report 2020

Delivered on our Winning together: 15 by 20 ambition

Grow & Deliver strategy marks next phase of our journey

We're pioneering a world of possibilities to bring surfaces to life

Leading the way in sustainability with People. Planet. Paint.

AkzoNobel

Pioneering a world of possibilities to bring surfaces to life

WHO WE ARE

Look around you. Chances are you're surrounded by surfaces. Flat ones, curved ones. Rough ones, smooth ones. They may look different, but they have something in common – they all need coating.

We've been inventing the future of coatings since 1792. As pioneers in bringing surfaces to life, there's a good chance you're only ever a few meters away from one of our products. In fact, our world class portfolio of brands is trusted by customers around the globe.

Our visionary approach means we constantly embrace new ideas to keep us at the forefront of the industry. It's what you'd expect from the most sustainable coatings company (see page 29).

since 1792

WHAT WE DO

We're experts in making coatings, although that hardly begins to tell the whole story. We use our passion for paint to make a difference – both big and small. So the things our products can do may surprise you, whether they're applied to boats, buildings, cars, planes, phones, walls or wood.

Our coatings can give a surface a personality – or even a superpower – like the ability to purify indoor air, harness solar energy and transform spaces with color. So we never stand still. Because there are industries to reinvent, environments to protect and boundaries to push. As global pioneers, it's in our nature to keep learning, keep discovering and keep innovating (see page 15).

People.
Planet.
Paint.

Grow & Deliver

OUR JOURNEY CONTINUES

We're on an exciting journey to become the frontrunner in our industry. Having delivered on our Winning together: 15 by 20 ambition (see page 6), we've now entered the next phase – Grow & Deliver – which is all about building on the strong foundation we've established (see page 13).

We'll be guided by the values and behaviors that underpin everything we do as we continue to accelerate towards truly becoming the reference in paints and coatings.

www.akzonobel.com

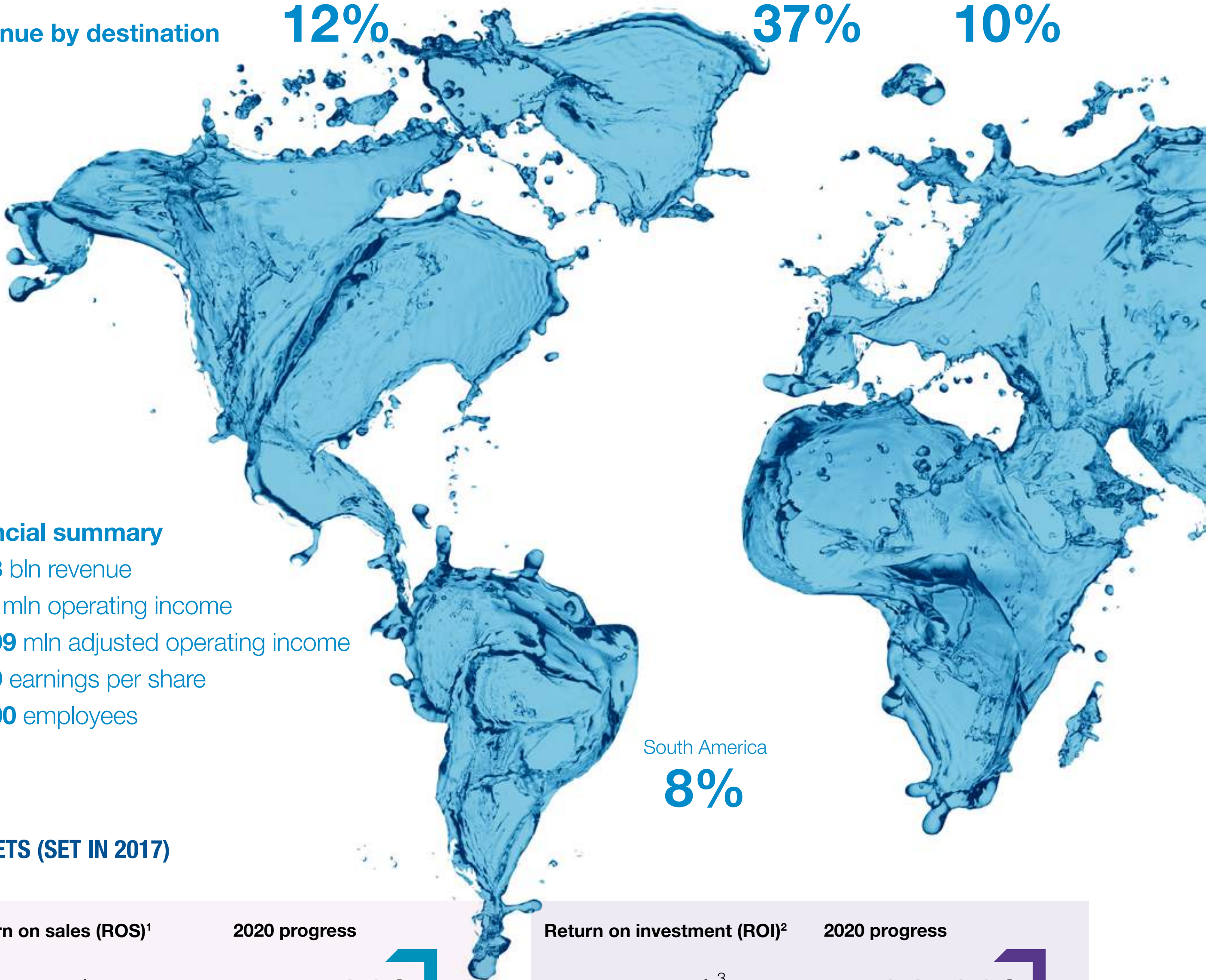
2020 RESULTS AT A GLANCE

Revenue by destination

North America
12%

Mature Europe*
37%

Emerging Europe**
10%



South America
8%

Financial summary

€8.53 bln revenue
€963 mln operating income
€1,099 mln adjusted operating income
€3.29 earnings per share
32,200 employees

TARGETS (SET IN 2017)

Return on sales (ROS)[1]

15%

Achieve return on sales (adjusted operating income/ revenue) of 15% by 2020.

2020 progress

15.0%

[1] Excluding unallocated corporate center cost; assumes no significant market disruption.

Return on investment (ROI)[2]

>20%[3]

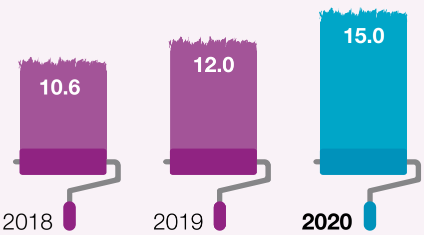
Achieve return on investment (adjusted operating income/ average invested capital) of more than 20% by 2020.

2020 progress

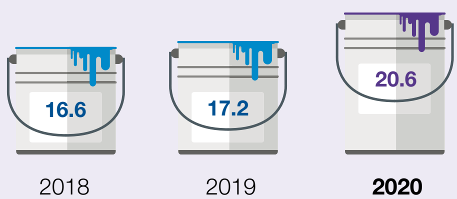
20.6%

[2] Excluding unallocated corporate center cost and invested capital; assumes no significant market disruption.
[3] Our original 25% ambition was adjusted to 20% in 2020 as a result of lower growth assumptions and the implementation of IFRS 16 on leases.

Return on sales development
Adjusted operating income as % of revenue



Return on investment development
Adjusted operating income/average invested capital in %



* Mature Europe: Western Europe and Southern Europe, including Austria.
** Emerging Europe: Central and Eastern Europe (excluding Austria), the Baltic States and Turkey.

CONTENTS

Eco-premium solutions

20%

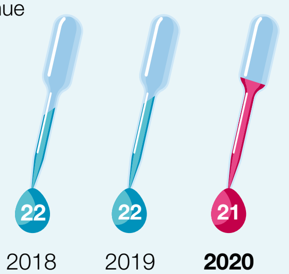
Maintain at least 20% of revenue from eco-premium solutions by 2020

2020 progress

21%

Eco-premium solutions development

in % of revenue



Case study videos

This Report 2020 includes case studies that highlight some of our activities during the year. The videos are not covered by any procedures performed by the independent auditor and are not considered part of the management report.

Alternative performance measures (APM)

AkzoNobel uses APM adjustments to the IFRS measures to provide supplementary information on the reporting of the underlying developments of the business. APM include, but are not limited to, adjusted operating income, (adjusted) EBITDA, adjusted earnings per share, ROS and ROI. A reconciliation of the alternative performance measures to the most directly comparable IFRS measures can be found in the Glossary and Note 4 of the Consolidated financial statements.

“Despite the odds being stacked against us, I’m proud to say we reached a significant milestone as a company and achieved our Winning together: 15 by 20 ambition.”

As 2020 began, we were all set for accelerating towards our Winning together: 15 by 20 ambition. However, like everybody else, it wasn't long before we encountered unprecedented challenges due to the COVID-19 pandemic. The massive economic and social impacts were felt by everyone as the world came to a virtual standstill. Despite the odds being stacked against us, I'm proud to say we reacted fast and reached a significant milestone as a company.

Our people and customers came first. That was always our priority. At the same time, as the global pandemic raged on, we mobilized the whole organization in response. We became more agile, changed our ways of working and focused on a handful of priorities to ensure we kept the company intact and continued to serve our customers – eventually deciding to pause key parts of our transformation and suspend our 2020 financial ambition.

We saved costs, closely managed cash and leveraged the solid processes and systems we've been putting in place to set the company up for success. The fact that we weathered the storm so well demonstrates our new-found resilience and I'm extremely proud of how we continued to look after our customers and performed together as an organization.

As the year came to an end, we almost overlooked the fact that all our hard work during the last three years paid off – we reached our Winning together: 15 by 20 ambition, despite the unparalleled headwinds. After this extraordinary phase of our ongoing journey, we're now a significantly leaner paints and coatings company, with clear and short communication lines, and systems and processes in place that enable us to continue delivering value for all our stakeholders. We also continue to streamline our manufacturing and warehouse footprint.

Achieving this significant 15 by 20 milestone is very much the culmination of a determined push to get back to the forefront of our industry and we continue to see encouraging momentum in our business performance.

Over the last three years, we've made a series of targeted acquisitions. In 2020, we added Stahl's powder coatings activities and New Nautical Coatings' yacht business in North America, while a deal was also agreed for Titan decorative paints in Spain (to be completed in 2021) and we finalized the acquisition of Mauvilac Industries Limited in Mauritius. At the same time, we've clearly claimed the innovation space with our industry-first Paint the Future ecosystem.

We're now moving forward with our new Grow & Deliver strategy – the next stage of our transformation – building on what we've achieved to truly become the reference in our industry. It's about outperforming our markets on growth and continuing to deliver to the bottom line – which we were already doing during the second half of 2020. By remaining customer focused and keeping our discipline on margins and costs, during the next three years, we aim to deliver an average 50 basis points improvement in return on sales each year.

As we enter the newest phase of our journey in 2021, we continue to evolve, led by a new company purpose which demonstrates our passion for **pioneering a world of possibilities to bring surfaces to life.** And we continue to build on our leading track record when it comes to sustainability, through our "People. Planet. Paint." approach and related ambitions.

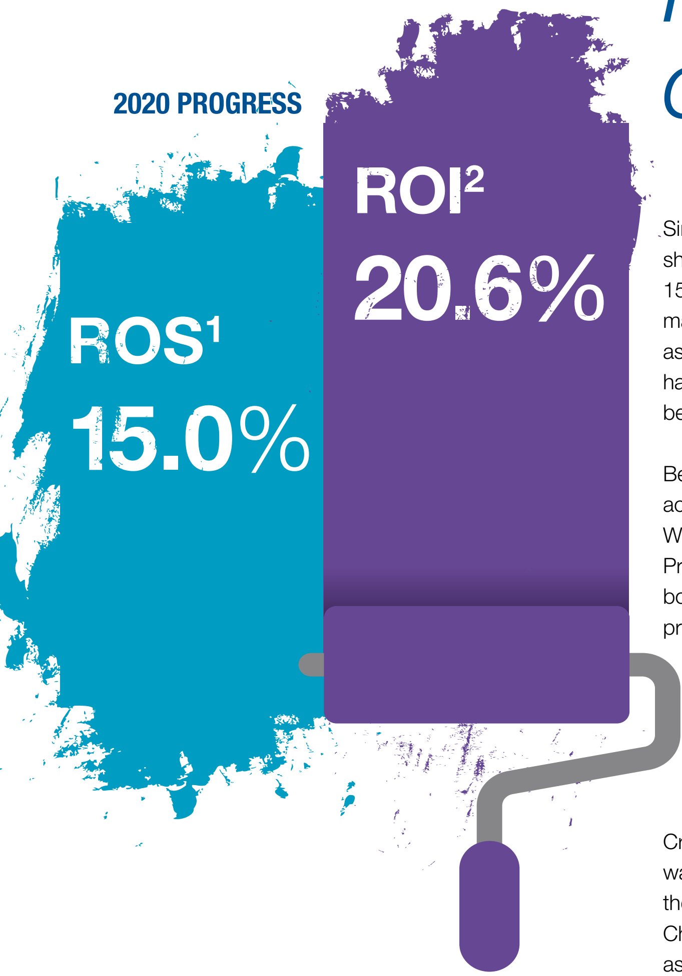
Of course, by far the real driving force is our people, who deserve all the credit. It's been a tough journey at times, but everyone persevered and I'm really proud of what we've shown the world this year. Our improved organizational health score suggests that engagement is strong and there's a good feeling within the company.

So a huge thank you to the whole organization. For myself and the whole Executive Committee, it continues to be a privilege to be on this journey to become the frontrunner in our industry.

Thierry Vanlancker, CEO and Chairman
of the Board of Management and Executive Committee

How we delivered on 15 by 20

2020 PROGRESS



Since 2017, we've been keeping a laser-sharp focus on our Winning together: 15 by 20 ambition and the promises we made during what can only be described as turbulent times for the company. We had bold aspirations and few people believed it was possible to achieve them.

Before looking at how the milestone was achieved, it's worth reflecting on where Winning together: 15 by 20 came from. Prior to 2015, AkzoNobel was at the bottom of the pack when benchmarking profitability versus peers. And while we managed to make our way up into the middle, some players were still ahead of us by a significant distance. Our 15 by 20 financial ambition was all about closing that gap.

Creating two focused companies was clearly the most logical step. We therefore separated our Specialty Chemicals business within 12 months, as planned, and returned €6.5 billion proceeds to shareholders before the end of 2019, as promised. Which saw us become a truly focused paints and coatings company.

We took a conscious decision to scale down revenue growth aspirations and focus solely on return on sales (ROS). This would improve the quality of the business – shedding some structurally unprofitable volumes – while recognizing the relatively slow growth rate in end markets.

Our single-minded focus on profitability created a clear and simple message for the whole organization, which meant decisions became much simpler to make – do whatever action results in the largest increase in ROS, while respecting our core values of safety, integrity and sustainability. It became a mantra. Winning together: 15 by 20 relied on a significant amount of self-help, improving systems and processes to create a stronger foundation for the future, with no support from end markets.

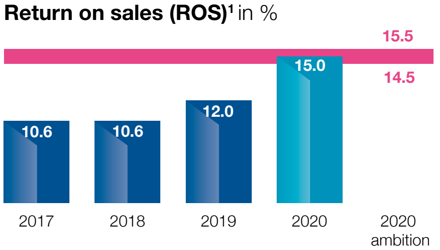
So we were well prepared for the final phase of the 15 by 20 journey, when COVID-19 forced us to pause key parts of our transformation and suspend our 2020 financial ambition. We focused on taking care of our employees while protecting our business, minimizing all discretionary costs and carefully managing cash and working capital. The significant market disruption meant we occasionally had challenges in keeping up with rapid changes in demand. We took all reasonable steps to maintain business operations and continue serving customers. The actions taken, together with our strong balance sheet, provided a solid platform for us to resume key parts of the transformation during the second half of 2020.

Our strict focus has paid off, delivering a step-change in performance in just a few short years. ROS (excluding unallocated cost) increased from 10.6% in 2017 to 15.0% in 2020. At the same time, we continued to advance in other areas, such as our industry-leading Paint the Future innovation ecosystem and our People. Planet. Paint. approach to sustainable business.

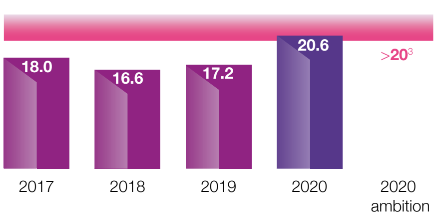
By the end of 2020, we'd reached a significant milestone. We've reignited our passion for paint, caught up with the leading paints and coatings players and are well on our way to becoming the frontrunner in the industry – and we're just half-way through our transformation.

Beyond 2020, our focus will now shift to growth and profitability improvement, guided by our Grow & Deliver strategy. Ultimately, our goal is to be an industry leader in both size and performance.

Return on sales (ROS)[1] in %



Return on investment (ROI)[2] in %



[1] Excluding unallocated corporate center cost; assumes no significant market disruption.
[2] Excluding unallocated corporate center cost and invested capital; assumes no significant market disruption.
[3] Our original 25% ambition was adjusted to 20% in 2020 as a result of lower growth assumptions and the implementation of IFRS 16 on leases.

By delivering more value to our customers, shareholders, employees and society in general, we can better accelerate profitability while positioning ourselves for growth.

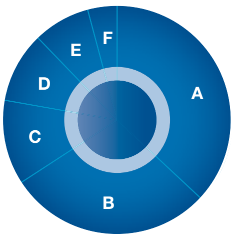
Summary of financial outcomes

In € millions	2019	2020*	Δ%
Revenue	9,276	8,530	(8%)
Adjusted EBITDA*	1,341	1,442	8%
EBITDA*	1,201	1,324	10%
Adjusted operating income*	991	1,099	11%
Identified items*	(150)	(136)	
Operating income	841	963	15%
ROS*	10.7	12.9	
OPI margin*	9.1	11.3	
Average invested capital*	7,026	6,834	
ROI*	14.1	16.1	
ROS excl. unallocated cost*	12.0	15.0	
ROI excl. unallocated cost*	17.2	20.6	
Capital expenditures	214	258	21%
Net debt	802	1,034	
Leverage ratio (net debt/EBITDA)*	0.7	0.8	
Number of employees	33,800	32,200	
Net cash from operating activities	33	1,220	
Net income from continuing operations	517	637	23%
Net income from discontinued operations	22	(7)	
Net income attributable to shareholders	539	630	17%
Weighted average number of shares	213.1	191.4	
Adjusted earnings per share from continuing operations (in €)*	3.10	3.88	25%
Earnings per share from total operations (in €)	2.53	3.29	30%

* Alternative performance measures: Please refer to reconciliation to the most directly comparable IFRS measure in Note 4 of the Consolidated financial statements, and refer to the Glossary for ROS excluding unallocated cost and ROI excluding unallocated cost.

Revenue by destination in %

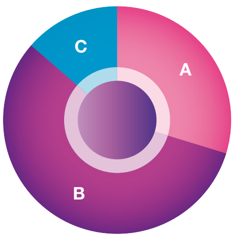
A	Mature Europe	37
B	Asia Pacific	29
C	North America	12
D	Emerging Europe	10
E	South America	8
F	Other regions	4



Capital expenditures 2020:
total €258m

A	Decorative Paints	77
B	Performance Coatings	146
C	Corporate and other	35

Capital expenditures are expected to be around €250 million per year 2021-23.



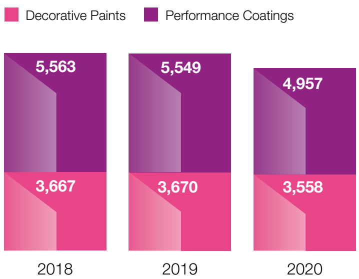
Financial overview

Revenue was 8% lower, and 4% lower in constant currencies. Price/mix was up 1% overall. Volumes were 4% lower, mainly due to the impact of COVID-19 on end market demand. Adjusted operating income was up 11% at €1,099 million (2019: €991 million); driven by margin management and cost-saving programs. Continuous improvement initiatives successfully offset inflation. ROS increased to 12.9% (2019: 10.7%). Operating income was up 15% at €963 million (2019: €841 million) and included negative identified items of €136 million.

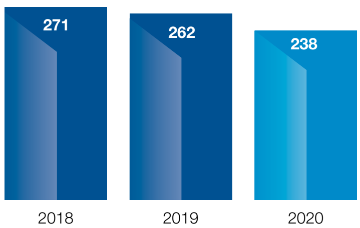
Business revenue

- Decorative Paints revenue was 3% lower and up 3% in constant currencies, with volumes up 2% and positive price/mix of 1%, more than offset by 6% adverse currency impact
- Performance Coatings revenue was 11% lower and 8% lower in constant currencies. Revenue was positively impacted by 1% price/mix, while volumes were 9% lower, mainly due to the impact of COVID-19 on end market demand, especially in the first half of the year

Revenue from third parties
in € millions



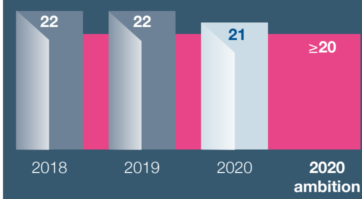
Innovation investment
research and development expenses
in € millions



Research and development expenses expected to remain similar as % of revenue 2021-23.

ECONOMIC VALUE

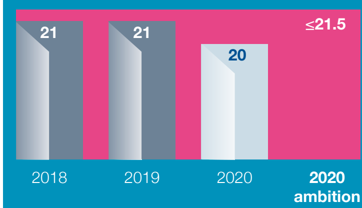
Eco-premium solutions in %



5 consecutive years of out-performing our 2020 ambition.

ENVIRONMENTAL VALUE

Total waste in kg/ton

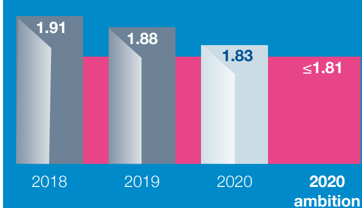


7 % lower waste than our 2020 ambition.

VOC in kg/ton

31 % lower VOC level than our 2020 ambition.

Energy use in GJ/ton



3 % reduction in energy use in 2020.

For more details about our environmental performance, see the Sustainability statements.

Acquisitions

The acquisition of Mauvilac Industries, announced on December 12, 2019, was closed on April 1, 2020. On September 2, 2020, the acquisition of Stahl's per-formance powder coatings activities was completed. On October 19, 2020, the acquisition of Titan Paints in Spain was announced, with completion expected in 2021. The acquisition of New Nautical Coatings in the US was completed in Q4 of 2020.

Raw material price development

Raw material and other variable costs were €135 million lower in 2020, compared with 2019.

Adjusted operating income

Adjusted operating income was up 11% at €1,099 million (2019: €991 million); driven by margin management and cost-saving programs. Continuous improvement initiatives successfully offset inflation. ROS increased to 12.9% (2019: 10.7%).

- Decorative Paints adjusted operating income increased 37% as a result of volume growth, supported by margin management and cost savings. ROS was up at 16.1% (2019: 11.4%)
- Performance Coatings adjusted operating income increased by 2%, with positive price/mix, margin management and cost savings more than compensating for lower volumes due to the COVID-19 impact on end user demand. ROS increased to 14.1% (2019: 12.4%)
- Other activities were negative €174 million (2019: negative €115 million); other activities in 2019 included higher royalty income and one-off gains on disposals

For more about our Paints and Coatings businesses in 2020, see pages 16 to 27. Additional details about the performance of AkzoNobel and each business segment in 2020 can be found in the quarterly publications on our website.

Operating income

Operating income was up at €963 million (2019: €841 million) and included negative identified items of €136 million (€22 million in Decorative Paints, €35 million in Performance Coatings and €79 million in Other activities), mainly related to transformation costs. In 2019, identified items were negative €150 million, mainly related to transformation costs and non-cash impairments, partly offset by a gain on disposal of €54 million following asset network optimization. OPI margin increased to 11.3% (2019: 9.1%).

Net financing income and expenses

Net financing expenses decreased by €7 million, mainly due to lower interest on loans.

Income tax

The effective tax rate was 26.2% (2019: 29.3%). The decrease is mainy related to impairments of deferred tax assets in 2019. Excluding identified items, the effective tax rate in 2020 was 25.6% (2019: 25.3%).

Cash flows and net debt

Operating activities in 2020 resulted in an inflow of €1,220 million (2019: €33 million). This was mainly due to higher profitability and changes in working capital, while 2019 was impacted by higher pension related payments.

At December 31, 2020, net debt was €1,034 million versus €802 million at year-end 2019. The net debt/EBITDA leverage ratio at December 31, 2020, was 0.8x (December 31, 2019: 0.7x).

Invested capital

Invested capital at December 31, 2020, totaled €6.4 billion, €0.6 billion lower compared with year-end 2019, mainly due to a reduction in working capital and other non-current assets.

Dividend

Our dividend policy is to pay a stable to rising dividend. In 2020, an interim

Dividend in €

2018	2019	2020
1.80	1.90	1.95[1]

[1] Proposed

Earnings per share total operations in €

2018	2019	2020
26.19	2.53	3.29

Adjusted earnings per share from continuing operations in €

2018	2019	2020
1.91	3.10	3.88

dividend of €0.43 per common share (2019: €0.41) was paid. We propose a 2020 final dividend of €1.52 (2019: €1.49) per common share, which would equal a total 2020 dividend of €1.95 (2019: €1.90). In 2020, a total share buyback of €545 million was completed.

Employees

At December 31, 2020, the number of employees was 32,200 (December 31, 2019: 33,800). Acquisitions in 2020 added around 250 people. For details on our approach to developing our workforce, see pages 32 to 34.

COVID-19

The pandemic situation is being closely monitored and appropriate measures are being taken to continue serving customers and save costs, while keeping the organization intact and able to respond quickly to changes in end market demand. Although demand trends differ per region and segment, the overall impact on AkzoNobel for the full-year 2020 was limited. An overall positive impact was noted for the Decorative Paints segment, while there was an overall adverse impact in the Performance Coatings segment. The pandemic has not impacted our going concern assumption.

AkzoNobel has a strong balance sheet and solid cash position. At December 31, 2020, cash and cash equivalents were €1.6 billion and financial leverage (net debt/EBITDA) was 0.8x. AkzoNobel is committed to retain a strong investment grade credit rating.

In 2020, a detailed assessment was performed of potential valuation adjustments to the overall asset base, either due to the direct impact of COVID-19, or its impact on future profitability. Goodwill and intangible asset impairment tests have been performed based on most recently updated forecasts; this has not revealed impairments. Recoverability of deferred tax assets has also been reassessed based on these forecasts, leading to immaterial adjustments only. Furthermore, while the allowance for impairment of trade receivables initially increased as a direct result of the additional risk associated with COVID-19, impairment of trade receivables returned to normal levels at year-end.

In 2020, a compensation of €33 million related to government support measures for COVID-19 was recognized as a reduction of employee benefit costs, mainly in Q2 and Q3. No application was made for the "Noodmaatregel Overbrugging voor Werkgelegenheid (NOW)" in the Netherlands. In our 2020 figures, all COVID-19 related impacts have been treated as normal operations; none of these impacts have been included in identified items.

Outlook 2021

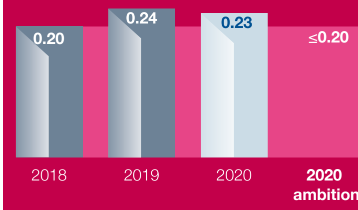
AkzoNobel targets to grow at least in line with its relevant markets. Although trends differ per region and segment with raw material inflation expected, margin management and cost-saving programs are in place to deliver 50 basis points increase in return on sales. The company targets a leverage ratio of 1-2 times net debt/EBITDA and commits to retain a strong investment grade credit rating.

See Note 28 of the Consolidated financial statements with regard to subsequent events.

SOCIAL VALUE

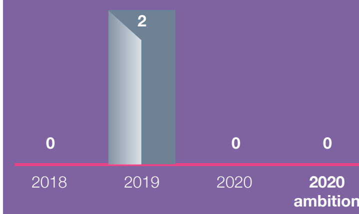
Numbers include AkzoNobel employees and temporary workers

Total reportable injury rate (TRR)



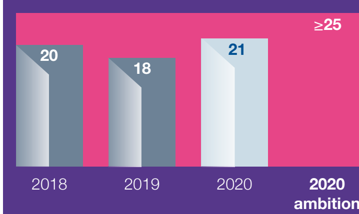
3 consecutive years of closing in on our ambition.

Fatalities



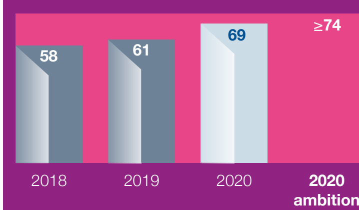
0 fatalities in 2020.

Female executives in %



3 % point increase in 2020. Now have new program to further boost senior female leadership pipeline.

Organizational health score (OHI)



11 point increase since 2018. We're striving to keep improving by following up attention areas.

For more details about our social performance, see the Sustainability statements.

Business as **un**usual

By any standards, 2020 was an extraordinary year. It therefore required an extraordinary response. As COVID-19 continued to tighten its grip on the world, our priority was to keep our employees, their families and our partners safe. At the same time, we did everything possible to continue supplying our customers, while giving whatever support we could to local communities.

Here's a brief round-up of some of the projects we were involved with, many of which resulted from the amazing efforts of our colleagues around the world. They also highlight the strong social aspect of our "People. Planet. Paint." approach to sustainable business.

Rapid response in China

When Chinese authorities announced they were about to rapidly construct a hospital in Yinchuan – capital city of the Ningxia Hui Autonomous Region – the local AkzoNobel organization sprang into action.

The facility was being built as an expansion project at the existing Fourth People's Hospital of Ningxia. However, as the work was taking place during the Spring Festival in February, paint was in short supply.

On hearing the news, we acted quickly to donate our Dulux Pro interior emulsion during the early days of the project. It helped to ensure that the new buildings could be completed on time (in just 15 days) as part of an urgent local response to the COVID-19 outbreak.

The new buildings continued to be operational once the outbreak subsided.

Keeping industry going

As the pandemic raged, our customers continued to rely on us to supply products across a whole range of critical industries. So we had to prioritize our resources in certain areas to ensure production of essential items could continue.

For example, our coatings are used on hospital beds and other metal equipment (including oxygen bottles and ventilators), which were in high demand during the first half of the year. We also supply coatings used in food and beverage cans, and the industry was working flat out at one point to keep up with increased demand.

Many of our coatings products – including our decorative paints – are also a key part of the construction sector. So we were pulling out all the stops to ensure that crucial work could continue, such as building new hospitals. You can read about some of those projects elsewhere on these pages.

Coping with challenges in India

During a nationwide lockdown in India, the local AkzoNobel organization launched several initiatives to help communities cope with the food and healthcare challenges.

Many of these were adaptations of existing projects launched as part of the company's People. Planet. Paint. initiative. The focus was simply changed in response to the virus.

For example, in several villages near Bangalore, an existing e-health program which we helped to set up was used to provide initial screening for COVID-19. Around 1,000 people had received symptomatic screening within the first month.

We also provided essential food items to 6,000 people (mostly daily wage earners) in Gurgaon, Gwalior and Navi Mumbai, including underprivileged children studying at AkzoNobel supported education centers.

Beating the isolation blues in Brazil

One of the most heart-warming initiatives was organized in Brazil, where our colleagues made a big effort to help residents at a care home for elderly women, located in the southern state of Rio Grande do Sul.

Known as Grandma's House, it looks after nearly 200 elderly residents. However, due to the pandemic, visitors weren't allowed for many months. So our Brazilian colleagues decided to give the residents a boost and cheer them up by arranging video chat sessions to help them feel less isolated and alone.

Dozens of employees volunteered to take part during the initiative, when they could choose from a series of 30-minute time slots. "The conversation I had was such an important moment for the lady I spoke to that she even dressed up specially for the occasion," said AkzoNobel Administrative Coordinator, Roseli Franchi. "It was very touching and made me realize that we can make a difference to people's lives by doing the simplest of things."

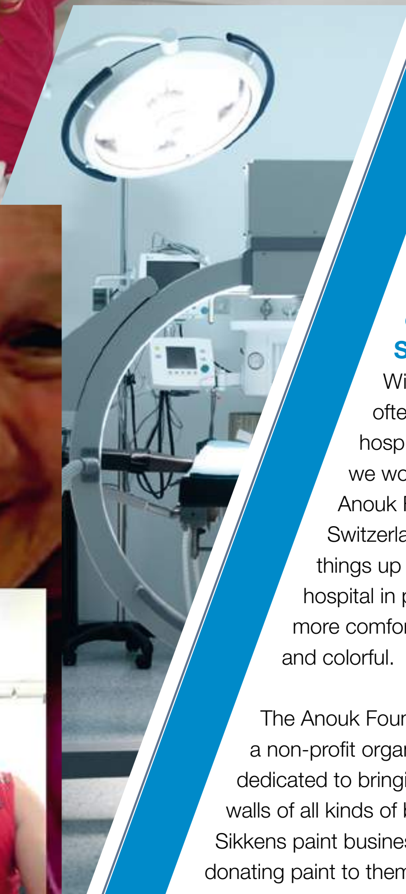
As well as talking to the residents, employees were also given the opportunity to have donations sent from one of several local supermarkets that make deliveries to the home. More than 1,000 items were sent, including cleaning and personal care products and food.

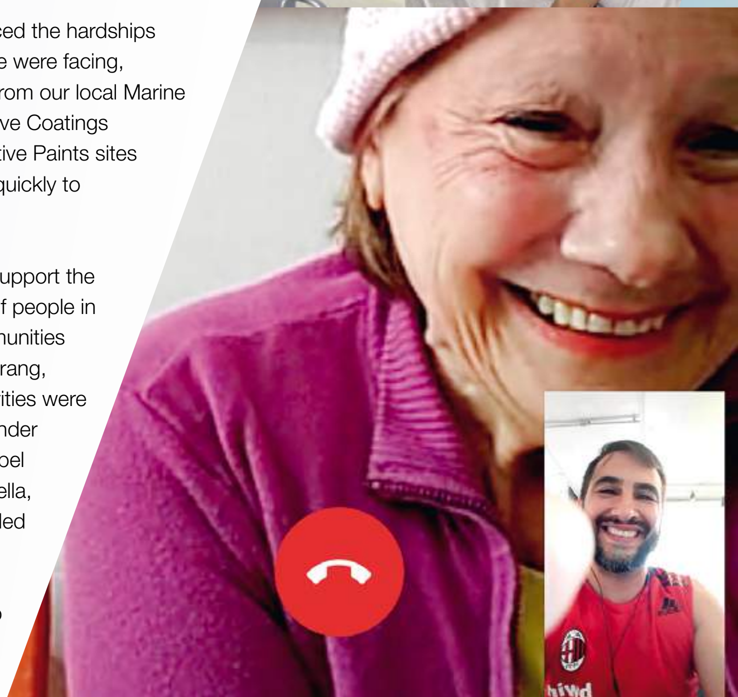
Supporting communities in Indonesia

Many of the communities around our Cikarang site in Indonesia experienced the economic challenges that came with the large-scale social restrictions that resulted from the pandemic.

Having noticed the hardships many people were facing, colleagues from our local Marine and Protective Coatings and Decorative Paints sites responded quickly to help out.

In order to support the livelihoods of people in seven communities around Cikarang, several activities were organized under our AkzoNobel Cares umbrella, which included distributing basic food essentials to around 500 families in need.





Caring with color in Switzerland

With children often finding hospitals a bit scary, we worked with the Anouk Foundation in Switzerland to brighten things up and make one hospital in particular feel more comforting and colorful.

The Anouk Foundation is a non-profit organization dedicated to bringing color to the walls of all kinds of buildings. Our Sikkens paint business has been donating paint to them for many years, helping to create designs and murals that calm the fears and worries of residents and patients of all ages.

One of their bigger projects in 2020 involved working on 22 treatment rooms and eight patient rooms at the Kinder Klinik Kantonsspital in the Swiss town of Aarau. Painting soft colors on the walls and introducing gentle humor helped create a comforting atmosphere, which proved especially important at a time of such global uncertainty.

In fact, the therapeutic value of the murals has been so beneficial, there are plans to create more murals in other parts of the hospital, including the pediatric emergency unit.

STRATEGY AND OPERATIONS

An overview of our strategy, approach to innovation and the performance of our Paints and Coatings businesses during the year.

Our activities are reported in three regions: Asia; Europe, Middle East and Africa; South America

Our activities are organized into four main businesses: Automotive and Specialty Coatings, Industrial Coatings, Marine and Protective Coatings, Powder Coatings

* The 2018 and 2019 figures are restated to represent revenue from third parties instead of group revenue.

Rafaël Rozendaal | Into Time 13 09 12, 2013 | 2013 | lenticular print | 120 x 90 cm | photo credits Gert-Jan van Rooij | Collection AkzoNobel Art Foundation

THE NEXT PHASE OF OUR TRANSFORMATION

Grow & Deliver

Ambitions for 2021-2023

- Revenue growth at least in line with our relevant markets
- Deliver an average 50 basis points ROS* (return on sales) improvement each year

AkzoNobel is a truly global, high-performing paints and coatings company with a proud heritage which can be traced back to 1792. Our world class portfolio of established brands is trusted by customers around the globe and we continue to be guided by a strong set of core values – safety, integrity and sustainability.

Since 2017, our strategic focus has been on delivering our Winning together: 15 by 20 ambition, which has positioned us among other leading players in the industry. Ultimately, our goal is to take our rightful place as a frontrunner, both in terms of size and performance.

This ambition is reflected in our new company purpose – Pioneering a world of possibilities to bring surfaces to life – which was developed with input from a broad range of employees and other stakeholders. As we look to accelerate on the next phase of our journey, our new Grow & Deliver strategy is all about building on the strong foundation we've now established.

From 2021 onwards, we will pivot towards growth, while delivering further profitability improvement. To help us deliver what we want to achieve, we've updated our behaviors framework to guide a new way of working. The fundamentals remain the same – passion for paint, precise processes, powerful performance and proud people. Our key behaviors have now been more clearly defined to help drive further success (see visual below).

With sustainability as one of our core values, we strive to be the leader in our industry by empowering people, reducing our impact on the planet and consistently innovating to deliver the most sustainable solutions for our customers. That's why we call our approach to sustainable business "People. Planet. Paint."

Growth drivers

We're well placed in the €130 billion paints and coatings industry, with a balanced geographic presence and a strong portfolio of brands, with leading positions in most segments. This offers multiple opportunities for growth.

For example, we have a significant presence in Asia Pacific – where we currently generate around 29% of revenue – and all market segments. We're the leader in the fast-growing powder coatings segment, which currently contributes around 13% of revenue. Other segments also offer exciting growth opportunities, such as our decorative paints in South America and – driven by a shift away from single use plastics – packaging coatings.

Strategic mandates – assigned per segment and region – are used to provide clear direction for each of our businesses, including relative priorities for growth and profitability improvement. These strategic mandates, which helped to drive a step-change in performance over the last three years, have been updated for 2021 onwards.

* ROS is calculated as adjusted operating income (operating income excluding identified items) as a percentage of revenue from third parties.

Passion for paint
Be customer focused

Precise processes
Execute with discipline

Powerful performance
Deliver on commitments

Proud people
Take ownership

Our CEO, Thierry Vanlancker (pictured center), joined a cross-industry collaboration to fight climate change and build economic resilience. The 12-strong European CEO Alliance believes a zero carbon future is possible – if we work together – and the first step was to give their full support to the EU Green Deal.

We're passionate about customer needs and have a customer service mindset. Commercial excellence is all about putting in place more customer focused, data-driven, commercial processes. This will help to fuel our growth.

Innovation is also fundamental to our success (see page 15). Having been pioneers since 1792, we know what it means to go beyond when it comes to providing customers with quality solutions – how to understand and anticipate their needs. Our industry-leading Paint the Future innovation ecosystem is a great example of how our pioneering spirit is helping us to continue pushing boundaries.

We have a solid platform for adding to organic growth through targeted acquisitions. Clear capital allocation priorities, and a strong balance sheet, underpin a disciplined approach to conducting value creating acquisitions, aligned with our strategic mandates.

Delivering performance improvement

Several initiatives started during the Winning together: 15 by 20 phase of our journey will also continue in the future, including ERP and application integration, as well as improving end-to-end processes. These initiatives provide the strong foundation on which our Grow & Deliver strategy is built.

The next phase of our strategy requires an evolution of our operating model, moving from functional excellence in silos to driving cross-functional collaboration and becoming even more customer focused.

Margin management demands strong profitability analysis, combined with predictive margin management and pricing excellence. This will ensure we maintain variable margins throughout the cycle.

Creating a world class supply chain requires more efficiency and effectiveness – also in planning processes – to meet customer needs with superior service levels.

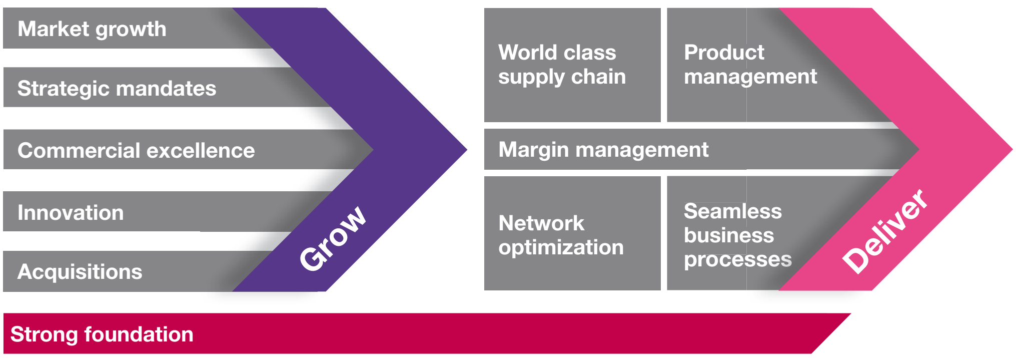
Product management is necessary to deliver the right products to customers and win in the market, at the most competitive cost for the company, with less complexity and increased collaboration with our suppliers.

Optimizing our manufacturing network will be organized around three models to serve customer needs – simple and efficient; managed complexity; agile and adaptive.

Seamless business processes will be effective and cost competitive, allowing greater focus on what matters most.

It's now time for AkzoNobel to become the frontrunner. Our strategy is to Grow & Deliver, as a high-performing organization, pioneering a world of possibilities to bring surfaces to life.

Welcome to our future!



Accelerating our innovation

We've been innovating for more than 200 years. Our pioneering spirit and our passion for pushing the boundaries of our industry represent our past, present and future.

"Science and innovation drive our future and I'm proud this year's solutions went beyond expectation to deliver value to us and our customers."

Klaas Kruithof, Chief Technology Officer

For us, innovation means going beyond conventional expectations, going beyond the imagination of our customers and going beyond generations. So it represents both a challenge and a promise.

Our innovation portfolio is influenced by four main drivers: productivity, surface enhancement, asset protection and environmental protection. They guide us on our journey to making a significant and long-lasting difference to our customers and the planet.

Innovation in 2020

During the year, we continued to introduce a range of ground-breaking products to the market, while expanding our digital capabilities. This included adding antimicrobial properties to our Interpon D1000 and 2000 range of architectural powder coatings, enabling building interiors to be given increased protection against microbes such as bacteria and mold. Our Powder Coatings business also introduced a new 3D color tool to help architects and specifiers find exactly the right product for their needs. Meanwhile, Decorative Paints introduced Dulux EasyCare+, which contains Scuff Resist technology to help protect interior walls, and also launched Hammerite Ultima, a rust-busting water-based exterior paint which can be applied directly onto any metal surface, without the need for a primer.

Collaborative innovation

We know great innovations happen when different people work together in a win-win model. A great example is our Operation Night Watch partnership with the Rijksmuseum in Amsterdam, the Netherlands. We're using our color expertise to work together on three key projects which demonstrate that understanding history is essential to building our future.

Following its 2019 launch, we also made excellent progress with expanding our global Paint the Future collaborative innovation ecosystem – which is all about connecting what we know with what we don't yet know, so we can bring new solutions to the market faster.

Our latest Paint the Future regional startup challenge is scheduled to take place in China in early 2021. It was officially announced by Mark Kwok, AkzoNobel's President of China/North Asia.

To help build on its success, we welcomed several new collaborations in 2020. This included launching our first regional startup challenge in Brazil, which resulted in business proposals being awarded in four categories: Sustainable lifecycle; Smart supply chain and logistics; New functionalities; and Customer experience. A new regional startup challenge will be staged in China in 2021.

Throughout the year, we also made good progress on joint developments in the area of robotic application, to help painters work more safely and efficiently. Two of these projects involve Qlayers and Apellix, both winners in our 2019 global startup challenge (see page 19). A third project is ongoing with French early stage startup Les Companions. This project is focused on developing a paint robot for interior use on walls and ceilings.

In addition, we advanced the work we're doing with two other 2019 winners. Alucha's circular filler is in the scale-up phase, while we're continuing to design new polymers for low-bake applications with Interface Polymers. Meanwhile, through our related Paint the Future supplier program, we also selected five new projects in 2020 for further acceleration. At the end of the year, a fully virtual supplier event was staged, featuring 100 specially invited participants.

Another successful project also emerged from a Paint the Future employee challenge. Two of the teams that submitted promising proposals joined forces to develop a company-wide global standard for using augmented reality in manufacturing.

"The proactive support we offered was the basis for the strong recovery in results in the second half of the year."

Oscar Wezenbeek, Director of Decorative Paints South East and South Asia

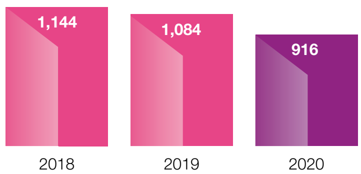
"Agile leadership and strong stakeholder partnerships were key to restoring our profitable business growth in Q3 and Q4."

Mark Kwok, Director of Decorative Paints North Asia

2020 SUMMARY

It was a challenging year, but we quickly stabilized and saw a strong recovery throughout the region in Q3 and Q4. We adopted an agile approach in responding to changes in product mix, while focusing on operational costs, complexity reduction and margin management. South East and South Asia experienced headwinds most of the year due to COVID-19 related channel closures, but despite that, we achieved significant improvement in return on sales.

Revenue in € millions



Key brands

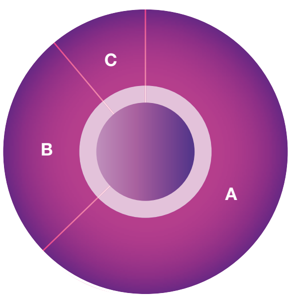
2020 HIGHLIGHT

We supplied 130,000 liters of decorative paint from our Dulux Professional range for the interior walls, pillars and ceilings of Indonesia's new Yogyakarta International Airport (pictured below). Officially inaugurated in August, the airport is equipped with a passenger terminal spanning 219,000m^2 and has a total capacity of 20 million passengers a year. The company also provided over 300,000 liters of performance coatings for the structural steel.

OTHER KEY DEVELOPMENTS

- Strengthened our distribution network in Mainland China by expanding into 40 new cities and 1,000 additional stores. Also supplied products for more than 250 renovation projects in 80 cities
- Dulux launched a first-of-its-kind, bio-based interior paint in Vietnam which helps to improve indoor air quality
- In India, we launched Dulux SuperClean, an interior water-based emulsion which makes walls easier to keep clean
- Launched a digital platform for painters in China and signed up over 165,000 professionals in 344 cities
- Supplied Dulux Professional range products for The Exchange 106 skyscraper in Malaysia. It's currently South East Asia's tallest building
- In China, Dulux Forest Breath Biocare was upgraded with solvent-free technology
- As part of our partnership with SOS Children's Villages, we launched projects in Indonesia, Vietnam, Pakistan and Sri Lanka
- Our premium Dulux Forest Breath emulsion was used to coat the Hong Kong Palace Museum
- Supplied products for the interior and exterior walls of Taipei Arena in Taiwan

Decorative Paints revenue by destination in %



A EMEA	63
B Asia Pacific	26
C South America	11

We supplied an extensive range of products for the construction of Indonesia's new Yogyakarta International Airport. Our decorative paints were used on the walls, pillar and ceilings, while the company also provided protective coatings and passive fire protection.

2020 SUMMARY

Financial performance was very strong across the region and we delivered significant growth in revenue compared with the previous year. This was driven mainly by positive price/mix effects, complexity reduction and cost-saving programs. The business also benefited from share gains in key markets and the DIY (do-it-yourself) boom which resulted from the introduction of COVID-19 lockdown measures.

2020 HIGHLIGHT

We announced two deals as we moved to boost our presence in the region. In October, we signed a deal to acquire the decorative paints business of Spain's Industrias Titan S.A.U. (to be completed in 2021). Titan – also present in Portugal – is one of Spain's best-known brands. The business shares our commitment to sustainable product innovation, with much of its portfolio recognized for its environmental performance. We also completed the acquisition of Mauvilac Industries Limited in Mauritius, strengthening our footprint in Sub-Saharan Africa and boosting our position in the African market.

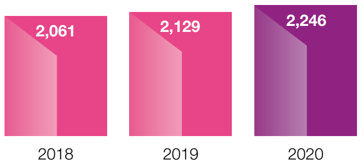
Key brands

Bruguer, Dulux, Flexa, Levis, Marshall, Nordsjö, Sadolin, savana, Polyfilla, ceta bever, Hammerite, sikkens, Herbol, xylazel

"This was a very strong year in which we achieved significant growth in revenue."

Jan-Piet van Kesteren, Director of Decorative Paints Europe, Middle East and Africa

Revenue in € millions



OTHER KEY DEVELOPMENTS

- Successfully launched Brave Ground, our 2021 Color of the Year, securing significant media attention and driving brand awareness and sales across the region
- Supported artist Sacha Jafri's world record attempt to create the largest ever painting on canvas. His Humanity Inspired project aimed to raise $30 million for charitable causes around the world (pictured below)
- Launched Dulux EasyCare+, a precision-engineered interior paint which uses Scuff Resist technology to protect walls and keep them looking better for longer
- Hammerite Ultima was introduced in several markets. It's a water-based exterior paint which can be applied directly to any metal surface without the need for a primer
- Our Ashington plant in the UK won the Coatings Care Overall Best Performer Award. The site had zero waste sent to landfill, with the waste recycling rate above the sector average, while the remainder was incinerated for energy recovery. Solvent emissions per ton of production were also among the lowest in the industry
- Simplified and harmonized our business model to reduce the number of different packs and unique formulations
- Accelerated our digital marketing and sales, which included the launch of a new web platform and fast scale up of our eCommerce activity, particularly in Western Europe

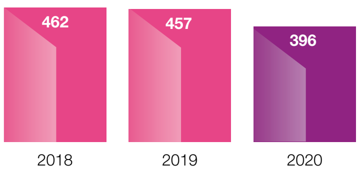
"2020 was nothing like we had expected, and yet we accom-plished much more than we expected."

Daniel Campos, Director of Decorative Paints South America

2020 SUMMARY

We delivered significant organic growth and achieved a very strong performance, despite the pandemic and exchange rate volatility. Results were driven by disciplined pricing, innovation focused on premium offerings, better and broader store execution (including digital store launches) and cost-saving programs. We also experienced a steep increase in demand as consumers chose to renovate their homes during lockdown, with the help of our wide-ranging DIY (do-it-yourself) solutions.

Revenue in € millions



Key brands

2020 HIGHLIGHT

Four startups are collaborating with AkzoNobel after winning our Paint the Future Brazil startup challenge. We received 135 submissions, with 16 of the country's best startups being selected to participate in the challenge's finale held in São Paulo in early October. Awards were given to Aterra (Belo Horizonte); Getter (Curitiba) pictured left; nChemi (São Carlos); and Standout (São Paulo). Letters of intent have been signed, demonstrating our commitment to co-developing sustainable business opportunities.

OTHER KEY DEVELOPMENTS

- Introduced the Holding Hands program to support painters and consumers during COVID-19. It included partnerships with customers to help painters via training and food distribution
- Launched our Coral and Pinturerias del Centro online stores
- New Sparlack Cetol product lines for woodcare introduced in Brazil
- Achieved our goal of 100% water reuse in Mauá, Brazil, where we installed a water treatment plant in 2017

Spectacular aircraft takes flight

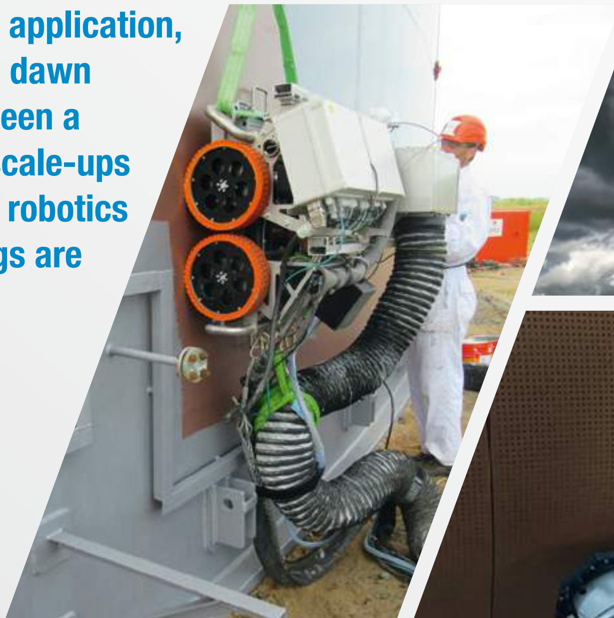
Putting our Coral decorative paints logo on a plane might seem strange, but it was a creative way for us to highlight the fact that our products feature more technology than people may realize. It also helped us to stand out by letting customers know that as well as providing advanced solutions for planes, we also help to color and protect their homes.

The project in question involved creating South America's most colorful airplane. Our Coral brand partnered with Aerospace Coatings colleagues to work with Azul Airlines and Embraer to pay tribute to the Spix's macaw, a national symbol in Brazil. The design features 58 colors, half of which were custom made. The Embraer paint team in São José dos Campos then applied our Aerodur 3001/3002 basecoat clearcoat system.

Decorative Paints supported the project with a "Let's Colour" initiative to restore a local church and theater in Curaçá city. More than 3,000 liters of Coral paint were used.

Collaboration fuels our robotic revolution

When it comes to paint application, we're waking up to the dawn of the robots. There's been a surge in startups and scale-ups interested in deploying robotics to improve how coatings are currently applied.



PAINT THE FUTURE

In 2020, we strengthened our strategic partnerships with Les Companions, Apellix and Qlayers. These startup collaborations are not only cool, but also represent leaps in efficiency, data-driven quality, worker safety and sustainability.

We first established a connection with Qlayers when they submitted a winning solution to our Paint the Future 2019 global startup challenge in the "Smart application" category – a focus area which reflects our belief in syncing our innovative products with innovative ways to apply them.

Qlayers' fully automated coating processes will help our customers coat large industrial surfaces in any weather, without overspray. We're now supporting the development of robust solutions for storage tanks and wind turbine blades. The customers we've already introduced to Qlayers are really excited for what's ahead.

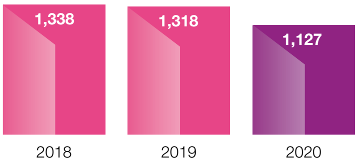
These collaborations are just a few examples of what we call "going beyond imagination and generations". We see working together on new solutions as a way to push the boundaries of our industry faster and further towards a more sustainable future.

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

17 PARTNERSHIPS FOR THE GOALS

Aligned with SDG 12 and 17 (see page 30).

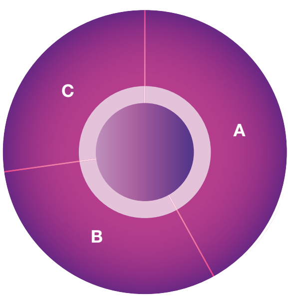
Revenue in € millions



Key brands

AkzoNobel
Sikkens
DYNACOAT
LESONAL®
WANDA

Revenue by destination in %



A EMEA	42
B Americas	31
C Asia Pacific	27

2020 SUMMARY

It was a challenging year for most of our markets due to the global pandemic. It had a significant impact on the automotive and vehicle refinish (VR) sectors, with national lockdowns, limited vehicles on the road and OEM (original equipment manufacturing) being put on hold. The recovery started in the second half of the year – firstly in VR – and then accelerated towards year-end. Aerospace was heavily impacted due to an almost complete stop in air traffic.

2020 HIGHLIGHT

Our facility in Pruszków, Poland (pictured left), was expanded to double its size and is now the company's most advanced automotive training center in Europe. Featuring state-of-the-art equipment, it will serve as a hub of learning and collaboration, hosting more than 1,000 people a year.

Customers will deepen their knowledge of coatings and application techniques through a variety of classes, while our experts will also work closely with them in the research and development of potential new products and services.

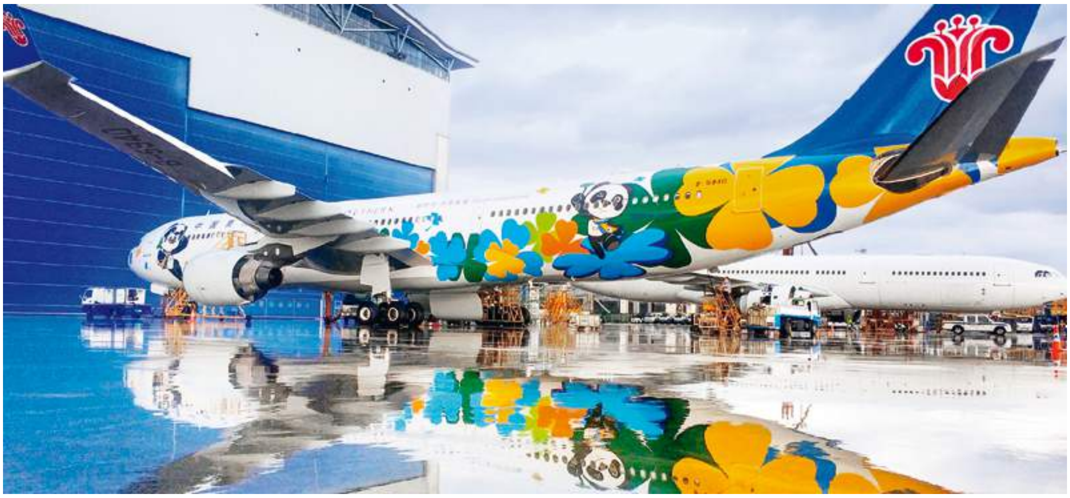
OTHER KEY DEVELOPMENTS

- Secured a long-term agreement with American Airlines and won back business from Korean Airlines
- Launched a new range of low VOC compliant clearcoats in China to meet new VOC regulations. Also introduced a new VOC compliant topcoat for the commercial vehicles and commercial trucks markets
- Introduced a radar transparent bright film for use on vehicles, which will enhance road safety systems
- Chosen by BMW Group to be a trusted supplier of vehicle refinish products and services to a large part of its distribution network around the world
- Made major progress in the digital transformation of our VR color tools, with more than 2,000 new MIXIT licenses
- Received Advanced Auto Parts' award for New Vendor of the Year – North America
- Mapaero integration progressed well, with product rebranding activities now complete

We secured a supply deal with BMW Group which means our Sikkens and Lesonal vehicle refinish brands are now approved for paint repairs of BMW and MINI passenger cars in 44 countries around the world.

“It was a difficult year, but with cost measures, new business opportunities and fast recovery, we achieved a more than acceptable year-end result.”

Patrick Bourguignon, Director of Automotive and Specialty Coatings



We supplied coatings for several unique liveries during the year, including a turtle design for All Nippon Airways and panda artwork for China Southern Airlines. Our products were used on a trio of All Nippon A380s, with 3,300 liters of Aerobase and Aviox CC UVR paint being used to apply the eye-catching turtle design. The panda was added to an A330-300 using 30 different shades, with more than 20 of them being new colors developed by experts at our lab in Bangalore, India.

Boeing approval for color blending in China

Our aerospace coatings facility in Dongguan, China, has been qualified by aircraft manufacturer Boeing to color blend the company’s Aerodur 3001 basecoat.

The certification means the site has been certified by Boeing to blend our industry-leading basecoat/clearcoat system, Aerodur 3001/3002, locally in China with OEM (original equipment manufacturer) approval. The Dongguan facility is now also listed on Boeing’s official qualified products list (QPL) for BMS10-72 specification.

QPL approval status is an important milestone for the facility, which opened in 2017 to specifically serve the North and South Asian aviation market and deliver cutting-edge technologies faster and more reliably.

“In an unprecedented year, we focused on delivering exceptional value and quality to our global customer base, while completing a business transformation and delivering strong performance.”

Simon Parker,
Director of Industrial Coatings

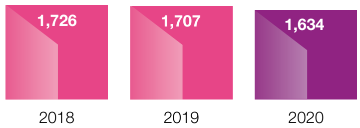
2020 SUMMARY

Our customer markets experienced a varied impact from COVID-19 in the first half of 2020, with Asia being affected first and Europe and the Americas somewhat later. We then saw steady market recovery in the second half of the year. Despite the COVID-19 impact, full-year revenue for Packaging Coatings and Coil and Extrusion Coatings increased, while Wood Finishes and Wood Adhesives were only slightly lower. Underlying demand for packaging coatings continued its strong momentum in all regions. Construction and infrastructure initiatives designed to reignite economic growth also strengthened demand for Coil Coatings. Meanwhile, breakthroughs in technology, channel management and market positions set the scene for 2021.

2020 HIGHLIGHT

We launched a first-of-its-kind 100% UV cured exterior range of coatings for windows. The system consists of a putty, primer and topcoat for wood window frames and a topcoat for PVC window applications. By cutting out up to 16 hours of drying time, the RUBBOL range can significantly save on production time and energy costs, while providing leading performance. It also produces zero emissions and requires no mixing, making the production process more sustainable.

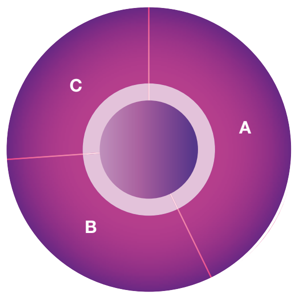
Revenue in € millions



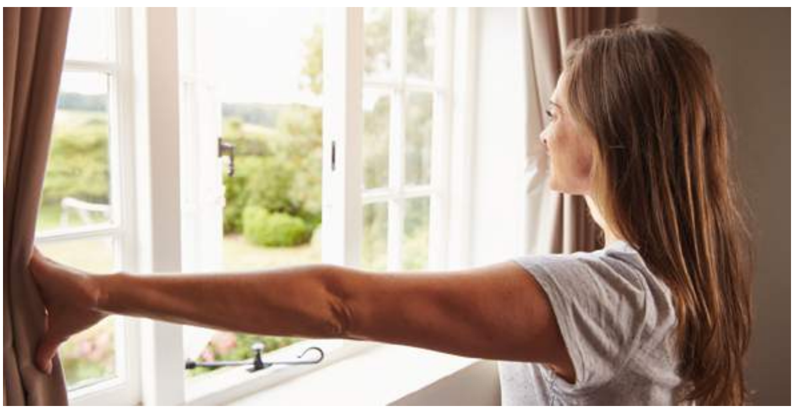
Key brands

AkzoNobel · Zweihorn · Chemcraft · Sikkens Wood Coatings

Revenue by destination in %



A EMEA	43
B Americas	31
C Asia Pacific	26



OTHER KEY DEVELOPMENTS

- As the market leader in wood finishes in North America, we continued to make excellent progress on transforming the manufacturing capability at our facility in High Point, North Carolina. The €50 million investment will help drive quality and performance improvement for our customers
- Strong year for Packaging Coatings, with the societal shift away from single-use plastic to cans – a more sustainable solution compared with plastic bottles
- Launched TRINAR A-CLAD, a new coil coating system for aluminum composite panels (see picture below). It's a high-performance, 70% polyvinylidene fluoride system for commercial projects which enables coaters and specifiers to source consistent, high-performing coatings for entire building exteriors
- Architects and designers can now instantly access our TRINAR color libraries and use them in design software to create new projects and specify AkzoNobel products as they become available on leading building information modeling (BIM) platforms
- Introduced augmented reality in collaboration with our Integrated Supply Chain team for remote testing and line management in response to restricted travel
- Successfully launched new LinkedIn and Facebook platforms for our North American Chemcraft brand and Coil and Extrusion Coatings business to help increase our online presence

TRINAR A-CLAD offers a smooth, uniform finish during application and comes in a broad range of color and aesthetic options.

Color of the Year brings surfaces to life

We introduced four on-trend palettes across all wood markets as part of the company's 2021 Color of the Year launch. The Expressive, Trust, Time and Earth palettes each feature the Color of the Year – Brave Ground.

"Homeowners and designers want to try new things and combine the old with the new, both in color and style," explains Rob Haley, Color Trends Manager for our Wood Coatings business.

"We want to inspire and empower our customers and help them to achieve a contemporary and personal aesthetic as they transform living spaces and working environments."

Our wood coatings color experts worked closely with AkzoNobel's global color and design team to develop on-trend palettes for a variety of paints and coatings customers.

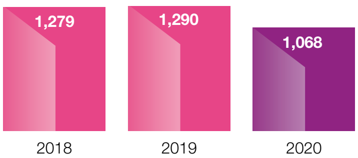
2020 SUMMARY

It was a challenging year, due to the impact of COVID-19 and a very difficult oil and gas market. However, the fundamentals of the marine, protective and yacht industries are robust and we're confident they'll emerge from this crisis as an essential driver for the global recovery.

We adapted quickly and effectively to keep facilities open and maintain the excellent levels of support that our customers expect globally. As the situation evolved, we remained proactive in supporting marine fleet owners through their dry dock cycles; our technical and engineering service teams maintained their on-site presence with customers at ship and fabrication yards; and we helped oil and gas majors maintain service continuity on projects already underway.

We'll continue working closely with customers to avoid service disruption and deliver on the commercialization of our product innovation.

Revenue in € millions



2020 HIGHLIGHT

We took great pride in supporting health authorities with their emergency response to COVID-19 in China, where early on in the year we contributed to the construction of emergency quarantine facilities (pictured below). We were able to make our advanced anti-corrosion coating systems available in real time for six two-story buildings in Hong Kong, which provided 120 single rooms. Made of steel as ready-to-use modules, they featured our trusted Interzinc/Interseal/Interthane anti-corrosion coating system to help protect the steel structure.

"We adapted quickly and effectively to maintain the excellent levels of support our customers expect globally."

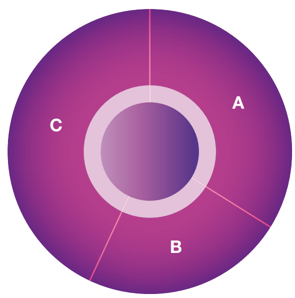
Jean Michel Gauthier,
Director of Marine and Protective Coatings

Although Mainland China was still in partial lockdown at the time, we reacted swiftly to supply essential products and services, enabling the Pak Heung emergency quarantine facility in Hong Kong to be completed as quickly as possible.

Key brands

International
AWLGRIP
Interlux

Revenue by destination in %



A	EMEA	34
B	Americas	23
C	Asia Pacific	43

Built in 1901, the Ester was a maritime marvel and won dozens of competitions before an onboard fire unfortunately sank her in 1939. Decades later she was found on the seabed outside Örnsköldsvik in Sweden. We supplied our world renowned yacht coatings for the painstaking restoration, which has enabled her to start winning silverware again. The yacht took part in the Monaco Yacht Classic and won the 2019 Restoration Prize. Not bad for a vessel which spent nearly 75 years at the bottom of the sea.

We've got the power!

Early in the year, we supplied our trusted solutions for the largest operational offshore wind farm in Asia.

Located just off the coast of Rudong county in Jiangsu province, China, the Huaneng Rudong wind farm is made up of 70 turbines, capable of producing in excess of 900 million kWh of electricity a year.

Many of the wind farm assets are protected with advanced anti-corrosion coatings from our International range, which are specially designed for offshore performance. The offshore wind farm's booster stations (pictured below) are also protected with our coatings, including the use of our renowned Chartek passive fire protection. These stations collect, maximize and transmit power generated by the turbines to the onshore grid.

OTHER KEY DEVELOPMENTS

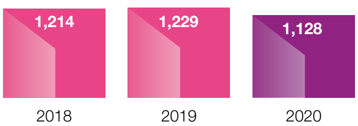
- Acquired New Nautical Coatings, owner of the premium Sea Hawk brand, to increase our presence in the North American yacht coatings market
- Continued to grow in the wind energy market, where we provide a one-stop solution for onshore and offshore wind projects, from foundations to blades
- We maintained our leading position on key global LNG new construction projects and remain the supplier of choice with unique value propositions for assets operating in Arctic climates
- We continued to expand our sustainability credentials by introducing lower VOC and solvent-free product technologies for protective and marine coating applications (Interzinc 52E, Interthane 990E and Intergard 9700)
- Commercialization of new technology for our customers in the yacht industry continued. Our Awlfair SF spray fillers deliver best-in-class productivity and continue to be broadly adopted in the superyacht market
- Made further investments in obtaining Environmental Product Declarations (EPDs) for green building applications, helping customers to achieve better sustainability rankings for their buildings
- Continued to respond to shipyard needs for low VOC, high solids coating schemes with the launch of Intersmooth 7200, a new high-performance silyl methacrylate technology
- Scaled up our digital marketing deployment, reaching out to more customers and more industry experts to overcome COVID-19 travel restrictions. We published more than 40 learning programs and professional courses, reaching nearly four million people
- Expanded our brand presence through social media globally and introduced specific channels in China to support local market growth in marine and protective coatings

2020 SUMMARY

We started the year in a strong position, but were soon impacted by COVID-19. The automotive segment was the most affected. However, we repositioned our efforts and made gains in the architectural and industrial segments to compensate.

We then recovered strongly in the second half of the year and delivered excellent results, driven by robust sales. We showed extreme resilience and an ability to adapt, turning adversity into opportunity while taking good care of all our people.

Revenue in € millions



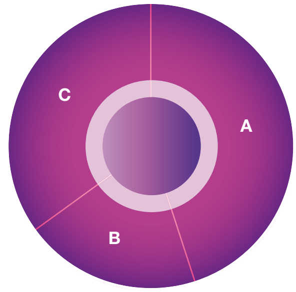
Key brands

Interpon Powder Coatings, Cromadex, Salcomix, Resicoat – Experts in Functional Powder Coatings, Powdertech, Relest

“I’m really proud we showed resilience in a year of extremes and were able to deliver excellent results.”

Daniela Vlad, Director of Powder Coatings

Revenue by destination in %

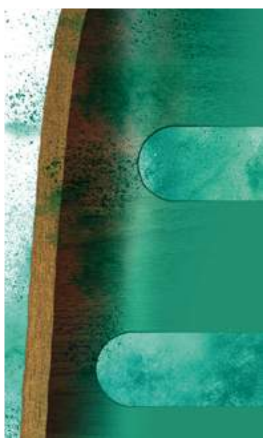


A EMEA	45
B Americas	20
C Asia Pacific	35

2020 HIGHLIGHT

We completed the acquisition of Stahl Performance Powder Coatings and its range of products for heat sensitive substrates, which has opened up exciting new market opportunities.

The commercially ready technology we acquired is the only one of its kind in the powder coatings industry. It includes both UV and thermally curing powders and will enable us to penetrate the ultra-low cure (80-100°C) domain, opening up new markets based on applying powder to temperature sensitive substrates such as MDF, plywood, thermoplastics and composites.



Powder on wood is a rapidly growing area within the coatings industry as customers look to embrace the sustainability benefits that powder has to offer. The technology we’ve acquired from Stahl (which uses less energy) is mainly focused on the furniture, architectural and industrial markets.

OTHER KEY DEVELOPMENTS

- Achieved a significant recovery overall for the business, particularly in China in the second half of the year, following the COVID-19 outbreak
- Added antimicrobial properties to our Interpon D1000 and 2000 range of architectural powder coatings. It means building interiors can now be given increased protection against microbes such as bacteria and mold
- Launched a unique 3D color tool to help architects and specifiers find exactly the right product for their needs. By allowing people to rotate samples digitally and view them in the context of different environments, we can deliver a truly realistic impression of what the powder finish would look like in real life
- Through our strong Resicoat brand and technology, we're opening up new markets in electric vehicles, renewable energy and drinking water, which will help us capture future trends and opportunities
- Introduced additions to our Interpon D2525 Flex line of products, the first and only powder coatings range to combine the weatherability of superdurable powder coatings with the flexibility or mechanical performance advantages of standard durable systems
- Strengthened all our digital channels, including e-commerce. For example, we partnered with Prismatic Powders to enable customers to place orders for less than a single box of selected Interpon Ready-to-Ship (RTS) powders and have them shipped within three business days
- Continued to invest in our factory footprint to keep up with increasing global demand for powder coatings
- Started building a €20 million facility at our multi-site in Chungli, Taiwan. The fully automated plant will help us meet growing demand in many markets

Expansion brings sustainable new life to historic building

In September, we announced a €20 million investment at our Como site in Italy. The facility – our biggest plant in Europe for producing powder coatings – will house a major capacity expansion for the production of automotive products. It will additionally provide strategic back-up for our Arnsberg site in Germany (where a new line is also being added), helping to secure customer supply.

The extra capacity in Como is being installed in a renovated building, ensuring a sustainable reuse of an historic part of the site. As well as introducing advanced equipment and technology to deliver higher productivity rates and efficiency gains, the new operation in Como will also use heat recovery to reduce energy consumption.

PRISM program shines light on single ERP platform

When we introduced our new paints and coatings organizational structure back in 2017, it set the requirement for a new IT architecture within AkzoNobel.

This heralded the start of a multi-year program (called PRISM) to redesign and implement standard processes and a single platform to support them.

PRISM is regarded as an important enabler of the company's vision and strategy, because it's helping to eradicate unnecessary complexity while introducing consistent and precise processes across the company. It aims to reduce costs, enhance efficiency and transform the way of working across the organization.

Phase 1 was completed in 2020 and, following its success, Phase 2 started in 2021 and will continue through to 2023.

Effective roll-out

During the program's initiation, all the processes across our business units (BUs) and functions were reviewed and harmonized, while a level of standardization and centralization was also defined. To help ensure an effective roll-out, we appointed Global Process Owners (GPOs) for the specific process areas to oversee standardization and optimization.

The PRISM program formally started being introduced in 2018. It replaced the fragmented and BU-oriented application landscape with a single business platform. It's set up on a multi-region basis, which involves projects being rolled out and implemented in parallel. The virtual program operates in several regions with a 200-strong team.

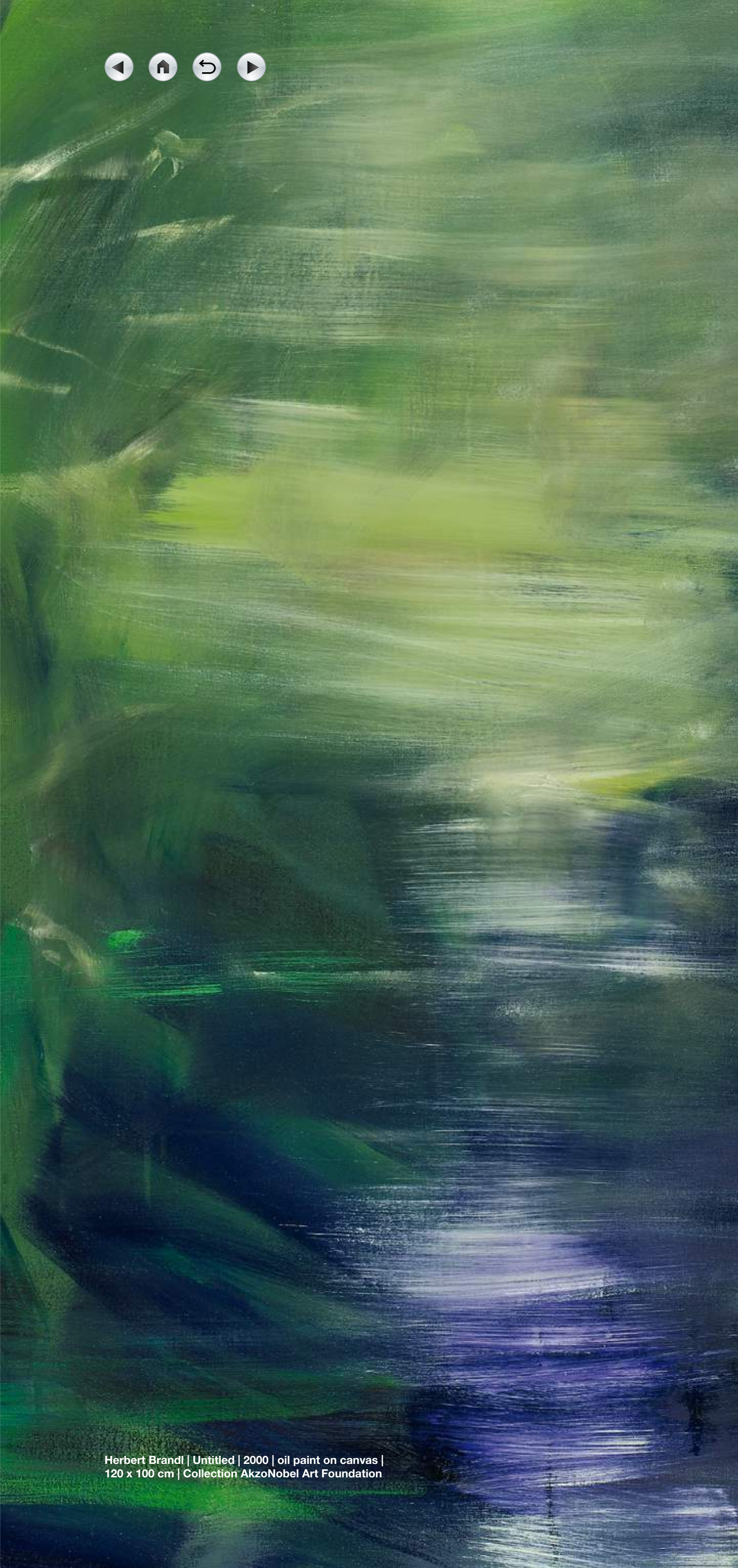
The methodology from previous ERP implementations and acquisitions is further enhanced and industrialized and is a key asset in rolling out the process standardization. In light of the COVID-19 pandemic, the roll-outs have continued in a remote way.

Following the completion of Phase 1, more than 85% of total revenue runs on SAP driven platforms, and 65% of revenue is covered by one single SAP platform, powered by HANA technology. The further consolidation of platforms into one single SAP platform enables us to standardize, integrate and harmonize processes and deliver additional digital initiatives, consistent customer interactions and a truly integrated supply chain.

Phase 2 started in China, with further roll-outs planned in Asia, Europe, Africa and the Americas. This will add another 12% of total revenue on one single SAP platform with integrated solutions for formula management and product data sheets.

"PRISM is an important enabler for precise processes and un-locking value in the company."

Pabus Vos, PRISM Program Director



Herbert Brandl | Untitled | 2000 | oil paint on canvas | 120 x 100 cm | Collection AkzoNobel Art Foundation

SUSTAINABILITY STATEMENTS

People.
Planet.
Paint.

This section explains our sustainability performance in more detail. It explains our ambitions, outlines our approach to creating shared value and shows our performance on key economic, environmental and social indicators.

For additional information, visit: https://www.akzonobel.com/en/about-us/sustainability-

The indicators that fall within the scope of limited assurance of our external auditor are marked with the following symbol: »

See page 138 for the Assurance report of the independent auditor, which includes details on scoping and outcomes.

Our approach to sustainable business

People. Planet. Paint.

Sustainability is one of our core values and is integrated in everything we do. We strive to lead our industry by pioneering a world of possibilities to empower people and reduce our impact on the planet, while consistently innovating to deliver the most sustainable solutions for our customers. That's why we call our approach to sustainable business "People. Planet. Paint."

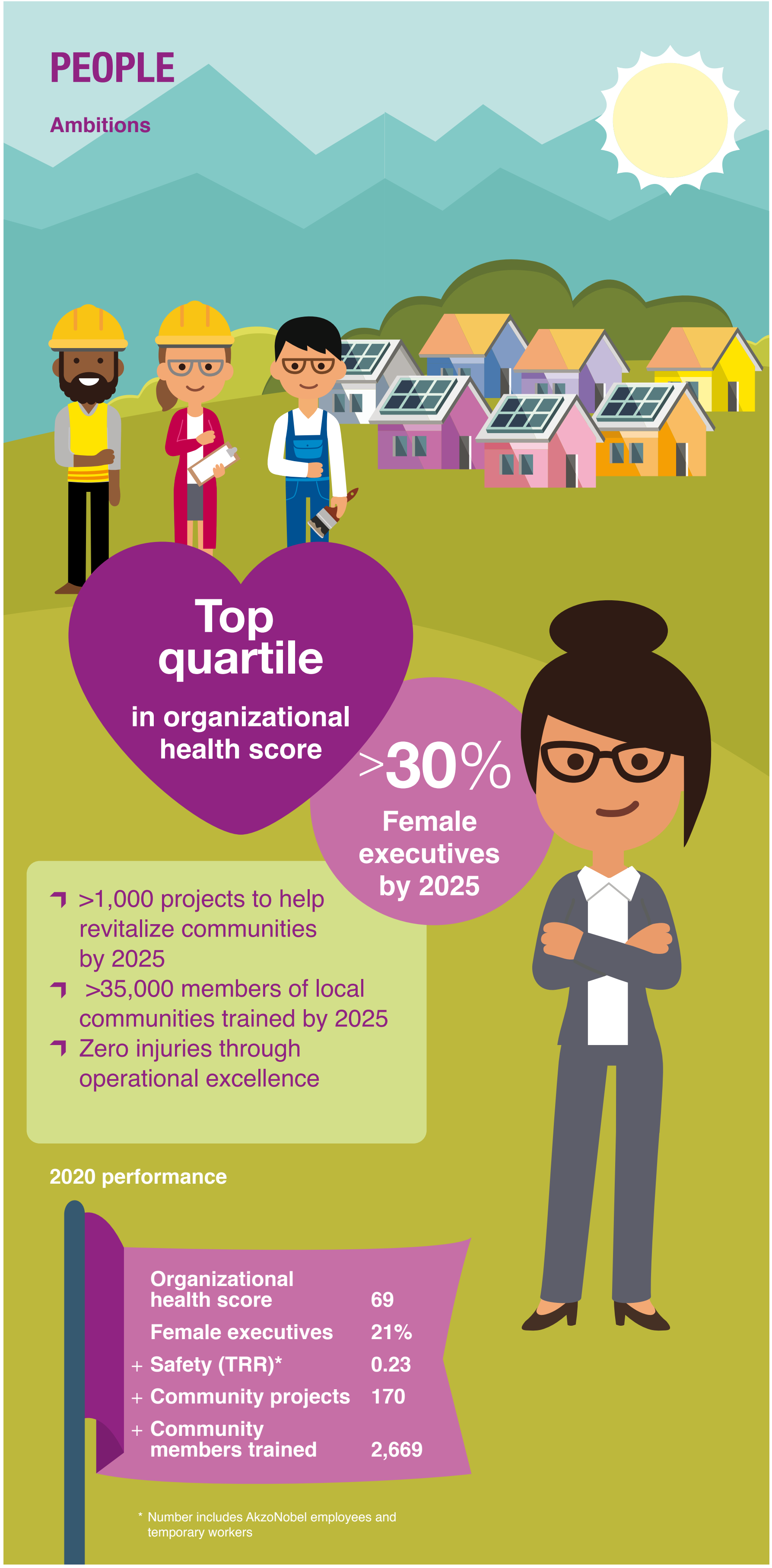
People: We act with integrity and respect human rights across our operations and value chain, embracing diversity and inclusion, to transform the communities in which we operate.

Planet: We minimize our environmental footprint, reducing carbon emissions and moving towards zero waste by pioneering increasingly sustainable solutions and processes.

Paint: We constantly innovate to bring surfaces to life by offering our customers the most sustainable solutions that go beyond generations.

Our approach to sustainable business is also designed to contribute to the global agenda represented by the United Nations Sustainable Development Goals. We believe our products and ongoing innovation can have the biggest impact on the following goals:

www.akzonobel.com/en/about-us/sustainability-



PLANET

Ambitions

Moving towards zero waste

50% less carbon emissions by 2030*

- 100% renewable electricity by 2030
- >30% energy reduction by 2030
- 100% reusable waste by 2030
- 100% of our most water intensive sites reusing water by 2030

2020 performance

++	Carbon reduction*	19%
++	Renewable electricity	40%
+	Energy reduction*	4%
++	Waste reuse	58%

* Reduction compared with 2018 baseline

++ Ahead of schedule
+ On schedule

PAINT

Ambitions

>50% of revenue from sustainable solutions by 2030

- 50% recycled content to be used in its plastic packaging by Deco Europe by 2025

2020 performance

+ **Sustainable solutions 40%**

The external recognition we continue to receive indicates that we're on the right track. We've been actively participating in several assessments for many years, with some of our main achievements and rankings outlined below:

Rating agency	Key achievement
Sustainalytics	We're considered a "low risk" company, which is the best performance level in the chemical industry
MSCI	We've received the highest possible rating (AAA) for five consecutive years
FTSE4Good	We've maintained our score and have been well above the industry average for five consecutive years
EcoVadis	We were awarded a Platinum rating in the latest review, placing us in the top 1% in the industry
ISS Oekom	We received a score of B- as of April 2020, which makes us part of the top 10% in the industry
ChemScore	We're the highest ranked paints and coatings company – and in third place overall. AkzoNobel was also one of only four companies to receive a special mention for being "ahead of the rest" when it comes to green chemistry and the development of safer chemicals

Collaborations

We're aware that we can't drive the sustainability agenda by ourselves. So we seek out collaborations, for example by being an active member of various associations and organizations.

World Green Building Council
On a global level, we're a member of the WGBC's Corporate Advisory Board (CAB). We're also a member of various local Green Building Councils (GBCs), for example in South East Asia and the Middle East.

United Nations Global Compact
We've been a signatory of the UN Global Compact since 2004 and communicate about our progress on an annual basis. We're also a signatory to the Responsible Care® Global Charter and the CEO Water Mandate. As a member of the UN Global Alliance to Eliminate Lead in Paint, we were the first major paint company to eliminate lead pigments and driers in all our paint products and continue to do so when we acquire new companies.

Together for Sustainability
As a Together for Sustainability (TfS) member, we contribute to its development, growth and success, for example by actively participating in workstreams and decision-making bodies. We've been part of the third party audit workstream for many years and now contribute to the new greenhouse gas Scope 3 workstream, where we use the leverage of the industry initiative to create awareness and reach suppliers on a larger scale.

RE100
Since 2017, we've been a member of the RE100 (a Climate Group initiative), which aims to move towards 100% renewable energy. We report the progress on our RE100 target annually, which in turn is published in their annual report as part of an overview of progress by all members.

Dutch Sustainable Growth Coalition
We're part of a broad coalition of Dutch companies to continue focusing on sustainability while using the UN SDGs as a guiding compass to define and measure our efforts. This will not only help us to mitigate climate risks, but will also enable us to create a more resilient economy and a more inclusive society. We endorse a strong focus on sustainability – such as the EU Green Deal – as one of the cornerstones of the COVID-19 recovery plan, while continuing to provide long-term certainty regarding the Dutch climate agreement and measurable commitments.

PEOPLE

Our approach to "People" covers many different aspects. It's about ensuring a safe work environment, developing our talented workforce, embracing our values and our approach to human rights and diversity. It also includes the numerous local projects we carry out through our AkzoNobel Cares societal program, which offer significant benefits to people and communities around the world.

As part of our 2025 ambitions, we want to be top quartile in our organizational health score (OHI) and have at least 30% female executives in the company.

Attracting, developing and retaining talent

In 2020, we continued to receive recognition as a leading employer in many of our key countries, including Brazil, China, France, the Netherlands, Poland, Sweden, the UK and the US.

As part of our ongoing journey to build a sustainable and diverse leadership pipeline, we focused on identifying and planning development actions for our top talent. This included agile talent redeployment across businesses, roll-out of our "Grow to lead" talent program and succession planning at top levels of the company. Overall employee turnover in 2020 was 13% (2019: 14%); voluntary turnover was 5% (2019: 7%). As we continued our transformation journey, we also saw the impact of uncertainty caused by COVID-19, especially in lower voluntary turnover.

Capability building to drive our 2020 ambitions

To support our employees during the COVID-19 pandemic, we offered several educational resources around mental health, resilience and social and emotional skills. We also accelerated our ambition to future-proof all learning solutions by redesigning our classroom-based learning to include digital versions, as well as ensuring our internal trainers are skilled in virtual delivery.

We continue to deploy our Leadership Essentials program across the company to provide people managers with the right tools to build a high-performing culture within their teams.

Strong progress on diversity and inclusion

We're developing an increasingly engaged, diverse and capable workforce, with a focus on ensuring management teams reflect the diversity of our employees. We made significant progress in 2020 on our key diversity and inclusion (D&I) commitments. We completed the roll-out of our online D&I training curriculum – designed to increase awareness around unconscious bias in the workplace – and launched the "I Belong" inclusive leadership guide to help people managers lead in an inclusive way. We also introduced monthly D&I broadcasts covering gender diversity, race and ethnicity, people with diverse abilities and LGBTI+ inclusion.

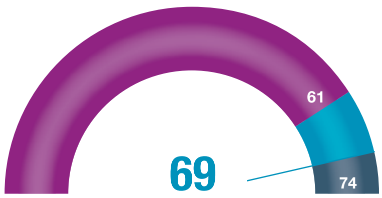
We don't tolerate discrimination in any form, including racism. In 2020, events in the US and around the world stimulated even more self-reflection from our side. We have held – and will continue to hold – people accountable. Taking a stand is a beginning, but we know it will require ongoing attention and dedication.

Our global Women Inspired Network has grown significantly since its launch in early 2020, with various local chapters being established. Meanwhile, our True Colors network – focused on leading inclusion for lesbian, gay, bisexual, transgender and intersex colleagues – continued to grow. We signed the Declaration of Amsterdam and also participated in the Workplace Pride Benchmark – in which we were recognized for notable performance in awareness and engagement.

The launch of our program to strengthen the senior female leadership pipeline – an area where we're still facing challenges to deliver meaningful improvements – was a substantial part of our commitment to increase the percentage of female leaders to 30% by 2025. We introduced a D&I scorecard and action plan for all our business units and functional management teams, and launched different development options for women with leadership potential. We also collaborated with the European Round Table (ERT), having submitted a case study around Increasing Female Representation at Senior Executive levels. This was part of their #EmbraceDifference pledge, signed by our Chairman of the Supervisory Board, Nils Smedegaard Andersen. Our close link with the ERT opened up discussions around race and ethnicity in the workplace and we proactively took a stand, incorporating it in our D&I focus for 2021.

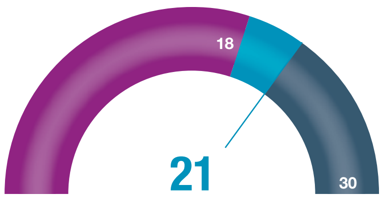
Organizational health score (OHI)

2019 2020 Ambition 2025



Female executives in %

2019 2020 Ambition 2025



Change management key to a healthy organization

Our ambitious Winning together: 15 by 20 transformation was successfully realized by the end of the year, with some projects set to continue during 2021. We're now preparing to embark on a new journey to support our Grow & Deliver strategy. The right balance between performance and organizational health will be an instrumental part of that journey to ensure that our transformation has a lasting impact. A more detailed account of how we achieved our Winning together: 15 by 20 ambition can be found on page 6.

Our organizational health continued to be surveyed in 2020, with all employees asked for their input. This resulted in an organizational health score (OHI) of 69 (2019: 61), taking the overall company score to the second quartile. In total, 87% of employees indicated they really care about the company, with 86% willing to go beyond what's normally expected to help AkzoNobel be successful. Based on insights from 2019's survey, we developed a program for leadership teams to support their transformation journey in making us a high-performing organization. Due to COVID-19, we made a significant part of this program virtual to make it easier to manage teams at a distance. Along with various initiatives, this led to an overall top decile OHI score for the executive group. The OHI scores for our middle management, individual contributors and frontline personnel also improved significantly. However, the gap between these groups and the very high scoring executive population increased. We'll address this in our future planning.

During the year, our CEO, Thierry Vanlancker, signed the Declaration of Amsterdam. Organized by Workplace Pride, signing the declaration is a visible and very positive way to show our support for LGBTI+ inclusion.

As our journey continues, we've updated our behaviors to better reflect and support our Grow & Deliver strategy and company purpose. An implementation plan is in place, providing a toolkit for managers. We'll evaluate the adoption rate and progress at the end of 2021.

Our vision is to achieve zero injuries and harm through operational excellence.

As one of our core values, health and safety underpins our tireless commitment to creating a safe workplace and delivering leading safety performance.

We do this by consistently applying leading programs and processes in the areas of people, product and process safety. We report, analyze and learn from all our health and safety incidents to continuously improve our safety performance.

In order to deliver leading and sustainable performance and strengthen our commitment-based safety culture, we also invest in visible safety leadership and employee engagement initiatives.

Our strategic Health, Safety, Environment and Security (HSE&S) priorities are focused on driving:

- Continuous improvement of standardized HSE&S processes to achieve leading maturity levels
- The implementation of an integrated HSE&S management system
- A commitment-based HSE&S culture embedding operational excellence to achieve our vision of zero injuries and harm

Our leading HSE&S management system drives continuous improvement through operational excellence in all aspects of HSE&S. This includes company-wide standards, regular performance reviews, systematic data analysis, root cause analyses of incidents, training, self-assessments, annual improvement planning, independent internal audit and on-time action closure. It also incorporates promoting learning a cross the organization, including best practice sharing. Our corporate HSE&S management system is globally certified to ISO 14001 and OHSAS 18001 standards, with ongoing transfer to ISO 45001.

Compliance assurance is one of our key HSE&S priorities. It's particularly relevant to ensuring our license to operate and our business continuity, considering the fast-changing regulatory environment we operate in. We take a proactive approach to implementing any necessary changes, from both a risk mitigation and advocacy perspective.

In 2020, we configured and implemented a company-wide digital compliance assurance process. It includes a regulatory monitoring and alert system, along with a self-assessment tool which ensures we're compliant with existing regulatory frameworks and up-to-date with the latest changes, as well as enabling proactive response to new requirements.

Responding to COVID-19

When COVID-19 first surfaced in China, we activated our North Asia regional crisis management, supported by the global organization, Integrated Supply Chain and the functional teams. As the pandemic began to spread worldwide, we set up a global crisis management team, as well as regional crisis teams.

COVID-19 guidance and requirements regarding employee health and safety – including emergency escalation and response plans – were developed and deployed globally. Strong cross-functional and global/regional collaboration and alignment enabled successful management of our response to the pandemic. Our global COVID-19 health and safety guidelines included:

- Workplace guidelines
- Guidelines for commercial teams, including customer visits
- Safe work from home
- SAQ (self-assessment questionnaire)
- Behavior-based safety (BBS) “adapted” to COVID-19
- Travel guidance

HSE&S audits are performed in three-year (high hazard sites) to five-year (other sites) cycles. Despite COVID-19, the complete 2020 audit plan was performed, with most of the 28 audits being carried out remotely due to travel restrictions.

People safety

In 2020, the total reportable rate (TRR) improved to 0.23 (2019: 0.24), slightly above the target level set for 2020 (0.20). In total, 81% of our locations and 72% of our manufacturing sites have been reportable injury-free for over a year. The most frequent causes of reportable injuries are "slips, trips and falls", "struck by or caught in-between objects" and "manual handling". The most frequent injuries are strains/sprains, cuts/lacerations and fractures.

Although the TRR decreased, the severity of injuries increased slightly. This is reflected in the lost time injury rate for employees including temporary workers (LTIR), which was 0.09 (2019: 0.08). Although safety is paramount within our company, a significant safety incident occurred in Felling, UK, which triggered actions to further drive continuous improvement towards operational excellence.

To help us achieve year-on-year improvement in safety performance, we've introduced a number of focused programs, in addition to our yearly HSE&S Common Platform program:

- Top three injuries safety program, which has driven a 30% and 45% injury reduction
- HSE&S dedicated country networks in the four countries that contributed 44% of the total reportable injuries (TRI) – achieved a 47% reduction in TRI compared with 2019
- Implementation of global and site specific leading performance indicators, moving the focus from lagging to leading KPIs. This has been critical in further driving visible leadership and employee involvement, leading to proactive injury prevention and a stronger commitment-based safety culture
- Reinforcement of our "Learning from incidents" program to include early warning alerts
- Tracking on-time action closure for critical HSE&S actions (as part of leading KPIs)
- Safe driver program, with a focus on those using two and four wheels
- Redesign of the self-assessment questionnaire (SAQ) – which assesses the maturity of HSE&S program implementation and specific requirements at sites – and a review of the framework for our global audit program. We've also invested in developing visible safety leadership and employee engagement initiatives

The number of contractor reportable injuries was slightly lower in 2020, resulting in a reportable injury rate of 0.17 (2019: 0.19). The contractors lost time injury rate increased to 0.11 (2019: 0.09).

Analysis revealed that inadequate/poor adherence to procedures were the main cause of contractor incidents. To help counter this trend, a contractor safety procedure and self-assessment process were introduced to target the quality of (and adherence to) key procedures, with benefits for our own employees, as well as contractors.

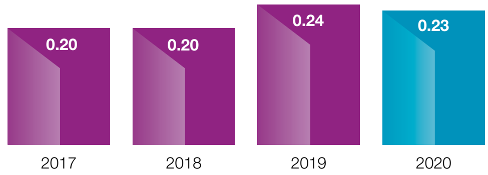
Process safety

The number of losses of primary containment (LOPC incidents) decreased in 2020. However, based on an analysis of the 2020 process safety events, and considering the nature of the processes and materials we use, we initiated a dedicated Process Safety Management (PSM) improvement project, designed to strengthen our PSM program and processes to achieve leading standards in process safety.

Health

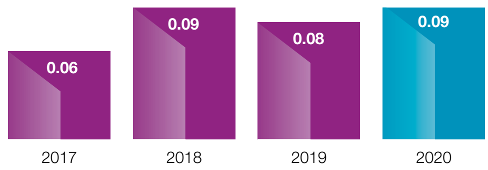
We continue to actively manage occupational illness-related absenteeism, as part of our commitment to

Total reportable injury rate employees/ temporary workers



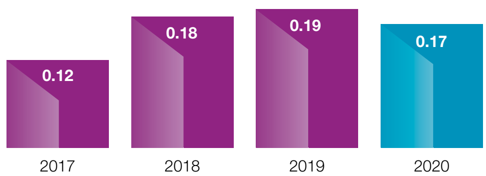
The total reportable injury rate (TRR) is the number of injuries resulting in a medical treatment case, restricted work case, lost time case or fatality, per 200,000 hours worked. In line with OSHA guidelines, temporary workers are reported with employees, since day-to-day management is by AkzoNobel.

Lost time injury rate employees/ temporary workers



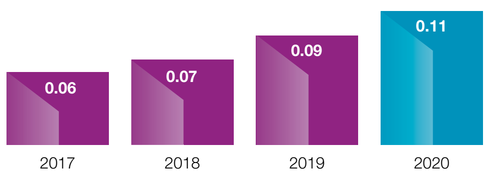
The lost time injury rate (LTIR) is the number of injuries resulting in a lost time injury per 200,000 hours worked. Temporary workers are reported together with employees, since day-to-day management is by AkzoNobel.

Total reportable injury rate contractors



The total reportable injury rate contractors is the number of contractor injuries resulting in medical treatment cases, restricted work cases, lost time injuries or fatalities, per 200,000 hours worked.

Lost time injury rate contractors



The contractors lost time injury rate (LTIR) is the number of contractor injuries resulting in a lost time case, per 200,000 hours worked.

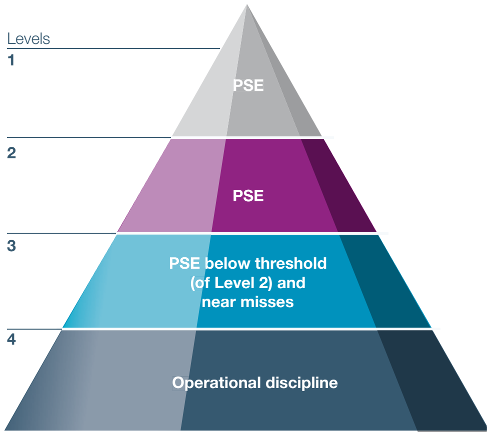
Process safety events

	2019	2020
Loss of primary containment – Level 1	3	6
Loss of primary containment – Level 2	64	52
Process safety event – Level 3	970	1,250

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.

Note 3 **AkzoNobel Cares**

Process safety events (PSE) pyramid



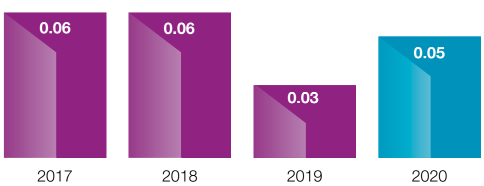
Process safety performance indicators are aligned with international best practice. Loss of primary containment (LoPC) is the main process safety indicator at manufacturing sites, distinguishing between two levels of severity. As a leading indicator, sites also measure process safety events (PSEs), which are minor leaks or occurrences that could lead to more severe events.

providing a safe working environment and healthy work conditions for all our employees.

Based on the analysis of the Industrial Hygiene (IH) baseline survey launched in 2019, a harmonized, company-wide carcinogenic, mutagenic and reprotoxic (CMR) chemical management guideline has been developed, to be launched in 2021. In order to continue building the IH competencies of our HSE&S professionals at local and regional level, a second edition of our IH awareness online training program was introduced.

We also launched a global physical and mental well-being health campaign for managers and employees to help prevent the risk of increased occupational illness due to COVID-19.

Employee health occupational illness rate



Occupational illness frequency rate (OIFR) is the total number of reportable occupational illness cases for the reporting period, per 1,000,000 hours worked. This parameter is reportable for employees.

We aim to have more than 1,000 projects across our AkzoNobel Cares program and train more than 35,000 people in the community by 2025.

For many years, our social programs have shown the world that AkzoNobel cares. As well as simply being the right thing to do, supporting people and communities and building employee pride also strengthens our reputation. It's delivering shared value for everyone.

Due to the global pandemic, during 2020 we shifted our attention to support local communities with their urgent needs (see Business as unusual on page 10).

Our biggest community projects took place in India, Brazil and the UK. We distributed critical items such as food, hygiene kits and personal protective equipment (PPE) to various communities in need. For example, during lockdown in India, our employees distributed dry food kits to daily wage laborers and PPE to health workers and the frontline police force. Meanwhile, colleagues in the UK focused in particular on supporting the needs of the elderly and vulnerable, providing help for homeless shelters, foodbanks, hospices and children's well-being groups.

It's ten years since we first launched our global "Let's Colour" program and we continue to transform lives by revitalizing communities and making spaces more liveable and inspiring. Projects that took place during 2020 saw us use more than 260,000 liters of paint to color communities in 27 countries – including Recife in Brazil and Bandung in Indonesia – while we also renovated an SOS Children's Villages kindergarten in Ho Chi Minh City, Vietnam.

To strengthen our focus on training future generations, we extended our partnership with SOS Children's Villages for another three years. As a member of the global YouthCan! initiative, we have so far worked together in 18 countries to advance the employability of young people without parental

During the year, we extended our global partnership with SOS Children's Villages for another three years. Part of our "Let's Colour" initiative, the collaboration has already benefited more than 20,000 children and young people all over the world. It will now continue to offer more practical skills training and the renewal of living spaces to give vulnerable young people and families at risk greater hope for a brighter future.

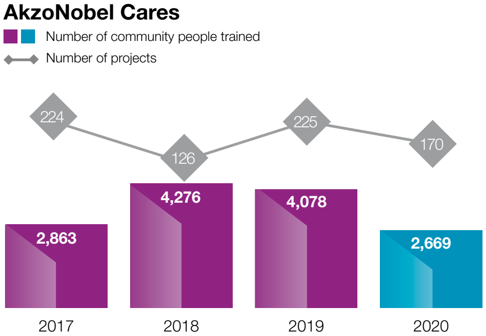
Girls first

care, or those who are at risk of losing it. In 2020, we used online mentoring and training as a way to empower them with the employability skills they need for self-reliance. One example took place in Indonesia, where virtual mentoring sessions themed around dealing with life after COVID-19 reached hundreds of young people across nine SOS Children's Villages.

Through our Education Fund, we continued to support STEM (Science, Technology, Engineering and Mathematics) training in China and youth economic empowerment and entrepreneurship training in India. During the year, some activities were put on hold as schools were closed due to COVID-19. However, regular contact was maintained with the students through mobile and online sessions. We also conducted the first online employee engagement program as part of the STEM project.

Although we faced a number of challenges and limitations due to the pandemic, we carried out a total of 170 projects and trained 2,669 people in countries where we operate.

AkzoNobel Cares



We understand that through our roles as employer, manufacturer, business partner and member of many communities, we can potentially both directly and indirectly impact the lives of millions of people.

While we're committed to making a positive impact through our products and programs, we're also aware of the potential negative impact we may cause, contribute to, or be linked to.

We recognize the responsibility we have to respect the human rights of people in our value chain and the influence we can have on bringing about improvements. As part of our core values of safety, integrity and sustainability, we're committed to respecting human rights as set out in the International Bill of Human Rights, the International Labour Organization's Declaration on Fundamental Principles and Rights at Work and the Organization for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises. At the same time, we expect all our business partners to respect human rights and apply equivalent principles, seeking to support them actively in their implementation where needed.

Salient human rights issues

While we respect and treat all human rights equally, we've prioritized certain activities based on risk. These priorities were established following internal and external stakeholder engagement. They are:

1. **Health and safety in our value chain**
   The health and safety of our people and those we work with, or offer our products to, is our first priority. We have a robust health and safety program, which is explained in Note 2. Through our priority substance program (see Note 8), we screen thousands of raw materials. We've also initiated due diligence on the impact we have on the communities around our sites.
2. **Working conditions for our employees**
   We're committed to providing good working conditions for our employees and those working at, or visiting, our sites. We've conducted due diligence and issued company-wide standards for working hours, which are being implemented throughout the organization. We've also conducted due diligence on the compensation we offer our employees versus international living wage standards for the ten high risk countries. The initial results show that while we comply with legal requirements, there are certain gaps between our compensation and international living wage standards that merit further due diligence. This work is ongoing.

EcoVadis recognition

We're proud to have been awarded the EcoVadis Platinum Medal in recognition of our commitment to acting responsibly by integrating social and environmental concerns into our business operations. The comprehensive methodology considers four key pillars that align with our People. Planet. Paint. approach to sustainable business: Environment; Labor and Human Rights; Ethics; and Sustainable Procurement. We further improved in Labor and Human Rights and scored highly in the other pillars. We also continue to demonstrate our leading position in other industry rankings, such as Sustainalytics and MSCI (see page 32).

3 **Discrimination and harassment**
We're committed to offering a working environment in which people feel treated with dignity and respect, and where we foster diversity and inclusion (see Note 1). We have clear rules and apply strict consequence management in case of violation of these rules. In 2019, we launched a global training program for all our employees on diversity and unconscious bias. In 2020, this roll-out continued. The e-learnings that are part of this program had a completion rate of 78% of all online employees (including contractors) in 2020. For offline employees, the roll-out of face-to-face workshops was unfortunately paused due to the pandemic.

4 **Modern slavery**
We have zero tolerance for modern slavery, such as child labor or forced labor, and conduct relevant due diligence into our supply chain. We identified cobalt, mica minerals and tin as raw materials possibly impacting human rights in our supply chain – in particular regarding health and safety, working conditions and modern slavery. These materials are used in the manufacture of some additives, pigments, resins and tin packaging material we source. In the case of mica minerals, we continued to collaborate with suppliers to track their entire supply chain back to the mines of origin and monitored their value chain to ensure a responsible and sustainable mica supply chain. For cobalt and tin, we surveyed all 120 identified suppliers, using templates from the Responsible Minerals Initiative. Of those suppliers who confirmed using high risk materials necessary to the functionality of the product, 81% disclosed their smelters. In total, 57% of these smelters are either listed as active or conformant smelters in the Responsible Minerals Assurance Process (RMAP). Suppliers with a "conflict free statement", but who didn't disclose the smelters in their supply chain, have not been included in this percentage, since our due diligence is based on the Organization for Economic Cooperation and Development (OECD) Guidance for Responsible Mineral Supply Chains. See our website for more on conflict minerals: akzonobel.com/en/about-us/position-statements/conflict-minerals

Reprioritizing salient human rights issues

COVID-19 had a major social impact across the globe. See page 10 for an overview of how our efforts to address the social effects of the pandemic were carried out in a responsible manner.

The virus has introduced a new reality and potentially additional human rights risks that we need to address across our value chain. As a result, and in line with the United Nations Guiding Principles to continuously assess a company's salient human rights issues, we have reassessed our current internal salient human rights issues this year. Multiple interviews, workshops and data analysis have been carried out to understand the current human rights risks from an internal perspective. We concluded that our salient human rights issues have remained the same, but we gained insight into which part(s) of the value chain the highest risks occur and should have our first focus. In the first quarter of 2021, we'll validate our findings with external stakeholders and finalize our assessment of salient human rights issues from 2021 onwards.

We're proud to have extended our partnership with Plan International Nederland for another year. With our support, young people growing up in challenging circumstances can bridge the gap between overcoming the daily struggles they face and being able to realize their dreams.

PLANET

Our 2030 ambitions are to reduce carbon emissions by 50% and move towards zero waste as a company.

We want to achieve a 50% reduction in carbon emissions by cutting energy use by 30% and increasing our renewable electricity use to 100%. As we work towards zero waste, we aim to reach zero non-reusable waste and have 100% of our most water intensive sites reusing water.

For many years, we've been working to operate in a more sustainable way, and we continue to take steps to reduce our environmental impact. We're focusing in particular on reducing energy use, carbon and VOC emissions, waste generation and water intake, while increasing our use of renewable electricity and materials, and water reuse.

Our ambitions are tangible, and will enable us to continue making an important contribution to addressing the sustainability challenges faced by our company, customers and broader society.

We have programs in place and have identified projects that will contribute to achieving our ambitions. These include our Resource Productivity program, which is the main contributor to our current environmental performance and the key enabler for delivering on our ambitions.

Currently, we have more than 500 projects underway at both global and local level which are helping to reduce carbon emissions, VOC, waste and water use. Progress is monitored on a monthly basis, focusing on environmental impact and financial benefits. During 2020, we saved more than €9 million from projects directly related to waste, energy reduction and water reuse.

Climate

As recommended by the Taskforce for Climate-related Financial Disclosures (TCFD), we continue to monitor our risks and opportunities related to climate change. As a company, we're exposed to physical risks – such as those associated with water scarcity and flooding – and transitional risks. These risks are linked to society's response to climate change and can lead to changes in technology, market dynamics and regulations.

For the last five years, we've implemented an internal carbon price for investment decisions, making our future operations climate adapted, while anticipating the impact of any future carbon pricing. Despite the risks, climate change also presents business opportunities with potential to further strengthen our position.

Our sustainable solutions (see Note 8) can help our customers to reduce carbon emissions and open up business opportunities. For example, we supply the construction industry – responsible for around 39% of global energy-related carbon emissions – with Cool chemistry technology, which combats the urban heat island effect, meaning less energy is needed for cooling.

More than 98% of the carbon emissions in our value chain come from our suppliers and the use of our products by customers. In 2020, we further improved the methodology for determining our Scope 3 upstream and downstream emissions by better incorporating the formulation of our raw materials into the calculations. More about the methodology can be found in Managing sustainability on page 50. Based on the new methodology, the overall cradle-to-grave carbon footprint was 7% lower than 2019, partly the result of volume and product mix impact due to COVID-19.

Meanwhile, our "Planet" ambitions demonstrate our strong climate mitigation plans. We also implement circular principles to prepare our operations for the future while reducing costs.

The importance of water management is recognized across our supply chain. We've taken a significant step towards water stewardship by endorsing the UN's CEO Water Mandate and setting clear goals on water reuse (see Note 6). In 2020, we assessed the water-related risks at our manufacturing sites by using the Aqueduct tool and the WWF Water risk filter, supplied by the World Resource Institute. The results will help us develop water risk management plans accordingly.

We've also included a water risk analysis as part of our Supplier Sustainability Balanced Scorecard. In 2020, we analyzed around 200 of our suppliers' locations using the Aqueduct tool, assessing both water scarcity and flood risks. We ask suppliers with high risk to share their mitigation plans and, at the same time, are working with them to look for solutions to these challenges.

watch video

Making our sites more sustainable

After announcing the first wave of our People. Planet. Paint. ambitions in early 2020, we continued to sharpen our focus on sustainability throughout the year. Particular progress was made in greener manufacturing, with notable developments taking place at locations across the world.

Barcelona
1,600 solar panels
15% of energy use

Garcia
1,650 solar panels
82% of energy use

Malaysia + Thailand
7,818 solar panels

In China, we upgraded our Guangzhou site to switch over completely to water-based products. Once fully operational, the decorative paints facility will increase water reuse by 70% and reduce wastewater by 50% – helping us to achieve our ambition of water reuse at all our most water intensive sites by 2030. It also means that all four of our decorative paints plants in China now exclusively produce water-based paints.

Over in Vietnam, a major plant expansion at our Amata Industrial Park facility has boosted capacity for marine and protective coatings and wood coatings. A wide range of sustainability features have been introduced, including solar power generation, rainwater harvesting and solvent recovery systems.

Meanwhile, a combined total of more than 3,250 solar panels have been installed at our sites in Barcelona, Spain, and Garcia, Mexico. In Barcelona, 1,600 roof panels are now generating 15% of the site's overall energy consumption. The Garcia installation of 1,650 panels is producing 82% of its energy requirements – making the plant almost self-sufficient.

Elsewhere, a total of 7,818 solar panels were also installed at three industrial coatings sites in Malaysia and Thailand.

These installations are the latest in a series of solar projects around the globe designed to help us move to 100% renewable electricity and cut our carbon emissions in half by 2030.

3 GOOD HEALTH AND WELL-BEING

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

13 CLIMATE ACTION

Aligned with SDG 3, 12 and 13 (see page 30).

In order to achieve our ambition of a 50% reduction in carbon emissions by 2030, we're focusing on cutting our energy consumption by 30% and using 100% renewable electricity.

In 2020, we reduced our carbon emissions by 4% (relative), mainly through energy reduction, conversion to renewable electricity and footprint optimization. Compared with the 2018 baseline, we have achieved a reduction of 19%.

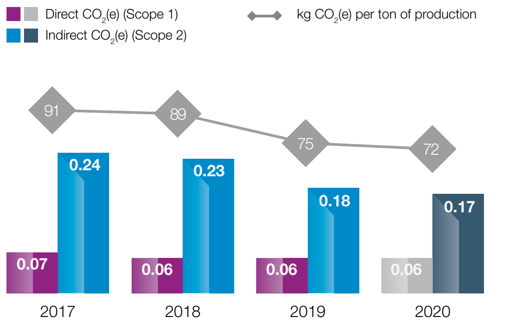
One of the key contributing factors to reducing carbon emissions is to lower energy consumption – we're aiming to cut our energy use by 30% by 2030. As well as improving the energy efficiency of equipment and installations – including LED and compressed air systems – we're also putting a strong focus on behavior, such as monitoring leading to actions.

Despite the reduction in volumes resulting from the COVID-19 pandemic, we're close to our yearly energy reduction target (3%), with an overall reduction in energy consumption of 2.7% (relative) in 2020.

The second contributing factor to halving our carbon emissions is converting to 100% renewable electricity. We're therefore installing solar panels at a number of our locations and are actively looking to source renewable electricity. Currently, our total share of renewable electricity use is 40%, with 34 of our locations and 12 countries already using 100% renewable electricity.

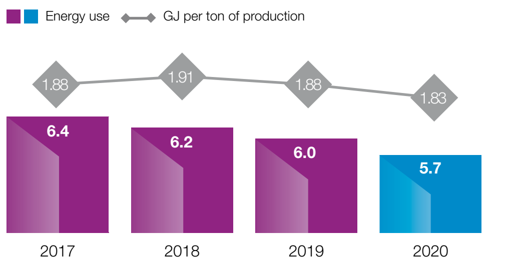
By the end of 2020, 17 sites had solar panels as their own renewable electricity source. We're aiming to increase this number significantly in the near future as part of a global program. We're aware that the electricity generated by these solar panels will not be enough to cover our total electricity consumption needs, so we'll also continue to purchase renewable electricity with certificates of origin.

Greenhouse gas emissions in million tons

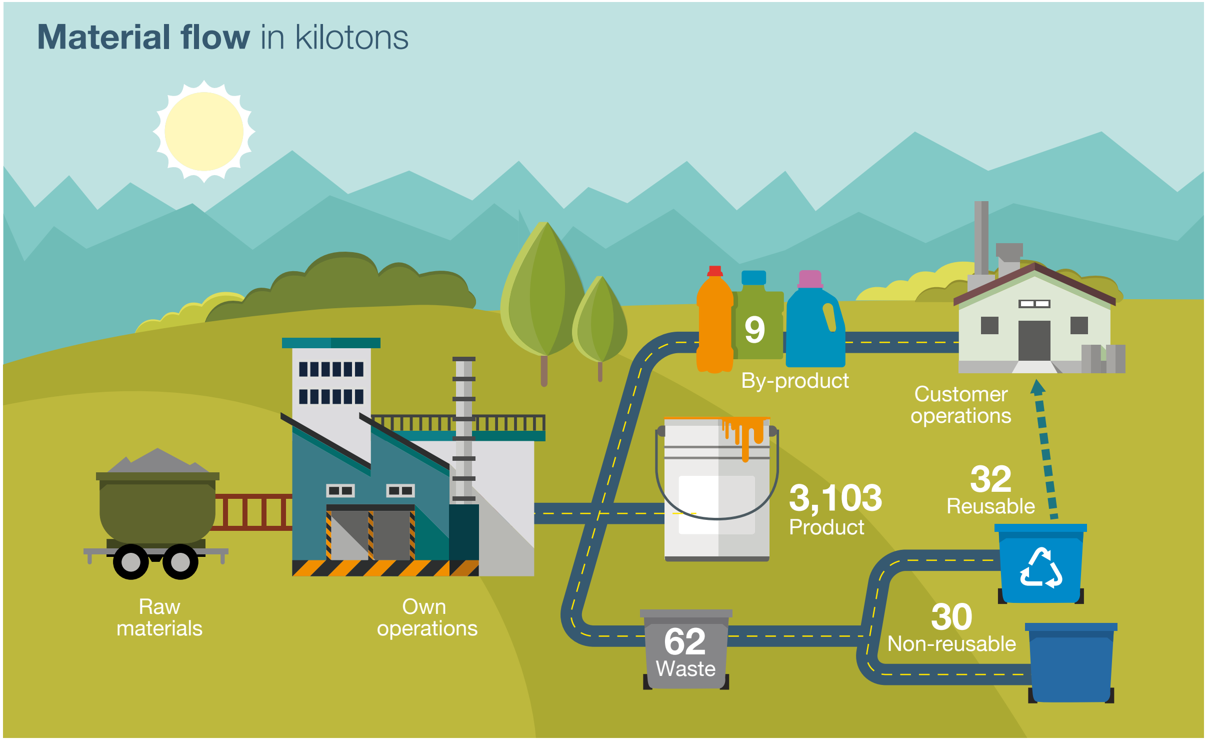


Total greenhouse gas emissions made up of direct emissions from processes and combustion at our facilities and indirect emissions from purchased energy.

Energy use in 1000 TJ



Northern Illinois Foodbank was a recipient of our COVID-19 Matching Gifts program. It provided more than $85,000 to 15 non-profits in North America to help offset the impact of COVID-19 in the communities where our plants are located. Many of these organizations have seen a 50% increase in need for their services during the pandemic.



By 2030, we're aiming to move towards zero waste as a company. We're committed to taking proactive steps to reuse all our waste and reuse water at all our most water intensive sites.

Waste reduction remains one of our key environmental performance indicators. We focus on reducing waste generation in our manufacturing processes as part of our resource productivity program. We're also committed to reusing and recycling obsolete materials and continue to promote a circular economy.

To help increase our contribution to the circular economy, new outlets have been identified for materials that would otherwise have been disposed of as waste. This has resulted in a waste avoidance of 8,500 tons.

In total, our reusable waste in 2020 was 32 kilotons, with 58% of our obsolete materials being reused, enabling us to further contribute to the circular economy.

During 2020, despite the volumes variation due to COVID-19, we reduced relative waste (kg/ton material produced) by 5%, achieving our 2020 goal. Most of our locations contributed through various programs introduced worldwide. Examples of some of our waste reduction projects include the installation of solvent recovery units; reducing packaging waste by moving from smaller paper bags or metal drums to bulk deliveries of raw materials; and reworking obsolete finished goods.

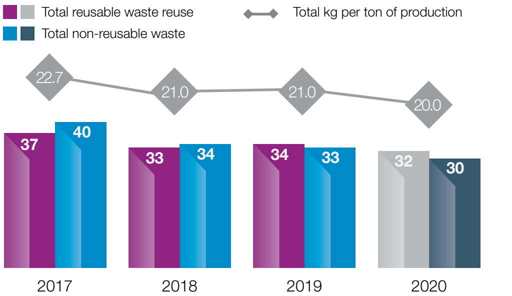
Water

Sustainable water supply is essential to our business. We rely on water for, among others, raw material production, product formulation and manufacturing, cooling, cleaning and transportation.

A significant number of our water intensive sites already reuse water.By focusing more and introducing the necessary technology, we'll not only reduce our overall water intake and wastewater discharge, we'll also be able to recover and reuse materials present in the process water, resulting in improved material efficiency and less waste.

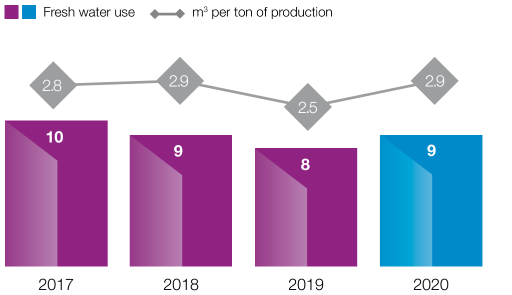
Our most water intensive locations are often water-based paint production sites, where water is used

Total waste in kilotons



Waste means any substance or object arising from our routine operations which we discard or intend to discard, or we are required to discard.

Fresh water use in million m³

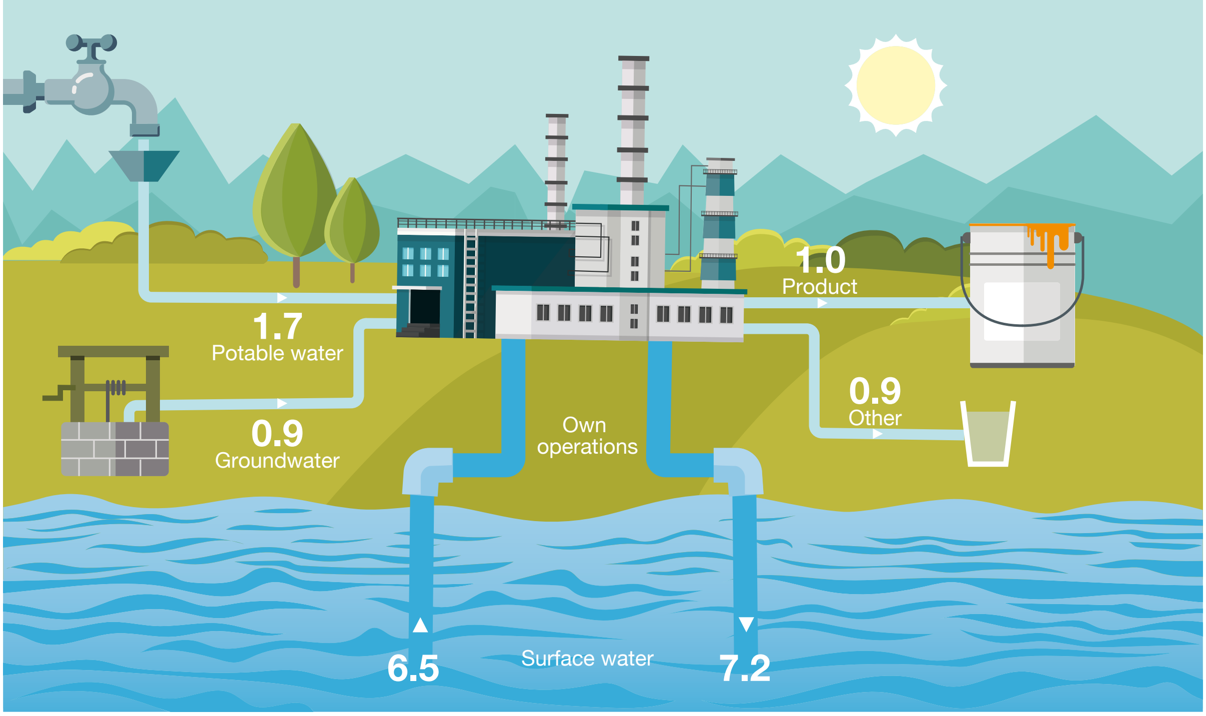


Fresh water use is the sum of the intake of groundwater, surface water and potable water.

as both a raw material and to clean equipment. Wastewater can be processed at on-site treatment plants or via third parties. Adapting formulations and using adequate water treatment enables us to reuse the water at our plants.

Our focus is mainly on recycling and reusing process water and driving a continuous reduction in freshwater intake and wastewater discharge. Currently, 19% of our water intake is from potable water, while the rest is mainly from surface water. Around 78% of the total water intake is used for cooling purposes. In 2020, the cooling water use from surface water increased substantially, due to an issue at one location. This was resolved in the second half of the year, but still resulted in an increase in our total fresh water intake. Our water use excluding cooling water decreased by 9% in 2020.

Water flow in million m³



Note 7 Responsible procurement

We continue to support our suppliers' pursuit of continuous improvement and operational excellence.

We work together closely to identify and minimize supply chain risks, creating value through continuous improvement and collaboration opportunities for a sustainable supply.

Business Partner Code of Conduct

Our business partners are expected to follow our core values of safety, integrity and sustainability, as specified by our Business Partner Code of Conduct. Suppliers sign the code to confirm their compliance with environmental, social, human rights and governance requirements. Signatories cover 98% of the product related (PR) spend and 89% of the non-product related (NPR) spend.

Supplier risk management

We've continued to assess and improve our suppliers' sustainability practices using programs provided by Together for Sustainability (TfS), of which we have been an active member since 2013.

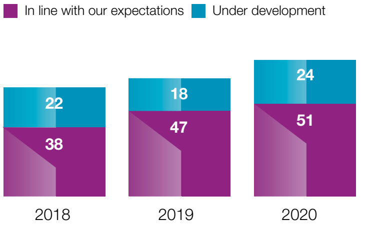
In 2019, we extended the scope of our multi-year supplier sustainability risk program by lowering our spend threshold to €250,000 and including country and industry risk. In 2020, we increased the number of suppliers participating in the program to 75%, and those meeting our expectation to 51%. These increases were achieved by performing 166 initial or reassessments. To meet our expectations, suppliers have to reach an EcoVadis total assessment score of 45 and a labor and human rights sub-scheme score of 50. Together with EcoVadis, we organized online trainings to help suppliers improve, with 107 attending across all regions.

Most of our developmental suppliers are small or medium sized companies based in risk regions. They typically require multiple assessments to reach the target score. Suppliers who are in line with expectations must also renew their assessment at least every three years, which explains why continuous improvements can only be achieved in gradual steps.

To complement the EcoVadis online assessment, we continue to carry out TfS audits on suppliers located in risk regions. In 2020, we optimized the TfS audit program and set up a dedicated cross-regional team to monitor the progress of corrective actions. This enabled us to close more than 60% of the previous year's major audit findings at our suppliers.

Main areas for improvement from the 2019 audits include emergency preparedness, process safety and storage, and occupational health and safety. Suppliers have applied simple and practical steps to help create a safer work environment for people in the supply chain, such as installing additional fire exit doors, improving the availability and accessibility of firefighting equipment and making evacuation signs more visible.

Suppliers in sustainability program in %



Baseline of 885 suppliers (2019: 982). Reduction of baseline due to supplier consolidation and improvement of our risk criteria.

Our Coral paint brand was used to create a mural in front of a hospital in Bolivia to honor all the personnel who have been on the front line in the fight against COVID-19. Initiated by Citizens Volunteers in Action, the artwork is called Guardians of Life and was painted at the Viedma Hospital in Cochabamba.

Supplier performance management

In 2020, we adjusted and aligned our existing Supplier Sustainability Balanced Scorecard (SSBS) with our People. Planet. Paint. approach. This will help ensure our suppliers are heading in the same direction to reduce their carbon emissions and move towards a circular economy. We've also asked our top 20 suppliers to share their ambitions on reducing greenhouse gas, waste and energy, and moving towards renewable electricity and a circular economy. Every year, we assess their achievements against these ambitions and score them accordingly. The SSBS results are part of our supplier performance management process.

Capability building

Building on our internal corporate social responsibility training for our buyers, we organized a global training on human rights with 112 buyers in 2020. The goal was to explain the United Nations Guiding Principles on Business and Human Rights and how to ensure that our business partners respect human rights in their value chains.

Bright future for solar capture

Capturing solar heat from all parts of a building – not just the roof – is a highly effective way of making buildings more sustainable. But it's not as easy as it might sound.

During 2020, we worked together with TNO and Emergo in the Netherlands to develop an innovative facade system for a sports hall in the city of Almere.

The venue is covered in colorful solar collectors that capture the thermal energy buildings would normally absorb. It's then used to heat and cool the structure.

One of the big challenges was how to avoid having to use black panels – not always aesthetically pleasing for a building exterior, even if darker colors do absorb heat better.

That's where our expertise came in. We've developed technology which can capture heat using the sort of lighter and brighter colors that traditionally reflect near-infrared light (NIR makes up 50% of the total solar energy).

"It's a practical and sustainable solution for making buildings energy positive," explains senior AkzoNobel scientist Anthonie Stuiver. "It means we can harness sustainable energy via a system that looks good, as well as doing good."

The collaboration came about as a result of AkzoNobel's involvement in the European ENVISION research project, which is made up of 13 partners.

Aligned with SDG 11, 13 and 17 (see page 30).

Sustainable solutions – Products that provide sustainability advantages to our customers

Performers – Products that have no immediate negative or positive sustainability impact

Transitioners – Products that have known sustainability risks

PAINT

We aim to grow our sustainable solutions from around 40% of our revenue in 2020 to over 50% by 2030. Our sustainable solutions are comprised of products that bring sustainable benefits to our customers.

Eco-premium solutions make up a significant part of our sustainable solutions. They are considered significantly better in one or more of our sustainability criteria and provide the same or better functionality than the mainstream product in the market. In 2020, we managed to exceed our target of 20% of revenue from this category (2020: 21%).

As a member of the World Green Building Council, we fully support the ongoing transformation of the built environment, which aims to reduce the carbon footprint of buildings and make them healthier places to live and work. Many of our products are used in the construction industry and we've developed a wide range of products and solutions that are qualified for green buildings certified with labels such as LEED and BREEAM.

In terms of our approach to circular solutions, we've set a 2025 ambition for all plastic packaging used by our Decorative Paints Europe business to contain at least 50% recycled content.

We cemented our long-term relationship with the Kröller-Müller Museum in the Netherlands by entering into an official partnership. As well as providing expertise and coatings for the conservation of the well-known and inspirational artwork Jardin d'émail, we'll be supplying paint for the museum's exhibition spaces for the next three years.

Note 8 **Sustainable solutions and customer value**

SUSTAINABLE PRODUCT PORTFOLIO ASSESSMENT

Our sustainable solutions add value for our customers. They often show faster growth rates and command higher margins than more traditional products. We identify the value we bring to customers in terms of sustainability by using our Sustainable Product Portfolio Assessment (SPPA) framework in our portfolio management.

In 2020, we combined our approach to sustainable solutions and our priority substance program into SPPA. This allows us to cover both the sustainability advantages and the legislative concerns on substances in our portfolio management.

We've split our portfolio into three categories, as shown at the top of the opposite page.

We now have a holistic view of the sustainability characteristics of our product portfolio. Together with our customer-focused product stewardship process, it enables value-selling strategies tailored to specific customer needs. It means we can take a harmonized approach in our portfolio management and have created a unique baseline for our future portfolio ambitions.

Positivity was the driving force behind one of our 2020 "Let's Colour" projects, which helped to spread cheer in homes across Indonesia. We teamed up with a local arts community in Bandung, West Java, to create a series of colorful murals as part of the nation's 75th Independence Day anniversary celebrations. The project was also an opportunity for our Dulux brand to raise people's spirits and spread a message of hope.

Product stewardship

Product stewardship is our approach to ensuring that product safety and its sustainability aspects are considered throughout the value chain – from raw material extraction, R&D, manufacturing, transport, marketing and application, all the way through to end-of-life. We aim to deliver value to ourselves and our customers by not only ensuring regulatory compliance in every region where we operate, but also by committing to continually develop safer and more sustainable solutions for the market, while staying ahead of legislation through our proactive approach.

We use our Product Stewardship Continuous Improvement Tool (PSCIT) to drive continuous improvement in product stewardship. Specific improvements in 2020 are particularly noticeable in the marketing teams where the SPPA process has been introduced and clear actions have been taken for the management of critical substances.

Priority substance management

Our industry-leading and multi-award-winning Priority Substance Program continues to conduct reviews as the regulatory status of substances change. Processes are also in place to prevent the introduction of hazardous substances in our businesses. Creating a direct link between the program and business processes ensures that substances are identified and actions are managed within the business' product portfolio in a timely and appropriate manner.

Sustainable solutions and value for the customer

We work closely with customers to deliver products and solutions that help their businesses to become more sustainable, while delivering economic value to all parties in the value chain. By focusing on the benefits we can offer, we continue to have a major influence on the growing acceptance of more sustainable solutions in our various markets.

People. Planet. Paint.

We've grouped the sustainability benefits for our customers into six People. Planet. Paint. chapters that we use in our SPPA framework to define our sustainable solutions.

People and communities

We believe in the power of paints and coatings to transform lives by uplifting communities, changing behavior and making living spaces more fun, liveable and enjoyable. Through our "Let's Colour" community transformation programs (see Note 3), we add color to people's lives and aim to provide opportunities and environments for people in need to learn, grow and flourish.

17 PARTNERSHIPS FOR THE GOALS

Health and well-being

As a member of the World Green Building Council, we're driving the development of healthier buildings for people to live and work in. The products and solutions we provide offer various health and well-being advantages, such as improving indoor air quality and helping to keep surfaces hygienically clean. We also aim to reduce both the use of any harmful substances ahead of legislation and the health risks for users and end-users of our products.

3 GOOD HEALTH AND WELL-BEING

Reduced carbon and energy

Because the majority of our carbon footprint comes from Scope 3 in our value chain, we're constantly developing new solutions to reduce the carbon in our products. Our customers are also increasingly focusing on reducing their own carbon footprint. We support them by offering solutions that can help to improve the energy efficiency of their manufacturing processes and end products.

11 SUSTAINABLE CITIES AND COMMUNITIES

13 CLIMATE ACTION

Less waste

Having set 2030 ambitions to reduce waste from our own operations, we're also striving to reduce the waste in our value chain. A key area of focus is helping customers reduce waste in their own processes. One example is our partnership with Qlayers, set up through our Paint the Future innovation ecosystem. It involves developing automated spray application technology, which reduces overspray for industrial coatings.

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

Reduced, reused and recycled material use

As part of our efforts to deal with resource scarcity, we continue to develop products that improve productivity, for example by using less raw materials. For some of our coatings customers, we've developed high solids products that require less packaging and are easier to transport.

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

Long-lasting performance

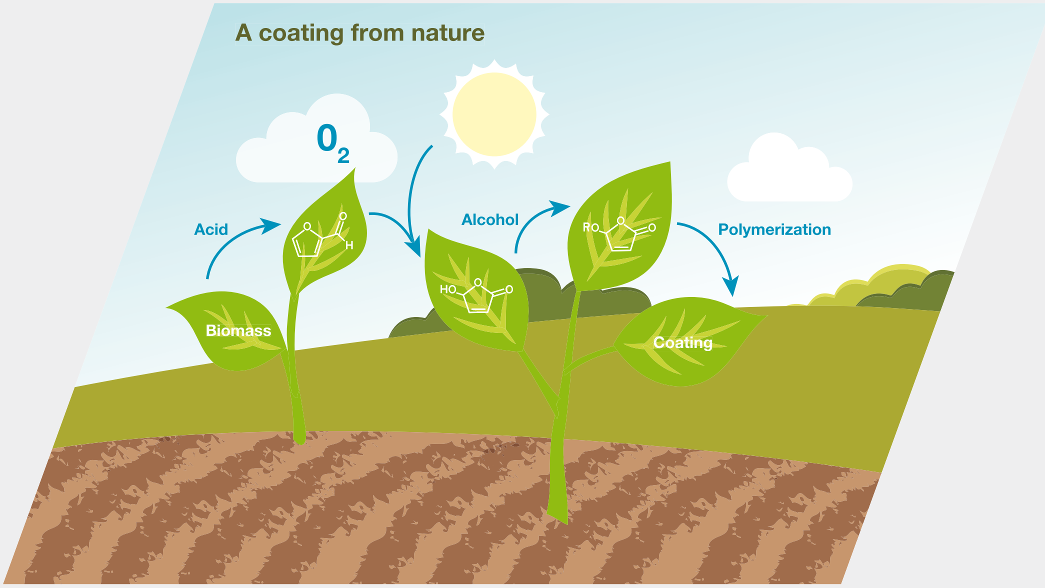
For many years, we've been developing durable paints and coatings that protect substrates for longer against external influences such as the weather and wear and tear. This enables customers to reduce costs, save resources, prolong maintenance cycles and keep objects, infrastructure and buildings more colorful.

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

watch video

Biomass breakthrough unlocks world of possibilities

More futuristic functionality could soon start to appear in our products thanks to a breakthrough innovation which involves a more sustainable method for making resins.



It's all down to research we've been conducting in collaboration with the Dutch Advanced Research Center Chemical Building Blocks Consortium (ARC CBBC). The new process uses bio-based monomers to make resins, which are traditionally oil-based.

Requiring just UV light, oxygen and renewable raw materials, patent applications have already been filed for resins and coatings made with monomers derived from sugar derivatives isolated from biomass.

"There's no doubt we're on the verge of progressing to the next level of coatings technology, thanks to this fantastic example of collaborative innovation in action," explains Klaas Kruithof, AkzoNobel's Chief Technology Officer. "We're opening up a new future for paints and coatings by using sustainable building blocks that will enable us to explore and develop some really exciting functionalities for our customers."

Most of the research has been taking place at the University of Groningen – where the team is led by professor in organic chemistry and Nobel Prize winner, Ben Feringa, and PhD student, George Hermens. "I'm extremely pleased with these game-changing results," says Feringa (pictured right). "They show that a material for coatings can be produced from biomass using a sustainable chemical process."

Having started in 2018, the research project will now focus on optimizing the monomers so they can be made in a more efficient way and on a larger scale. "We've still got a long way to go in terms of exploring the scope of the technology, but it will almost certainly define the future of our products," continues Kruithof. "By 2040 or 2050, there's also a good chance we might only be using bio-based monomers in our resin production, which will help us to reduce the overall carbon footprint of our products."

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

13 CLIMATE ACTION

17 PARTNERSHIPS FOR THE GOALS

Aligned with SDG 12, 13 and 17 (see page 30).

Managing sustainability

The Executive Committee is responsible for incorporating our sustainability agenda into the company strategy and monitoring the performance of each business through the Operational Control Cycle. Given our focus on sustainability, overall ownership of sustainability is with the CEO.

Materiality assessment

We use the principle of materiality to review strategic priorities and determine the most relevant and important sustainability topics material to our company. We focus on topics with the biggest impact in terms of accelerating our strategy and their importance for stakeholder decision-making. We review the topics based on input from internal and external stakeholders. The materiality assessment is based on key risks and opportunities, as they relate to the acceleration of our business agenda and approach to sustainable business. The key topics identified are validated annually and assessed on relative importance.

Reporting principles

We use our internally developed reporting principles to make our reporting more precise and better aligned with our business and operations. They are aligned with the Global Reporting Initiative (GRI) standards. The complete reporting principles are on our website, along with an index of the GRI indicators.

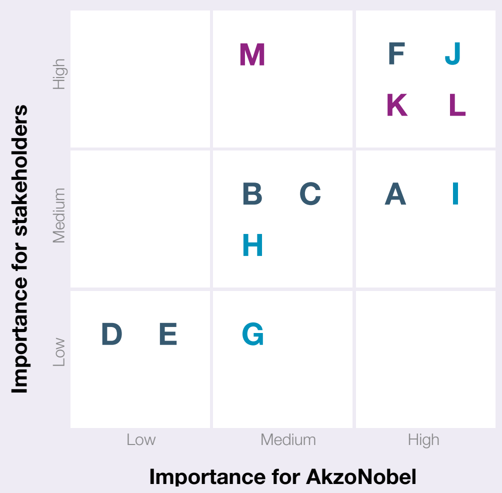
Compared with 2019, the only significant change in our reporting methodology is in Scope 3 upstream and downstream.

The preparation of our 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 believed to be reasonable under the circumstances. The estimates and underlying assumptions are reviewed on an ongoing basis. In general, Scope 3 upstream and downstream and eco-premium solutions have a higher degree of judgment and complexity, for which changes in the assumptions and estimates could result in different results than those recorded.

The main and most important elements of these are highlighted below. More

Materiality matrix

People Planet Paint



Topic	Report 2020
A Employee development	Note 1: Employees
B Integrity	Integrity and compliance management
C Human rights	Note 4: Human rights
D Community involvement	Note 3: AkzoNobel Cares
E Fair taxes	Consolidated financial statements (Note 9)
F People/process safety	Note 2: Health and safety
G Circular economy	Note 6: Towards a zero waste company
H Supplier sustainability	Note 7: Responsible procurement
I Climate strategy	Climate
J Resource productivity	Note 5: Reducing carbon emissions Note 6: Towards a zero waste company
K Customer satisfaction	Note 8: Sustainable solutions and customer value
L Sustainable portfolios	Note 8: Sustainable solutions and customer value
M Product safety	Note 8: Sustainable solutions and customer value

A number of blue postboxes appeared in the UK during the year to say "thank you" to the NHS – and we're proud to have donated our Cromadex products for the very special paint job. They were a visible expression of the Royal Mail's support for all NHS staff who worked tirelessly to help those affected by COVID-19. The postboxes, coated in "NHS blue", were located close to a handful of hospitals in England, Scotland, Wales and Northern Ireland.

details on the methodology and significant assumptions can be found in the reporting principles on our website: akzonobel.com/en/about-us/sustainability-/reporting-principles-

Organizational health score
The overall percentile score is used in external reports. In 2020, two quarterly surveys were conducted, with results in Q1 and Q3. For the annual report, the Q3 score is reported.

Results from the organizational health score (OHI) are collected in the OHI database and reported by McKinsey. Due to anonymity, we have no access to these data, and the data review, authorization and audit are the responsibility of McKinsey.

Cradle-to-grave carbon footprint (Scope 1, 2 and 3), Scope 3 upstream and downstream
Cradle-to-grave carbon footprint – including Scope 1, 2 and 3 upstream and downstream – is calculated annually in accordance with the Greenhouse Gas Protocol Corporate Value Chain Accounting and Reporting standard, and the WBCSD Chemical Sector Working Group Guidelines. We include the climate change impact from VOCs in our measurements due to their impact within the paints and coatings industry.
- Upstream: Category 1 – purchased goods and services
- Downstream: Category 10 – processing of sold products; Category 11 – use of sold products; Category 12 – end-of-life treatment of sold products and VOC in processing/use

The methodology for calculating Scope 3 carbon emissions was further improved in 2020 on the following:
- Impact of Category 12 and VOC are linked to raw material data where possible
- Refinement of raw material impact by integrating the formulation data (upstream impact)

The reporting period for Scope 3 upstream and downstream is October 1 to September 30. Scope 1 and 2 is reported for the calendar year.

External data sources: CEPE and Ecoinvent databases for carbon footprint data of raw material; International Energy Association (IEA) world average electricity grid mix and DEFRA natural gas conversion factor. Internal data sources: We conduct lifecycle assessments which are used as input for the calculation and includes models on amount of power and heat (natural gas), typical VOC levels and percentage of VOCs incinerated.

Eco-premium solutions
A measure of the sustainability of our products compared with competitive products, which have customer/consumer benefits, as a percentage of our actual revenue over the period November 1, 2019, to October 31, 2020. For Powder Coatings, segment growth to previous year revenue is applied.

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 and well-being), and not significantly worse in any other. In determining the KPI, AkzoNobel product groups are reviewed against a mainstream product in the market which delivers the same function. This can be an AkzoNobel or competitor offering. The assessments are performed to the best of our abilities by internal experts, based on either quantitative or qualitative aspects, of which the latter is subject to inherent subjective considerations.

Economic

Area	Unit	2016	2017	2018	2019	2020	Ambition 2020
Product/service							
Eco-premium solutions	% of revenue	21	21	22	22	21	20
Supplier management							
Suppliers participating in CSR program	% against baseline			60	65	75	–
Suppliers in line with our expectations	% against baseline			38	47	51	–
Business Partner Code of Conduct product-related	% of spend	99	97	98	98	98	
Business Partner Code of Conduct non product-related	% of spend	86	86	83	84	89	

Social

		2016	2017	2018	2019	2020	Ambition 2020
Employees							
Organizational health score	score			58	61	69	Top quartile 74
Female executives[1]	%	19	19	20	18	21	25
People, process and product safety							
Fatalities employees	number	0	0	0	2	0	0
Total reportable injury rate employees/ temporary workers	/200,000 hours	0.26	0.20	0.20	0.24	0.23	≤0.20
Lost time injury rate employees/ temporary workers	/200,000 hours	0.13	0.06	0.09	0.08	0.09	–
Occupational illness rate employees	/1,000,000 hours	0.07	0.06	0.06	0.03	0.05	–
Fatalities contractors (temporary workers plus independent)	number	0	1	0	0	0	0
Total reportable injury rate contractors	/200,000 hours	0.29	0.12	0.18	0.19	0.17	–
Lost time injury rate contractors	/200,000 hours		0.06	0.07	0.09	0.11	
Loss of primary containment – Level 1	number	5	5	6	3	6	–
Regulatory actions – Level 4	number	0	0	1	0	0	0
HSE management							
Management audits plus reassurance audits	number	34	32	25	32	28	–
AkzoNobel Cares							
Community people trained	number	2,041	2,863	4,276	4,078	2,669	–
Projects	number	157	224	126	225	170	–

The indicators that fall within the scope of limited assurance of our external auditor are marked with the following symbol: »

[1] 2016-2017 data includes discontinued operations.

Environmental

Area	Unit	2016	2017	2018	2019	2020	Ambition 2020
Energy use and emissions							
Energy use	1000TJ	6.32	6.39	6.20	6.02	5.69	–
per ton of production	GJ/ton	1.91	1.88	1.91	1.88	1.83	1.81
Renewable energy (own operations)	%	27	30	31	31	33	–
Renewable electricity (own operations)	%	34	37	38	37	40	
Greenhouse gas emissions – Direct CO_2(e) emissions (Scope 1)	kiloton	72.72	69.66	62.90	58.29	57.16	–
per ton of production	kg/ton	21.96	20.53	19.42	18.18	18.42	–
Greenhouse gas emissions – Indirect CO_2(e) emissions (Scope 2)	kiloton	244.3	237.8	226.0	183.1	168.2	–
per ton of production	kg/ton	73.78	70.11	69.77	57.13	54.21	–
Volatile organic compounds	kiloton	2.00	1.71	1.57	1.19	0.95	–
per ton of production	kg/ton	0.60	0.50	0.49	0.37	0.31	0.45
Raw material efficiency							
Fresh water use	million m³	9.61	9.62	9.27	8.05	9.12	–
per ton of production	m³/ton	2.90	2.84	2.86	2.51	2.94	–
Total waste	kiloton	85	77	67	67	62	–
per ton of production	kg/ton	25.65	22.77	20.97	21.00	19.96	21.50
Total reusable waste	kiloton	42	37	33	34	32	
Total non-reusable waste	kiloton	43	40	34	33	30	–
per ton of production	kg/ton	12.92	11.90	10.63	10.28	9.57	–
Hazardous waste total	kiloton	35	33	30	29	28	–
per ton of production	kg/ton	10.72	9.76	9.13	9.07	8.93	–
Hazardous waste non-reusable	kiloton	15	16	15	14	15	–
per ton of production	kg/ton	4.62	4.64	4.59	4.46	4.70	–
Hazardous waste to landfill	kiloton	0.7	0.6	0.69	0.45	0.23	–
per ton of production	kg/ton	0.20	0.17	0.21	0.14	0.07	–
Value chain[1]							
Cradle-to-grave carbon footprint (Scope 1, 2 and 3)	million tons			14.3	13.8	12.8	–
Scope 3 upstream[2]	million tons			6.5	6.3	5.9	–
Scope 3 downstream[3]	million tons			7.5	7.3	6.7	–

[1] We have restated 2018-2019 Scope 3 downstream and upstream due to improvement of methodology by better incorporating raw material formulation.
[2] Category 1: purchased goods and services.
[3] Category 10: processing of sold products; category 11: use of sold products; category 12: end-of-life treatment of sold products; VOC.

Art Foundation marks silver jubilee

When we established the AkzoNobel Art Foundation in 1995, the plan was to create an exciting corporate collection that would preserve the heritage of our future.

Thanks to these pioneering efforts and the company's continued dedication to supporting culture and the arts, the Art Foundation celebrated its 25th anniversary in 2020.

True to its earliest motto to go beyond the surface, the Art Foundation had planned a year full of celebrations, but global events dictated otherwise. However, there were still several highlights, including the launch of the new AkzoNobel Art Foundation catalog – We Are the Collection.

The magazine-style publication sheds light on the identity of the titular "We" and features contributions by artists, curators, photographers, art critics, writers and AkzoNobel colleagues.

Speaking at the launch of the catalog, AkzoNobel's Executive Committee member Isabelle Deschamps (pictured above) commented: "A corporate art collection is an act of commitment towards the societies and communities in which we live and operate. A commitment AkzoNobel has kept for the past 25 years. Now that is something to be proud of. Art is about being inclusive and being ready to be inspired, but also challenged. Art is pioneering, it's about pushing boundaries."

A jubilee exhibition which was due to open in 2020 was postponed due to the COVID-19 pandemic. It has been rescheduled to open in September 2021 at the AkzoNobel Art Space in Amsterdam, the Netherlands.

It was also a great honor and privilege to see the Art Foundation's unceasing support for the international art world over the last 25 years recognized by His Majesty King Willem-Alexander of the Netherlands, who appointed Hester Alberdingk Thijm (pictured below) – Director of the AkzoNobel Art Foundation – as a Knight in the Order of Oranje-Nassau.

Ian Davenport | Puddle Painting: Azo | 2020 | acrylic paint on aluminum | 77 x 77 cm | Collection AkzoNobel Art Foundation

LEADERSHIP AND GOVERNANCE

An overview of our leadership and their activities during the year, along with details of our corporate governance structure, risk management, executive remuneration, compliance and integrity management, and AkzoNobel and the capital markets.

OUR BOARD OF MANAGEMENT AND EXECUTIVE COMMITTEE

From left to right:
David Prinselaar, Joëlle Boxus, Thierry Vanlancker, Isabelle Deschamps, Maarten de Vries

Thierry Vanlancker CEO and Chairman of the Board of Management and Executive Committee (1964, Belgian)
Thierry joined AkzoNobel in 2016, bringing more than 28 years of experience in the chemicals industry. He led operations in polymers, performance coatings and chemicals at DuPont and was President of Fluoroproducts at Chemours. He's also a non-executive member of the Board of Directors of Sika AG and in May 2020 joined the Board of Directors of Aliaxis S.A./N.V. as a non-executive director.

Maarten de Vries CFO and member of the Board of Management and Executive Committee (1962, Dutch)
Maarten joined AkzoNobel in 2018. He spent the previous three years as CFO at Intertrust Group and TNT Express. He was a member of the Management Board of Intertrust Group and the Executive Board of TNT Express.

Joëlle Boxus Chief Human Resources Officer and member of the Executive Committee (1971, Belgian)
Joëlle rejoined AkzoNobel as Chief Human Resources Officer in 2020. She had previously been global HR leader for AkzoNobel's former Specialty Chemicals business. Joëlle managed the separation of Specialty Chemicals before becoming part of the Executive Committee of the newly established company. In 2018, she returned to Belgium to become Chief Human Resources Officer at Etex before rejoining AkzoNobel.

Isabelle Deschamps General Counsel and member of the Executive Committee (1970, Canadian and British)
Isabelle joined AkzoNobel in 2018. Before joining the company, she was responsible for legal and compliance at Unilever's European businesses and its global Food and Refreshment division. She previously held various other positions at Unilever and Nestlé. Isabelle is admitted to the England and Wales Law Society and to the Quebec (Canada) Bar.

David Prinselaar Chief Supply Chain Officer and Member of the Executive Committee (1974, French)
David joined AkzoNobel in 2015 from Reckitt Benckiser, taking responsibility for the Performance Coatings operations and then manufacturing for AkzoNobel as a whole from January 2018. In March 2019, David took over the role of Chief Supply Chain Officer and became a member of the Executive Committee.

The Board of Management's statement on the financial statements, the management report and internal controls.

We have prepared the Report 2020 in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the financial reporting requirements included in Part 9 of Book 2 of the Dutch Civil Code.

To the best of our knowledge:
- The financial statements in this Report 2020 give a true and fair view of the assets and liabilities; financial position and profit or loss of our company and the undertakings included in the consolidation taken as a whole
- The management report in this Report 2020 includes a fair review of the position at December 31, 2020, the development and performance during the financial year 2020 of AkzoNobel, and the undertakings included in the consolidation taken as a whole, and describes our principal risks

The Board of Management is responsible for the establishment and adequate functioning of a system of governance, risk management and internal controls within our company. Consequently, a broad range of processes and procedures has been implemented, designed to provide control by the Board of Management over the company's operations.

These processes and procedures include measures regarding the general control environment, such as a Code of Conduct, policies and procedures and authority rules, as well as specific measures, such as a risk management system, a system of controls and a system of letters of financial representation by responsible management at various levels within our company.

All these processes and procedures are aimed at providing a reasonable level of assurance that we have identified and managed the significant risks of our company, and that we meet our operational and financial objectives in compliance with applicable laws and regulations. For a detailed description of the company's internal risk management, please refer to the Risk management section.

With respect to supporting and monitoring of compliance with laws and regulations – including our Code of Conduct – an Integrity and Compliance Committee has been established. The Compliance function makes rules available through the Policy Portal, manages the online and face-to-face compliance training program, provides legal expert support and manages investigations related to our SpeakUp! corporate complaints procedure.

The Internal Control function maintains AkzoNobel's Internal Control Framework, monitors the compliance and includes updates regarding the emergence of new risks. They support the annual review of the effectiveness of the system of governance, risk management and internal controls of the Board of Management. Internal Audit provides comfort to the Board of Management, as well as the Supervisory Board, that our system of risk management and internal controls – as designed and represented by management – are adequate and effective.

While we routinely work towards continuous improvement of our processes and procedures regarding financial reporting, the Board of Management is of the opinion that:
- The report provides sufficient insights into any failings in the effectiveness of the internal risk management and control systems
- These systems provide reasonable assurance that the financial reporting does not contain material inaccuracies
- Based on the current state of affairs, it is justified that the financial reporting is prepared on a going concern basis
- The report states those material risks and uncertainties that are relevant to the expectation of the company's continuity for the period of 12 months after report preparation

For a detailed description of the risk management system and the principal risks identified, reference is made to the Risk management and Integrity and compliance management chapters in this section.

We have discussed the above opinion and conclusions with the Audit Committee, the Supervisory Board and the external auditor.

Amsterdam, February 16, 2021
The Board of Management
Thierry Vanlancker, CEO and Chairman of the Board of Management
Maarten de Vries, CFO and member of the Board of Management

For further information please visit our website: www.akzonobel.com/en/about-us/governance-/board-of-management-and-executive-committee

2020 was a difficult year for the whole world due to the global pandemic, although it turned into a good year for AkzoNobel.

With COVID-19 impacting the company's revenue, Decorative Paints delivered a very strong performance, while Performance Coatings experienced more headwinds, especially during the first half of the year. Profitability increased further as a result of significant efforts to reduce costs, improve product mix and margins, as well as strengthen and standardize the company's processes and systems.

The Supervisory Board has been impressed by the way AkzoNobel responded to the unprecedented challenges posed during the year and how the organization was able to generate positive momentum and deliver on its Winning together: 15 by 20 ambition, despite facing considerable hurdles due to the pandemic. As well as ensuring the safety and well-being of employees, the company continued to serve and support its customers around the world, while at the same time creating a stronger foundation for the future. It was a clear sign of AkzoNobel's resilience and ability to adapt.

Many employees had to change their ways of working – relying heavily on technology to stay connected – which worked surprisingly well. The sudden increase in demand for decorative paints, and declines in several other segments, put significant pressure on the flexibility of the company's supply chain and employees had to put in extra effort to cope. So it was encouraging to see everyone's pride in the organization as AkzoNobel rose to the challenge and took significant strides forward.

Through it all, the organization held firm on its core values, focusing on safety, acting with integrity and further improving sustainability. Extra special efforts were also made to support local communities in dealing with the global pandemic. The company's People. Planet. Paint. approach to sustainable business will ensure that AkzoNobel continues to lead the way when it comes to environmental and social impact. The success and further expansion of the Paint the Future innovation ecosystem also caught the eye of many in the industry and beyond.

During a difficult year for us all, it was especially pleasing to see employee engagement improve. This remains a key focus area, with a clear ambition to become top quartile.

Throughout much of 2020, many colleagues and key stakeholders were involved in uncovering a new purpose statement. The successful outcome – Pioneering a world of possibilities to bring surfaces to life – will help to further build engagement and drive the company's continued transformation.

Everyone at AkzoNobel is rightfully proud to have delivered on the 15 by 20 ambition launched in 2017, closing the year with return on sales – excluding unallocated cost – of 15%, despite the challenging business environment. The changes implemented throughout the organization have been significant and successful. Both the management team and employees deserve sincere compliments and thanks.

Having restored competitiveness and strengthened profitability, AkzoNobel is now ready for the next stage of its journey, represented by the Grow & Deliver strategy. There are still multiple levers – such as increased commercial excellence and network optimization – for the company to save costs and enable increased investments in growth, paving the way for a future which can excite all stakeholders. Management has clearly shown they can balance delivering short-term results with achieving long-term sustainability. This ability to address today's challenges while driving the changes necessary to thrive tomorrow will prove vital and the Supervisory Board is looking forward to the next chapter.

I want to thank my Supervisory Board colleagues, the Board of Management and Executive Committee for all their efforts during an extraordinary year, when nearly all our contact took place by video calls. The frequency of meetings was high throughout the year, which allowed the Supervisory Board to be closely involved, including in the development of plans for the future.

Most importantly, I want to thank AkzoNobel's employees around the world for their continued passion and commitment, which helped to deliver an exceptional result during an unprecedented year.

Amsterdam, February 16, 2021
Nils Smedegaard Andersen
Chairman of the Supervisory Board

Nils Smedegaard Andersen
(1958, DK) Chairman
Initial appointment: 2018
Term of office:
2018-2022

Chairman of the Board of Directors of Unilever plc.; Former non-executive Director of BP plc.; Former CEO of A.P. Moller-Maersk A/S; Former CEO and President of Carlsberg A/S.

Byron Grote
(1948, US and UK)
Vice-Chairman
Initial appointment: 2014
Term of office:
2018-2022

Non-executive Director of Anglo-American plc., Standard Chartered plc. and Tesco plc.; Former non-executive Director of Unilever N.V. and Unilever plc.; Former Board member of BP plc.

Sue Clark
(1964, UK)
Initial appointment: 2017
Term of office:
2017-2021

Non-executive Director of Britvic plc., Tulchan Communications LLP and Imperial Brands plc.; Former Managing Director Europe SABMiller plc.; Former Director of Corporate Affairs Railtrack plc. and Scottish Power plc.

Chairman of the Supervisory Boards of UNICA Group B.V., Faber Halbertsma Group B.V. and Rhoon, Pendrecht & Cortgene B.V.; Former CEO of OFFICEFIRST Immobilien A.G. and Grontmij N.V.; Former member of the Executive Board of ARCADIS N.V.

Michiel Jaski
(1959, NL)
Initial appointment: 2017
Term of office:
2017-2021

Non-executive Director at Reckitt Benckiser plc., Hikma Pharmaceuticals plc. and DCC plc.; Former Senior Independent Director at Victrex plc.; Former CEO of Quintiles Transnational Corp.; Former senior executive at Astra Zeneca plc. and F. Hoffman-La Roche.

Pamela Kirby
(1953, UK)
Initial appointment: 2016
Term of office:
2020-2024

Jolanda Poots-Bijl
(1969, NL)
Initial appointment: 2019
Term of office:
2019-2023

CFO of Royal van Oord; Member of the Supervisory Board of Pon Holdings B.V.; Former member of the Supervisory Boards of N.V. Nederlandse Gasunie and Blokker Holding B.V.

Dick Sluimers
(1953, NL)
Initial appointment: 2015
Term of office:
2019-2023

Chairman of the Supervisory Boards of NIBC Bank N.V. and Euronext N.V.; Member of the Board of Directors of FWD Group Limited; Trustee of the Erasmus University Trust; Member of the Board of Governors of the State Academy of Finance and Economics; Former CEO of APG Group; Former member of the Supervisory Board of Atradius N.V.

Chairman of Johnson Matthey plc.; Member of the Supervisory Board of Covestro A.G.; Former Chairman and CEO of Bayer Material Science A.G.; Former non-executive Director of BG Group plc and Aliaxis S.A.; Former President of Specialties, Huntsman International LLC; Former CEO at Polyurethanes division of ICI plc.

Patrick Thomas
(1957, UK)
Initial appointment: 2017
Term of office:
2017-2021

MEETINGS AND ATTENDANCE

The Supervisory Board values the attendance of its meetings by all members. If Supervisory Board members are unable to attend a Supervisory Board or committee meeting, they inform the relevant chair of their reasons. Supervisory Board members always receive the materials for each specific meeting, allowing them to offer input and discuss any agenda items with the relevant chair and provide a proxy to act on their behalf. In 2020, the Board of Management attended all regular and all additional meetings. The Executive Committee attended the majority of the meetings. Almost all plenary sessions of the Supervisory Board were preceded or succeeded by executive sessions of the Supervisory Board, with or without the CEO in attendance. The Chairman had regular one-on-one calls with all Supervisory Board members to discuss individual impressions on the functioning of the Supervisory Board and items covered.

The Supervisory Board aims for all (regular) meetings to be held physically. However, during 2020, most meetings were held virtually due to COVID-19 related measures. All virtual meetings were held with video conference capabilities, enabling the members of the Supervisory Board to perform their role appropriately.

Supervisory Board attendance record

	SB	AC	RC	NC
Nils Smedegaard Andersen	13/13		13/13	2/2
Jolanda Poots-Bijl	13/13	7/7		
Sue Clark[1]	13/13		13/13	1/1
Byron Grote[2]	13/13	7/7		1/1
Michiel Jaski	13/13	7/7		
Pamela Kirby	13/13		13/13	2/2
Dick Sluimers[3]	13/13	1/1	13/13	1/1
Patrick Thomas	13/13	7/7		
Ben Verwaayen[4]	4/7		2/4	1/1

The table indicates the meeting attendance for the Supervisory Board (SB), the Audit Committee (AC), the Remuneration Committee (RC) and the Nomination Committee (NC) for regular and additional meetings.
The attendance record shows the eight regular, scheduled meetings and the five additional meetings of the Supervisory Board. Additional meetings were scheduled ad-hoc when needed to ensure the Supervisory Board was sufficently informed and could make considered descisions regarding the COVID-19 situation and M&A transactions.
[1] Appointed to the Nomination Committee as per February 11, 2020.
[2] Stepped down from the Nomination Committee as per February 11, 2020.
[3] Resigned from the Audit Committee and appointed to the Nomination Committee as per February 11, 2020.
[4] Retired on April 23, 2020, after completing a four-year term.

Strategy reviews

During 2020, the Supervisory Board continued to allocate adequate time to discuss strategic activities, including detailed business analyses and portfolio reviews. In addition, it reviewed and discussed functional updates including Finance, Information Management, Integrated Supply Chain, Procurement, Human Resources, Innovation and Health, Safety and Environment.

The Supervisory Board received comprehensive market updates and advised on, reviewed and approved the business continuity and contingency plans.

Strategy beyond 2020

During 2020, the Supervisory Board was closely involved in the development of the new Grow & Deliver strategy by the Board of Management together with the other members of the Executive Committee. In light of this new strategy, in-depth sessions were organized to discuss and review, among others, deep dives into the company's businesses and topics such as sustainability, organizational health and culture, as well as the competitive landscape.

Supervisory Board activities 2020

Q1	Q2	Q3	Q4
• Review of Q4 2019 financials and performance • 2019 financial statements and profit allocation • Final 2019 dividend • M&A strategy update • Transformation Office update • Risk management: Risk session outcomes • HSE full-year report • 2019 external audit report • Amendment of the Articles of Association • Strategy beyond 2020 update • COVID-19 update	• Review Q1 2020 financials and performance • Investor relations update • COVID-19 update • HSE and safety update • Business updates and deep dives • M&A strategy update • Innovation strategy update • HR strategy update • Sustainability strategy update	• Review Q2 2020 financials and performance • Investor relations update • Business updates and deep dives • Transformation Office update • HR strategy update • Enterprise risk management update • Functional and business strategy review • Operational excellence • Innovation strategy update • M&A strategy update • Integrated Supply Chain strategy • COVID-19 update	• Review Q3 2020 financials and performance • Interim dividend 2020 • Share buyback program • M&A strategy update • Information Management update • Strategy update • Integrated Supply Chain update • HR strategy update • Budget 2021 • COVID-19 update • Investor relations update • Business updates and deep dives

The table provides an overview of relevant topics discussed and reviewed in Supervisory Board meetings in 2020.

The Supervisory Board was also involved in uncovering the new company purpose and developing the simplified leadership behavior framework.

COVID-19

The Supervisory Board held additional meetings to discuss regular updates on the COVID-19 situation from a global pandemic response team. The team, which was led by the Executive Committee, consisted of various workstreams and regional response teams, with any key risks being identified. The Supervisory Board was regularly informed about the health of AkzoNobel employees and reviewed the related responses from various parts of the business, the risks identified and the measures taken.

Sustainability

The Supervisory Board views sustainability as an intrinsic value driver in the work of all businesses and functions. During 2020, the Supervisory Board continued to assess sustainability as part of strategy and targets. The Supervisory Board is confident that by making sustainability an explicit differentiator – part of the company's identity – AkzoNobel has enhanced its value proposition for stakeholders, including employees and business partners. Further details are included in the Sustainability statements.

The Supervisory Board is confident that by making sustainability an explicit differentiator – part of the company's identity – AkzoNobel has enhanced its value proposition for stakeholders.

Performance and management planning

Individual Board of Management and Executive Committee performance was addressed in Supervisory Board meetings, following recommendations from the Remuneration Committee. For more details, see the report of the Remuneration Committee on page 64.

Discussions on corporate performance were held at each regular Supervisory Board meeting and included business reviews and performance updates from corporate functions. Forward-looking targets were also addressed in light of these reviews, and both the proposed budget and operating plan for 2021 were diligently reviewed by the Supervisory Board in Q4, taking into account the COVID-19 situation and other prevailing market conditions. Following this assessment, the Supervisory Board has approved the proposed budget and operating plan for 2021.

During the year, the Supervisory Board was pleased to see the company continuing to benefit from management's strategic initiatives, including cost savings. The nature of this performance, the company's capital allocation priorities – as well as the significant market disruption resulting from the COVID-19 pandemic – were all considered in the Supervisory Board's approval of the dividend proposal (further details on the 2020 dividend proposal can be found on page 131, in the Profit allocation paragraph).

Risk management

The Supervisory Board views risk management as an essential mechanism to safeguard the business and assets of the company, and to secure long-term performance and value creation. As the Supervisory Board sought to assure itself of the robustness of the company's risk mitigation and internal controls, it received multiple risk management updates during the year.

The Board of Management and Executive Committee maintain the risk management framework and system of internal controls. The Supervisory Board and the Audit Committee monitor the implementation of risk mitigating measures for the key risks, as identified by the Board of Management and the Executive Committee during the year by means of risk updates and reviews. Further details are included in the Risk management chapter.

Corporate governance

The Supervisory Board continuously reviews the company's corporate governance and its compliance with the Dutch Corporate Governance Code.

Talent management and succession planning

In 2020, the Supervisory Board, after discussing its own composition and succession plans, proposed the reappointment of Dr. Pamela Kirby as member of the Supervisory Board. The reappointment was approved at the AGM held on April 23, 2020. Following the retirement of Ben Verwaayen as member of the Supervisory Board in April 2020, the number of members of the Supervisory Board was reduced to eight as of April 23, 2020.

During 2020, the Supervisory Board also discussed and supported changes to the composition of the Executive Committee. With Ruud Joosten stepping down as Chief Operating Officer, his responsibilities were taken over by the CEO ad interim.

Marten Booisma was succeeded as Chief Human Resources Officer by Joëlle Boxus as of March 9, 2020. The requirements of the Dutch Corporate Governance Code and the skills matrix, updated further upon recommendation by the Nomination Committee, were considered throughout the process.

Independence of the Supervisory Board

Supervisory Board members are required to act critically and independently of one another, the Board of Management, the Executive Committee and the company's stakeholders. Each member of the Supervisory Board meets the independence requirements of the Code and completed the annual independence questionnaire addressing the relevant requirements for independence.

Supervisory Board evaluation

To assess its effectiveness, the Supervisory Board carried out an independent performance evaluation – facilitated by a third party – of itself, its individual members, its Audit, Remuneration and Nomination Committees, the Chairman, as well as the relationship with the Board of Management and the Executive Committee. The process consisted of Supervisory Board members completing a confidential questionnaire, while the third party held interviews with each of the members of the Supervisory Board, the Board of Management and the other members of the Executive Committee, the external auditor and the external advisor of the Remuneration Committee.

In a separate meeting without the Board of Management, the Supervisory Board discussed the results of the evaluation questionnaires. The Supervisory Board also discussed the functioning of the Board of Management and the performance of its individual members.

The Supervisory Board is pleased to confirm the evaluation concluded that the Supervisory Board and its committees continue to operate proficiently. There is a dynamic and open atmosphere between the Supervisory Board and the Executive Committee and the Supervisory Board papers reflect this openness, although it was recommended that board papers be shared in a more timely manner in the future. With regard to Supervisory Board meetings, the Chairman and CEO will work together to review the current Supervisory Board agenda to ensure both the topics and the time allocation reflect the future strategic priorities for the company. In line with AkzoNobel embarking on its new Grow & Deliver strategy, the key recommendations included reviewing the composition of the Supervisory Board and the Committees to optimize their fit for the future. In addition, the Nomination Committee will ensure a strong executive development and succession management program is developed during 2021. AkzoNobel has a strong track record in ESG and will continue to focus on this across all countries in which it operates. The Supervisory Board will continue to actively support these initiatives. The impact of COVID-19 meant that most of the interaction took place virtually in 2020. As soon as restrictions allow, spending more time in person will be prioritized. In the meantime, the use of virtual technology to enable the Supervisory Board to "meet" with AkzoNobel's people around the world and deep dive into different areas of the business has been very helpful and will continue in 2021.

Financial statements and profit allocation

The Board of Management submitted the report and financial statements, including the report of the Board of Management, to the Supervisory Board for review and approval. The financial statements of Akzo Nobel N.V. for the financial year 2020 were audited by PricewaterhouseCoopers Accountants N.V. (PwC).

The financial statements and the report were extensively discussed by the Audit Committee with the external auditors, in the presence of the CFO, and by the full Supervisory Board with the Board of Management and the Executive Committee. Based on these discussions, the Supervisory Board is of the opinion that the 2020 financial statements of Akzo Nobel N.V. form an adequate basis to account for the supervision provided (see the financial statements). The Audit Committee monitors the follow-up by management on the recommendations made by the external auditors. The Supervisory Board recommends that the AGM adopts the financial statements as presented in this Report 2020 and, as proposed by the Board of Management, the proposed total dividend for 2020 of €1.95 (2019: €1.90), including a final dividend of €1.52 per share. An interim dividend of €0.43 (2019: €0.41) per share was paid in November 2020. This reflects the continued commitment to providing a stable to rising dividend. The dividend will be paid in cash.

In addition, it is requested that the AGM discharges the members of the Board of

Committees of the Supervisory Board

	Audit Committee	Remuneration Committee	Nomination Committee
Nils Smedgaard Andersen (Chairman)		Member	Chairman
Byron Grote (Vice-Chairman)	Chairman		Member*
Sue Clark		Member	Member**
Michiel Jaski	Member		
Dr. Pamela Kirby		Member	Member
Jolanda Poots-Bijl	Member		
Dick Sluimers	Member*	Chairman	Member
Patrick Thomas	Member		
Ben Verwaayen		Member***	Member***

* Until February 11, 2020.
** From February 11, 2020.
*** Until his retirement in April 2020.

Audit Committee activities 2020

Q1	Q2	Q3	Q4
• Review Q4 2019 financial statements and annual results • Review 2019 annual report and accounts • External audit report • Review risk management and internal control • Final dividend 2019 • HSE audit findings • Review full-year compliance report • Treasury update • Pension funds update • Finance transformation update • Valuation post-retirement benefits • Valuation of deferred tax assets and uncertain tax positions • Transformation to deliver towards the 15 by 20 ambition • Valuation post-retirement benefits	• Review Q1 2020 financial statements • Review year-to-date audit findings • Compliance and integrity update • Review evaluation external auditor • Review and approval PwC audit plan • Internal controls framework update • IT security update	• Review Q2 2020 financial statements • Audit fee 2020	• Review Q3 2020 financial statements • Treasury update • Recommendation on interim dividend 2020 • Share buyback program • Compliance and integrity update • Tax strategy review • Review budget 2021 and outlook • Review audit findings year-to-date • Hard close audit report • Internal Audit plan 2021 • Review of legal liability exposure report • Internal Control framework update • Update to the PwC audit plan • Transformation to deliver towards the 15 by 20 ambition • Valuation of deferred tax assets and uncertain tax positions

Management from their responsibility for the conduct of business in 2020 and the members of the Supervisory Board for their supervision in 2020.

AUDIT COMMITTEE

All members of the Audit Committee have extensive accounting and financial management expertise. Issues discussed in Audit Committee meetings were reported back to the full Supervisory Board in subsequent meetings.

External audit

PwC, AkzoNobel's external auditors, reported in-depth to the Audit Committee on the scope and outcome of the annual audit of the financial statements, including the consolidated financial statements and the company financial statements and report. The Audit Committee held independent meetings with the external auditors and critically reviewed and constructively challenged their audit approach, fees, risk assessment and audit plan for the year ahead.

The Audit Committee performed an annual review of the services of the external auditor, and at each meeting it considered and assessed the status of the auditor's independence. Further details on the external auditors can be found in the Corporate governance statement.

Risk management and internal control systems

The Audit Committee reviewed AkzoNobel's overall approach to governance, risk management and internal controls, its processes, outcomes, financial reporting and disclosures. It received regular updates from auditors and functions in this regard, and was provided with comprehensive risk and internal control reports during the year. In addition, the Audit Committee reviewed the annual operating plan (including budget) and AkzoNobel's dividend proposals, as well as specifically reviewing cybersecurity in light of external COVID-19 related trends. During 2020, the Audit Committee received and reviewed several updates on AkzoNobel's Internal Control Framework. The Audit Committee also met regularly with senior executives.

The Executive Committee is responsible for ensuring an effective compliance control framework and has delegated part of the responsibilities to the Integrity and Compliance Committee. The Supervisory Board's Audit Committee oversees this responsibility.

Business and function reviews

In fulfilling its oversight responsibilities in relation to risk management and internal control systems, the Audit Committee also received updates from functions such as Finance, Treasury, Information Management and Tax throughout the year. These updates also inform the Audit Committee's review of the annual operational plan, including budget.

Internal Audit

The former Corporate Director of Internal Audit left AkzoNobel as of January 1, 2020, and was replaced by a new Corporate Director of Internal Audit, who started on March 1, 2020. The Internal Auditor presented all main audit findings to the Audit Committee and discussed the progress of the audit plan. During the year, the Audit Committee approved Internal Audit's plan and strategy, and also agreed on the budget and resource requirements for the function. The Audit Committee also met separately with the Internal Auditor during the year to discuss the results of the audits performed and the status of the follow-up on action plans identified. In 2020, the Audit Committee was satisfied with the effectiveness of the Internal Audit function.

Results and financial statements
Before each publication of the quarterly results and the financial statements, the Audit Committee reviewed the financial results. In addition, the Audit Committee reviewed and commented on the interim and final dividend proposals and on reports and press releases to be published. This was in addition to the work undertaken by the company's Disclosure Committee in reviewing the company's disclosure of potentially price sensitive information. Based on these discussions, the Audit Committee advised the Supervisory Board on the publications and disclosures, and on the interim and final dividends. All quarterly or annual releases of financial results were approved by the full Supervisory Board prior to publication and release. To ensure its effectiveness and expertise, the Audit Committee was provided with regular updates on IFRS developments and the anticipated impact of these developments on the financial statements. In addition, the Audit Committee reviewed and assessed management assertions made in regard to relevant accounting treatments.

REMUNERATION COMMITTEE

Management performance review
The work of the Remuneration Committee during Q1 focused on 2020 performance, the individual performance reviews of Board of Management members and of the Executive Committee. The Remuneration Committee also reviewed various incentive plans in light of COVID-19, the economic circumstances and the relative performance compared with top peers.

Remuneration Policy review
In 2020, the Remuneration Committee and Supervisory Board reviewed the Remuneration Policies for the Board of Management and Supervisory Board to assess if they were still in line with the company's strategy and financial targets, as well as considering the input received from stakeholders and the requirements of the Shareholder Rights Directive II and the Dutch provisions implementing the Shareholder Rights Directive II.
The Remuneration Committee recommended the amendment of the Remuneration Policies for the Board of Management and the Supervisory Board for consideration by the shareholders at the AGM of April 23, 2020.
During the year, the Remuneration Committee further evaluated the Remuneration Policies in line with AkzoNobel's new Grow & Deliver strategy beyond 2020, while also considering the input received from stakeholders and the requirements of the Shareholder Rights Directive II and the Dutch provisions implementing the Shareholder Rights Directive II. As a result, new policies were prepared for consideration by the shareholders at the AGM in 2021.

Management salary review
The Remuneration Committee reviewed the base salaries and established relevant forward-looking target ranges for variable remuneration of Board of Management members and other members of the Executive Committee. The base salaries will continue to be assessed in light of market conditions, the reward structures of peer group companies and performance. The Remuneration Committee considered the pay ratios within the company and how these compare with peer group companies. Forward-looking target ranges for variable remuneration of the Board of Management were discussed and proposals for the remuneration of other Executive Committee members were reviewed and discussed with the CEO.

Related information

Further details about the remuneration of members of the Board of Management and Executive Committee can be found in the Remuneration report and in Note 26 of the Consolidated financial statements.

NOMINATION COMMITTEE

Board of Management and executive succession
During 2020, the Nomination Committee was consulted and gave its advice regarding the composition of the Executive Committee and the position of COO, which became vacant during 2020.

Supervisory Board succession
During 2020, the Nomination Committee continued to discuss the size, structure and composition of the Supervisory

Remuneration Committee main 2020 activities

Q1	Q2 & Q3	Q4
• Review of management performance 2019 • Approval of 2019 pay-out under Short-term Incentive Plan and vesting of shares under Long-term Incentive Plan • Review of management base salaries for 2020 • Target setting 2020 • Review of preliminary grant of performance shares under Long-term Incentive Plan • 2019 Remuneration report	• Review of Short-term Incentive Plan, Performance Incentive Plan and Long-term Incentive Plan • Review Remuneration Policy for Board of Management and Supervisory Board	• Review Remuneration Policy for Board of Management and Supervisory Board • Shareholder consultation sessions in light of the Remuneration Policy review • Review of 2020 (preliminary) performance outlook

Supervisory Board skills and profiles

	N.S. Andersen (m)	J. Poots-Bijl (f)	S. Clark (f)	B. Grote (m)	M. Jaski (m)	P. Kirby (f)	D. Sluimers (m)	P. Thomas (m)
Independent	●	●	●	●	●	●	●	●
Consumer goods end-user segment	●		●	●		●		
Industrial end-user segment	●	●	●	●	●	●	●	●
Buildings and infrastructure end-user segment		●			●			●
Transportation end-user segment	●	●	●	●		●	●	●
(International) business, commerce, finance/economics	●	●	●	●	●	●	●	●
Scientific/information technology experience		●		●	●	●		●
Public sector experience		●	●				●	
Management experience	●	●	●	●	●	●	●	●
Business strategy planning	●	●	●	●	●	●	●	●
Investor relations	●	●	●		●	●	●	●
Manufacturing experience	●		●	●		●		●
Supply chain/logistics experience	●	●	●	●		●		
Social, environmental or sustainability experience	●	●	●	●		●	●	●
Finance expert		●		●			●	
Four or less external directorships	●	●	●	●	●	●	●	●
Dutch/EU national	●	●			●		●	
Non-EU national			●	●		●		●
Pensions experience		●					●	
Business-to-business sales experience						●		●
R&D experience				●	●	●		●
Legal experience						●		
Industrial/employment relations								●
Risk management		●		●	●	●	●	
Consulting		●				●	●	

(f) = female (m) = male

Board. Following thorough consideration, the Nomination Committee recommended the reappointment of Pamela Kirby to the Supervisory Board for consideration by shareholders at the AGM of April 23, 2020.

The Supervisory Board has updated its skills matrix, as shown above. The skills matrix, full details of the current Supervisory Board composition, the schedule of Supervisory Board succession and the profiles of the Supervisory Board members can also be found on our website.

Nomination Committee main 2020 activities

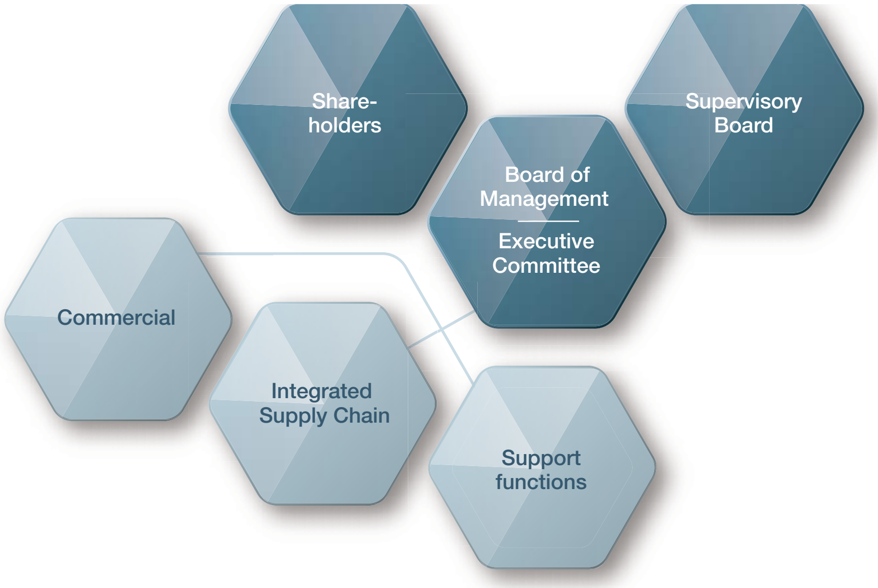
Q1	Q2, Q3 and Q4
• Supervisory Board succession planning • Review (re)appointment scheme • Update skills matrix • Board of Management and Executive Committee succession planning	• Supervisory Board succession planning • Review (re)appointment scheme • Board of Management and Executive Committee succession planning

With the second term of Ben Verwaayen having ended in 2020, the Nomination Committee concluded that it was deemed appropriate to reduce the number of Supervisory Board members to eight. This was approved by the Supervisory Board.

ADDITIONAL REMARKS

All Supervisory Board members would like to express their appreciation to the Board of Management and Executive Committee, and to all the company's employees around the world, for their outstanding dedication and hard work during this exceptional year.

AkzoNobel aspires to the highest standards of corporate governance and seeks to consistently enhance and improve corporate governance performance, emphasizing transparency and a sustainable culture of long-term value creation.



Akzo Nobel N.V. is a public limited liability company (naamloze vennootschap) established under the laws of the Netherlands, with common shares listed on Euronext Amsterdam. AkzoNobel has a sponsored level 1 American Depositary Receipt (ADR) program and ADRs can be traded on the international OTCQX platform in the US.

The company's management and supervision are organized under Dutch law in a so-called two-tier system, comprising a Board of Management (solely composed of executive directors) and a Supervisory Board (solely composed of non-executive directors). The Supervisory Board supervises and advises the Board of Management and ensures a strong external presence in the governance of the company. The two Boards are independent of each other and are accountable to the annual meeting of shareholders (AGM) for the performance of their functions.

Our corporate governance framework is based on the company's Articles of Association, the requirements of the Dutch Civil Code, the Dutch Corporate Governance Code (the "Code") and all applicable laws and regulations, including securities laws. The Code contains principles and best practices for Dutch companies with listed shares. Deviations from the Code are explained in accordance with the Code's "comply or explain" principle. For the full version of the Code, visit www.mccg.nl

With the exception of those aspects of our governance which can only be amended with the approval of the AGM, the Board of Management and the Supervisory Board may make adjustments to the way the Code is applied, if this is considered to be in the best interests of the company. Where changes are made, these will be reported and explained in the annual report for the relevant year and discussed at the subsequent AGM.

BOARD OF MANAGEMENT AND EXECUTIVE COMMITTEE

The Board of Management is entrusted with the management of the company. When it comes to the management of our business, it operates in the context of an Executive Committee. The Executive Committee comprises the members of the Board of Management (currently the Chief Executive Officer (CEO) and the Chief Financial Officer (CFO)), the Chief Supply Chain Officer, the General Counsel and the Chief Human Resources Officer. The former Chief Operating Officer was also a member of the Executive Committee, until stepping down as of May 27, 2020.

The composition of the Executive Committee ensures that functional, operational and commercial expertise is entrenched at the highest level of the organization. Among other responsibilities, the Board of Management defines the company's strategic direction. It establishes and maintains internal policies and procedures for effective risk management and control, manages the realization of the company's operational and financial targets, its sustainability performance and its pursuit of long-term value creation. In fulfilling their duties, Board of Management members are assisted by the Executive Committee and guided by the interests of the company and its affiliated enterprises, taking into consideration the relevant interests of the company's stakeholders.

The Board of Management and Executive Committee promote openness and engagement through a SpeakUp! grievance mechanism and have established a Code of Conduct, policies, rules and procedures incorporated in the company's Policy framework, in order to drive a culture of good governance, consistency and functional excellence. The values of good governance, sustainability and teamwork adopted by the Board of Management are incorporated in these documents. The Board of Management believes these values contribute to a culture focused on long-term value creation and actively encourages these values through leading by example.

A strong company culture fostering a solid and well-embedded balance between performance and organizational health is highly valued by the Board of Management and Supervisory Board, and is fundamental to AkzoNobel's strategy.

To ensure our transformation has a sustainable impact on the whole organization, our company culture forms an important part of discussions involving internal organizational changes and Human Resources strategy updates. Since 2018, Insight surveys have been performed involving all employees, focused on our wider organizational health (see Note 1 of the Sustainability statements). The Executive Committee and Supervisory Board regularly discuss the results of the survey, the targets and the actions taken to achieve such targets.

The Board of Management takes precedence; all Executive Committee decisions require a majority of the members of the Board of Management. The Board of Management can decide to reserve decisions for itself. The members of the Board of Management remain accountable for all decisions made by the Executive Committee. The Board of Management is accountable for its performance to the Supervisory Board and is accountable to the shareholders of the company at the AGM. The Executive Committee members who are not also members of the Board of Management report to the CEO.

The Supervisory Board has regular, direct interaction with all members of the Executive Committee and all Executive Committee members attend most Supervisory Board meetings.

The CEO leads the Executive Committee in its overall management of the company. He is the main point of liaison with the Supervisory Board. The CFO is responsible for overseeing AkzoNobel's finances, its corporate control, investor relations and information management.

The tasks, responsibilities and procedures of the Board of Management and Executive Committee are set out in their Rules of Procedure. These rules have been approved by the Supervisory Board and are available on our website. Authority to represent the company is vested in the two members of the Board of Management, acting jointly. The Board of Management has also delegated a level of authority to corporate agents, including the other members of the Executive Committee. The list of authorized signatories is filed with, and available from, the Dutch Chamber of Commerce.

The Managing Directors of the company's business units and the Corporate Directors in charge of the different functions report to individual Executive Committee members with specific responsibility for their activities and performance.

Appointment

Board of Management members are appointed and removed from office by the AGM. The current Board of Management members were appointed by EGMs (Extraordinary General Meetings) held in 2017. The other members of the Executive Committee are appointed by the CEO, after consultation with the Supervisory Board. Board of Management members are appointed for a term not exceeding four years, with the possibility of reappointment.

As described later in this section, the Meeting of Holders of Priority Shares has the right to make binding nominations for the appointment of members of the Board of Management and the Supervisory Board. However, as the company subscribes to the principles of the Code in general, members of the Supervisory Board and the Board of Management are (with the exception of those circumstances described later in this section) appointed on the basis of non-binding nominations by the Supervisory Board. In such cases, resolutions to appoint a member of the Supervisory Board or the Board of Management require a simple majority of the votes cast by shareholders.

Our Chief Supply Chain Officer (and Executive Committee member), David Prinselaar, climbed an incredible 25 places to be ranked second in the 2020 edition of the Top 28 Supply Chain Executives in Europe. The methodology for the ranking – compiled from a longlist of 106 – is based on research into published company data and financial reports. Peer voting and an executive survey are also used to determine the final placing.

Under certain conditions specified in the Articles of Association, shareholders may also be entitled to nominate Supervisory Board or Board of Management members for appointment. Such appointments require a two-thirds majority, representing at least 50% of the outstanding share capital, in order to be adopted at an AGM (or EGM).

Diversity

AkzoNobel believes in the strength of diversity, and in accordance with the Code, a Diversity Policy has been adopted for the composition of the Board of Management and Executive Committee. The objective of the Diversity Policy is to enrich the Board of Management's perspective, improve performance, increase member value and enhance the probability of achievement of the company's goals and objectives. The Diversity Policy addresses concrete targets relating to diversity, including nationality, age, gender, education and work background. As part of our commitment to fostering an inclusive and respectful workplace, we introduced training to increase awareness around unconscious bias in the workplace.

A consistent and structured approach is applied to succession planning for the Board of Management and Executive Committee, taking into account the implementation of the Diversity Policy. AkzoNobel currently diverges from the gender target of at least 30% female and at least 30% male Board of Management members.

AkzoNobel has a gender diversity of 40% female representatives at Executive Committee level.

It is believed that due to the size of the Board of Management (being only two members), this divergence is justified and has ensured the best candidates for the roles were nominated by the Supervisory Board and appointed by shareholders. Following the appointment of Joëlle Boxus as the new Chief Human Resources Officer (as of March 9, 2020), and the steppng down of the Chief Operating Officer (as of May 27, 2020), AkzoNobel has a gender diversity of 40% female representatives at Executive Committee level. More information on AkzoNobel's overall diversity and inclusion efforts can be found on page 33.

Outside directorships

Specific rules on outside board positions of members of the Executive Committee – which are more stringent than the requirements of the Dutch Civil Code – can be found in the Rules of Procedure.

Conflicts of interest

During 2020, no transactions were reported under which a member of the Board of Management or Executive Committee had a conflict of interest which was of material significance to the company and to the relevant member.

Remuneration

The current Remuneration Policy for the Board of Management was lastly amended following approval by the AGM held on April 23, 2020, to implement the Shareholder Rights Directive II. The details of this policy can be found in the Remuneration report. The service contracts of the members of the Board of Management contain change of control provisions. Further details can be found in the Remuneration report and Note 26 of the Consolidated financial statements. The service contracts of the Board of Management are compliant with the Code. The main elements of these contracts are available on our website.

Operational Control Cycle

The Executive Committee holds regular meetings to discuss the implementation of the company's strategy and functional agendas. Additional meetings are held to discuss specific topics as required. The Board of Management and Executive Committee have delegated authorities to individual Executive Committee members and to certain committees and councils. To help plan for success and ensure alignment within the entire AkzoNobel organization on the strategic and operational plan, the Board of Management and Executive Committee implemented an Integrated Business Planning (IBP) process across the company's global businesses and functions. IBP provides, on a monthly basis, visibility on the long-term integrated business and financial plan, which covers the product portfolio, demand and supply. It therefore ensures early attention and remedial actions, where appropriate, on any potential gaps. The monthly IBP cycle ends with the Corporate Management Business Review (CMBR), which is chaired by the CEO. The Executive Committee attends the CMBR meetings, where it reviews the consolidated long-term company perspective, including risks and opportunities, decides on escalation and possible scenarios and supervises the key performance indicators with corrective actions, if applicable.

COMMITTEES

Sustainability Council

The Executive Committee has established a Sustainability Council to advise on sustainability developments. The council monitors the integration of sustainability into management processes and oversees the company's sustainability targets and sustainability performance. The council, which meets quarterly, consists of representative business and functional directors, as well as the CEO.

Significant sustainability aspects material to the company are reviewed annually, with input from internal and external

We launched a new bio-based wall paint in Vietnam which actively improves indoor air. Dulux Better Living Air Clean BioBased is enhanced with Pure Air technology. It contains natural sustainable ingredients, such as bamboo charcoal, and continuously removes harmful air pollutants such as formaldehyde, benzene and other volatile organic compounds (VOC) in the home environment.

stakeholders. The Sustainability Council focuses on topics with the biggest impact on accelerating AkzoNobel's strategy to create shared value, building on our core values of safety, integrity and sustainability.

Progress regarding sustainability objectives, development, target setting and implementation is reviewed quarterly by the Executive Committee, and semi-annually by the Supervisory Board. The Audit Committee takes an active role in assessing the quality and reliability of sustainable performance reporting and PwC has been engaged to perform an assurance engagement on specific indicators included in the Sustainability statements. Their report can be found on page 138 of the Financial information.

Integrity and Compliance Committee

This committee reviews investigations into material violations of laws, regulations and internal rules, and SpeakUp! reports. It also decides on disciplinary measures and control improvement actions, as well as monitoring and responding to any trends or irregularities. By submitting these cases through a central Integrity and Compliance Committee, the company ensures transparency and consistency of measures throughout the organization. More details can be found on page 77.

Executive Pensions Committee

The Executive Pensions Committee oversees the general pension policies of AkzoNobel's various pension plans and their financial consequences for the company. The committee is chaired by the CFO and includes the Chief Human Resources Officer, the General Counsel and Corporate Directors of Treasury, Pensions and Rewards.

Disclosure Committee

The Board of Management has established a Disclosure Committee, which consists of senior executives with a background in corporate law, finance and investor relations. The task of the Disclosure Committee is to establish and maintain disclosure controls and procedures, and to advise the CEO, CFO and General Counsel on the accurate and timely disclosure of material financial and non-financial information.

SUPERVISORY BOARD

This section provides an overview of the responsibilities and governance of the Supervisory Board. For an understanding of the activities of the Supervisory Board over the past year, please refer to the Supervisory Board Chairman's statement and the Report of the Supervisory Board. The responsibility of the Supervisory Board is to supervise the policies adopted by the Board of Management and the Executive Committee and to oversee the general conduct of the business of the company. In practice, this means supervising:

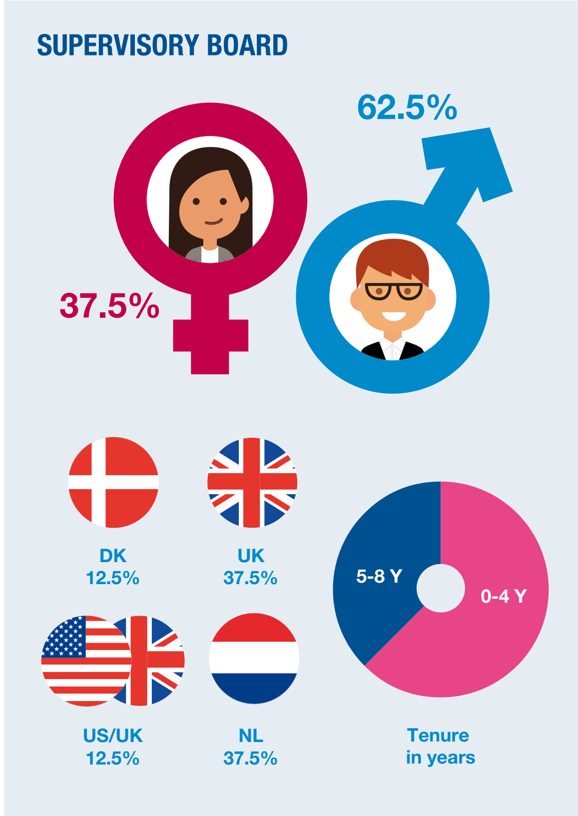
- The corporate strategy
- The achievement of the company's operational and financial objectives
- The design and effectiveness of internal risk management and control systems
- The main financial parameters, compliance with applicable laws and regulations and risk factors

The Supervisory Board advises the Board of Management and Executive Committee, while taking into account the interests of the company and its stakeholders. Major investments, acquisitions and functional initiatives are subject to Supervisory Board approval.

The Supervisory Board is governed by its Rules of Procedure (available on our website). The Rules of Procedure include the profile and the Charters of the Committees, which set out the tasks and responsibilities of the Supervisory Board, as well as its operational processes.

Composition

In compliance with the Dutch Civil Code, the Supervisory Board has a balanced composition reflecting the nature and variety of the company's businesses, their international spread and expertise in fields such as finance, economics, information technology (IT), societal, environmental and legal aspects of business, government and public administration.



The Supervisory Board maintains a skills matrix, which provides an overview of the skills and experience of the individual members. The skills matrix can be found in the Report of the Supervisory Board.

In addition, in accordance with the Code, a Diversity Policy has been adopted for the composition of the Supervisory Board in its Rules of Procedures. The objective of this policy is to ensure a balanced composition, taking account of nationality, age, gender, education and work background. For 2020, there are no divergences to report.

When nominating and selecting new candidates for the Supervisory Board, account is taken of the Supervisory Board profile and skills matrix, the requirements of the Act on Management and Supervision, and the principles and provisions of the Code.

Appointment
Members of the Supervisory Board are nominated, appointed and dismissed in accordance with procedures identical to those previously outlined for the members of the Board of Management.

Residents of four cities in Sweden – Linköping, Motala, Mjölby and Åtvidaberg – had the chance to co-create street art and brighten up the streets during the winter season as part of the annual Artscape festival. Local people submitted proposals and then communities had the opportunity to paint the murals with experienced artists, all with the help of our Nordsjö brand.

In accordance with the Code, Supervisory Board members are eligible for re-election once for a period not exceeding four years. Members may be re-elected a second time for a period of two years. This period may be extended by two years at the most. In the event of a reappointment after an eight-year period, reasons must be given in the Report of the Supervisory Board. Terms of appointment are based on a reappointment scheme, available on our website. In 2020, one reappointment to the Supervisory Board was proposed to, and approved by, the AGM held on April 23, 2020.

Induction and training
Following appointment to the Supervisory Board, new members receive a comprehensive induction tailored to their individual needs. This includes extensive briefings about all major business and functional aspects of the company and its corporate governance and compliance requirements. The induction includes meetings with the CEO, CFO, all other Executive Committee members and relevant members of senior management, as well as site visits. This enables new Supervisory Board members to quickly build up an understanding of AkzoNobel's businesses and strategy, as well as the key risks and issues the company faces. In addition, the Chairman ensures the Supervisory Board is provided with regular updates, attends business unit deep dives and ensures that the Supervisory Board undertakes training, for example in the area of compliance and ethics.

Conflict of interest
Members of the Supervisory Board shall not participate in the discussions and decision-making on a subject or transaction in relation to which they have a conflict of interest with the company. Decisions to enter into transactions under which Supervisory Board members have conflicts of interest that are of material significance to the company, and to the relevant Supervisory Board member, require the approval of the Supervisory Board. Any such decisions will be recorded in the annual report for the relevant year, with reference to the conflict of interest and a declaration that the relevant best practice provisions of the Code have been complied with. During 2020, no transactions were reported under which a member had a conflict of interest which was of material significance to the company and to the relevant member.

Remuneration of the Supervisory Board
Supervisory Board members receive a fixed annual remuneration and attendance fee, which is determined by the AGM. According to the Code, it is not possible for members to be remunerated in shares. To implement the Shareholder Rights Directive II, an amendment to the Remuneration Policy for the Supervisory Board was approved at the AGM held on April 23, 2020. More information on the remuneration of the members of the Supervisory Board and the Remuneration Policy of the Supervisory Board can be found in the Remuneration report and Note 26 of the Consolidated financial statements.

SUPERVISORY BOARD COMMITTEES

The Supervisory Board has established three permanent committees – Audit Committee, Nomination Committee and Remuneration Committee. Information on the activities, composition and attendance of the Supervisory Board members at the meetings of the committees during the year is set out in the Report of the Supervisory Board.

Each committee has a charter describing its role and responsibilities, as well as the manner in which it discharges its duties and reports to the full Supervisory Board. These charters are included in the Supervisory Board

Rules of Procedure. The committees report on their deliberations and findings to the full Supervisory Board.

SHAREHOLDERS AND THE ANNUAL GENERAL MEETING

The AGM is an integral part of the governance of the company and its system of checks and balances. The AGM reviews the annual report and decides on the adoption of the financial statements and the dividend proposal, as well as the discharge of members of the Supervisory Board and Board of Management.

The AGM is convened by public notice and the agenda, notes to the agenda and the procedure for attendance and voting at the meeting are published in advance and posted on our website. Matters proposed for consideration, approval or adoption are tabled as separate agenda items and explained in writing in advance of the meeting.

These proposals include, where relevant:

- Adoption of the financial statements
- Dividend proposal
- Discharge of members of the Supervisory Board and Board of Management
- (Re-)election of members of the Board of Management and Supervisory Board
- Remuneration of members of the Supervisory Board
- Material changes to the Remuneration Policy of the Board of Management
- Advisory vote on Remuneration report
- Other important matters, such as major acquisitions or the sale or demerger of a substantial part of the company, as required by law
- Authorization of the Board of Management to issue new shares
- Authorization of the Board of Management to repurchase shares
- Amendments to the Articles of Association (for more details see art. 57 of the Articles of Association available on our website)

The company provides remote voting possibilities to its shareholders. Holding shares in the company on the record date determines the right to exercise voting rights and other rights relating to the AGM. All resolutions are made on the basis of the "one share, one vote" principle (assuming an equal par value for each class of shares). All resolutions are adopted by absolute majority, unless the law or the company's Articles of Association stipulate otherwise.

Holders of common shares in aggregate representing at least 1% of the total issued capital, or, according to the Official List of Euronext Amsterdam N.V., representing a value of at least €50 million, may submit proposals for the AGM agenda. Such proposals must be adequately substantiated and submitted in writing, or electronically, to the company at least 60 calendar days in advance of the meeting. Draft minutes of the AGM are made available on the company's website within three months of the meeting date. The final minutes are made available online within six months of the meeting date.

Share classes

AkzoNobel has three classes of shares: common shares, cumulative preferred shares and priority shares. Common shares are traded on the Euronext Amsterdam stock exchange. Common shares are also traded over-the-counter on OTCQX in the US in the form of American Depositary Receipts (each American Depositary Receipt representing one-third of a common share). On December 31, 2020, a total of 190.6 million common shares and 48 priority shares had been issued. This includes shares held in treasury which cannot be voted on and which are not eligible for dividend. Shareholders owning 3% or more of the issued capital and/or voting rights must report this to the Dutch Authority for the Financial Markets (AFM) as soon as the threshold is reached or exceeded. Relevant reporting by shareholders can be found in the "Register of substantial holdings and gross short positions" at www.afm.nl

The majority of shares in Akzo Nobel N.V. are included in a global certificate and held through the system maintained by the Dutch Central Securities Depository (Euroclear Nederland). In the past, Akzo Nobel N.V. also issued (physical) bearer share certificates (Bearer Certificates). A limited number of Bearer Certificates has not yet been surrendered to Akzo Nobel N.V., although holders of Bearer Certificates are entitled to a corresponding number of shares in Akzo Nobel N.V.. It is noted that, as a result of Dutch legislation which became effective as of July 2019, the relevant shares were registered in the name of Akzo Nobel N.V. by operation of law as per January 1, 2021. Pursuant to this legislation, owners of Bearer Certificates will continue to be entitled to a corresponding number of shares in Akzo Nobel N.V. until January 2, 2026. On that date, their entitlement will expire by operation of law.

Related information

For more details about AkzoNobel shares and Bearer Certificates, contact Investor Relations:

investor.relations@akzonobel.com

The priority shares are held by the Foundation Akzo Nobel (Stichting Akzo Nobel). The priority shares are limited in transferability and profit entitlement (see Note F of the Company financial statements). The Foundation's Board consists of members of AkzoNobel's Supervisory Board who are not members of the Audit Committee. The Meeting of Holders of Priority Shares has the nomination right for the appointment of members of the Board of Management and the Supervisory Board, as well as the right to approve amendments to the Articles of Association of the company.

No cumulative preferred shares have been issued to date. Cumulative preferred shares merely have a financing function, which means if necessary, and possible, they will be issued at or near the prevailing quoted price for common shares.

The AGM held on April 23, 2020, authorized the Board of Management for a period of 18 months after that date or, if earlier, until the date on which the AGM again extends the authorization – subject to approval from the Supervisory Board – to issue shares in the capital of the company free from preemptive rights, up to a maximum of 10% of the issued share capital. The Board of Management was also given a mandate to acquire, and to cancel held or acquired, common shares in the company's share capital. The maximum number of shares that the company will hold in its own share capital at any time shall not exceed 10% of its issued share capital.

Our new regional headquarters for South America was opened in Brazil. Known as the AkzoNobel House, it's a great showcase for our passion for paint.

Anti-takeover provisions and control

According to the Code, the company is required to provide an overview of its actual or potential anti-takeover measures, and to indicate in what circumstances it is expected that they may be used.

The priority shares may be considered to constitute a form of anti-takeover measure, in relation to the right of the Meeting of Holders of Priority Shares to make binding nominations for appointments to the Board of Management and the Supervisory Board. The Foundation Akzo Nobel has confirmed that it intends to make use of such rights in exceptional circumstances only. These circumstances include situations where, in the opinion of the Board of the Foundation, the continuity of the company's management and policies is at stake.

This may be the case if a public bid for the common shares of the company has been announced, or has been made, or the justified expectation exists that such a bid will be made, without any agreement having been reached in relation to such a bid with the company. The same shall apply if one shareholder, or more shareholders acting in a concerted way, hold a substantial percentage of the issued common shares of the company without making an offer. Or if, in the opinion of the Board of the Foundation Akzo Nobel, the exercise of the voting rights by one shareholder or more shareholders, acting in a concerted way, is materially in conflict with the interests of the company. In such cases, the Supervisory Board and the Board of Management, in accordance with their statutory responsibility, will evaluate all available options with a view to serving the best interests of the company, its shareholders and other stakeholders.

The Board of the Foundation Akzo Nobel has reserved the right to make use of its binding nomination rights for the appointment of members of the Supervisory Board and of the Board of Management in such circumstances. Although a deviation from provision 4.3.3 of the Code, the Supervisory Board and the Board of Management are of the opinion that these provisions will enhance the continuity of the company's management and policies.

In the event of a hostile takeover bid, or other action which the Board of Management and Supervisory Board consider adverse to the company's interests, the two Boards reserve the right to use all available powers (including the right to invoke a response time in accordance with provisions 4.1.6 and 4.1.7 of the Code), while taking into account the relevant interests of the company and its affiliate enterprises and stakeholders.

AUDITORS

The external auditor is appointed by the AGM on proposal of the Supervisory Board. The appointment is reviewed every four years and the results of this review and assessment are reported to the AGM. The external auditor attends all regular Audit Committee meetings, as well as the majority of the additional meetings, and the meeting of the

Supervisory Board at which the financial statements are approved.

During these meetings, the auditor discusses the outcome of the audit procedures and the reflections thereof in the auditors' report. In particular, the key audit matters are highlighted. The auditor receives the financial information and underlying reports of the quarterly figures and can comment on and respond to this information. The external auditor is present at the AGM and shareholders may ask questions with regard to the audit.

Auditor independence

The Audit Committee and Board of Management report their dealings with the external auditor to the Supervisory Board annually, and also discuss the auditor's independence.

Other services

One area of particular focus in corporate governance is the independence of the auditors. The Audit Committee has been delegated direct responsibility for the compensation and monitoring of the auditors and the services they provide to the company. Pursuant to the Audit Profession Act, the auditors are prohibited from providing the company with services in the Netherlands other than "audit services aimed at providing reliability concerning the information supplied by the audited client for the benefit of external users of this information and also for the benefit of the Supervisory Board as referred to in the reports mentioned."

The company has taken the position that no additional services may be provided by the external auditor and its global network that do not meet these requirements, unless local statutory requirements so dictate. In order to anchor this in our procedures, the Supervisory Board adopted the AkzoNobel Rules on External Auditor Independence and Selection and the related AkzoNobel Guidelines on Auditor Independence. These documents are available on our website.

Internal Audit

The Internal Audit function is mandated to provide the Board of Management, Executive Committee and Audit Committee with independent, objective assurance on the adequacy of the design and operating effectiveness of the internal control framework described below. The Internal Auditor reports to the Board of Management and has direct access to the Audit Committee and its chair. The function performs its mandate based on a risk-based audit plan, which is approved by the Board of Management and the Audit Committee. It reports a summary of the audit findings quarterly to the Board of Management and Executive Committee, and the Audit Committee, which culminates in an annual assessment of the quality and effectiveness of the company's internal control systems.

SHARE DEALING RULES AND RULES ON DISCLOSURE CONTROL

In accordance with Dutch law and regulations (including the European Market Abuse Regulation), the company maintains insider lists and exercises controls around the dissemination and disclosure of potentially price sensitive information.

All employees and the members of the Board of Management, Executive Committee and Supervisory Board are subject to the AkzoNobel Share Dealing Rules, which limit their opportunities to trade in AkzoNobel securities. Transactions in AkzoNobel shares carried out by Board of Management, Executive Committee and Supervisory Board members (including their closely associated persons) are, as and when required, notified to the Dutch Authority for the Financial Markets (AFM).

The Board of Management, Executive Committee and Supervisory Board members require authorization from the General Counsel prior to carrying out any transactions in respect of AkzoNobel securities, even in a so-called "open period". In relevant cases, the General Counsel can prohibit carrying out transactions in respect of other companies' securities. In addition, all employees are subject to the AkzoNobel Rules on Disclosure Control.

INTERNAL CONTROLS AND RISK MANAGEMENT

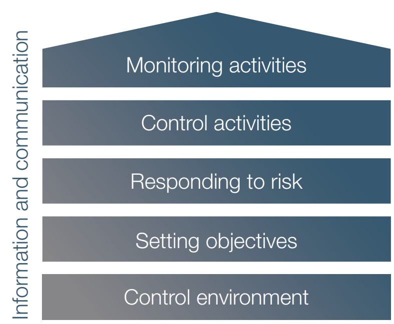
Internal controls

The company has strict procedures for internal controls. The Board of Management and Executive Committee have established several Risk, Control and Compliance Committees, which are explained on page 68. In 2020, we invested in enhancing our Internal Control Framework and Process, alongside the continued work on system embedded controls, standard role design and segregation of duty monitoring. An integrated Risk and Internal Control department supports all businesses and functions in their work.

Risk management

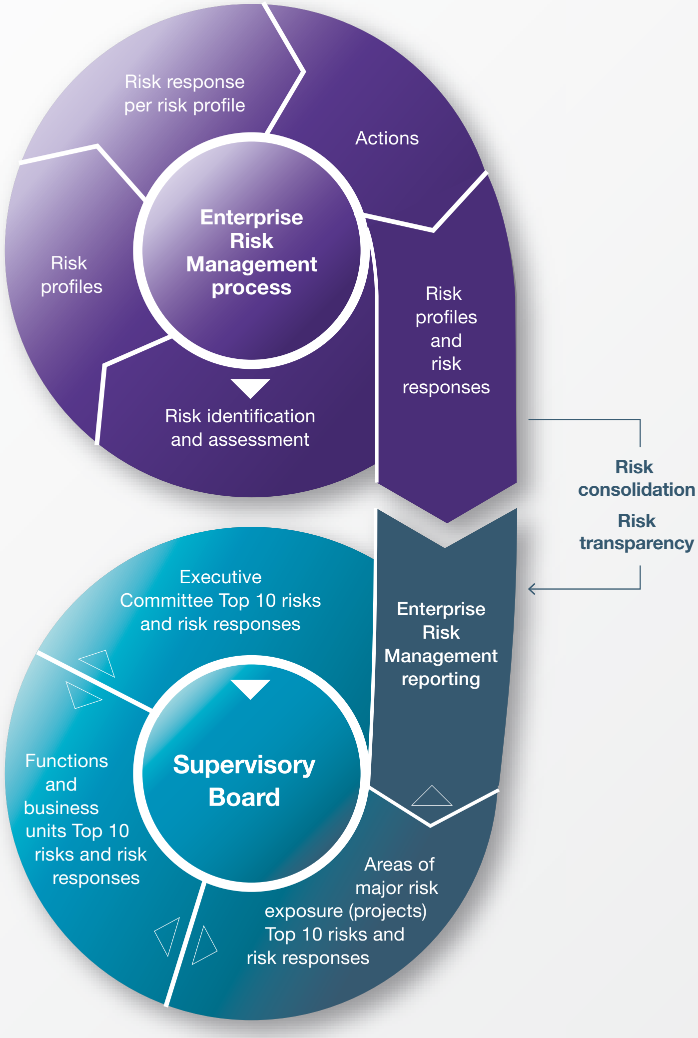
Our risk management system is explained in more detail later in the next chapter. Reference is made to the Statement of the Board of Management relating to internal risk management and control systems.

The AkzoNobel internal control framework



Doing business inherently involves taking risks. By seeking to take balanced risks, we strive to be a successful and respected company. Risk management is an essential element of our corporate governance and strategy development. We continuously strive to foster a high awareness of business risks and internal control to provide transparency in our processes and operations.

The Board of Management and Executive Committee are responsible for managing the risks associated with our activities and the establishment and adequate functioning of appropriate risk management and control systems (see Statement of the Board of Management).



RISK MANAGEMENT FRAMEWORK

Our risk management framework is based on the Enterprise Risk Management – Integrated Framework of COSO and the Dutch Corporate Governance Code. It provides reasonable assurance that our business objectives can be achieved and our obligations to customers, shareholders, employees and society can be met. For more information on our risk management framework, visit the Risk management section on our website.

RISK MANAGEMENT IN 2020

Risk management is a company-wide activity, under the responsibility of the Board of Management and Executive Committee, focused on the areas of major risk exposure.

During 2020, we held a significant number of enterprise risk workshops across the organization, including dedicated workshops on fraud risks in response to the rapidly changing environment due to COVID-19. Risk scenarios identified are prioritized by responsible management teams and functional experts, and adequate mitigating actions are defined. We consider risk assessment and mitigation to be a continuous process, carried out against the background of an evolving risk landscape, which includes short, medium and longer term challenges.

The risk of a global pandemic materialized in 2020. By acting adequately and appointing a global COVID-19 response team, working with local response teams, we implemented mitigating actions to safeguard employee health and well-being and minimize business disruption.

The symbols alongside the risk descriptions opposite represent management's assessment of risk development, compared with 2019.

(For information related to financial risk, see Note 27 of the Consolidated financial statements).

Symbols indicate the following:
Risk assessed to increase. ▲
Risk assessed to remain fairly stable. =

External – Strategic

Global economy and the geopolitical context ▲

The unpredictable world's geo-political situation, with its impact on supply and demand and the highly competitive markets in which we operate, require ongoing attention to protect our financial performance.

Mitigating actions

- Continued focus on operational cost and complexity reduction
- Deployment of commercial and procurement excellence programs
- Geo-political assessment as part of investment decisions and medium term operational planning

External – Strategic

Strategic moves in our value chain =

An accumulation of strategic moves (horizontally and/or vertically) could impact our competitive position and/or increase the vulnerability of operations.

Mitigating actions

- Maintain industry, market and competitive intelligence analysis of competitors, customers and suppliers, and the ability to respond rapidly
- Identify opportunities for M&A, based on strong strategic and financial rationale
- Secure freedom to invest through strategic alignment with shareholders and other stakeholders

External – Strategic

Pandemic ▲

The risk of a global pandemic materialized in 2020. The company acted to safeguard employee health and well-being and minimize business disruption.

Mitigating actions

- Safety guidelines for our staff, contractors and/or third-party suppliers working on our premises, updated in real time based on local regulations/guidance
- Well-being support to our staff
- Agility of supply chain and distribution channels
- Continuous monitoring of impact of pandemic, including updating of forecasts
- Continued focus on operational cost and complexity reduction

External – Operational

Information technology and cybersecurity =

Our longer term IT strategy means we increasingly rely on fewer consolidated critical applications. With the number of digital business transactions on the increase, the non-availability of IT systems – or unauthorized access – could have a direct impact on our business processes, competitive position and reputation.

Mitigating actions

- Continuation of system (ERP) consolidation to increase robustness of digital landscape
- Broaden lifecycle planning for key applications
- Embedding a cybersecurity culture (intensified training, awareness creation)

External – Compliance

Complying with laws and regulatory development =

As a global player, we are exposed to increasingly stringent laws and regulations covering a growing range of subjects (such as environmental, human rights and competition law).

Mitigating actions

- Fostering open and transparent culture, continuous education and training
- Continuing implementation of Integrity and Compliance governance model
- Operate under state-of-the-art safety and compliance requirements for our manufacturing and R&D sites

Internal – Strategic

Organic growth ▲

Market leadership in parts of the world where our markets are growing is a cornerstone of our strategy. A global presence, in combination with locally tailored go-to-market models, is an essential ingredient for success.

Mitigating actions

- Renewed BU strategic mandates to underpin strategy
- Investment in sales capability and deployment of commercial excellence programs
- Further leverage digitally driven marketing
- Driving demand sensing, product innovation and supply chain agility through Integrated Business Planning

Internal – Strategic

Innovation, identification and successful implementation of major transforming technologies =

Our leadership positions and future success are underpinned by investment in research, the adoption of major transforming technologies and continuous development of the talents and skills of our people.

Mitigating actions

- Improve product management lifecycle
- Partnering with innovative startups (Paint the Future)
- IT resources to support new technology applications

Internal – Operational

Management of change =

We recognize the risks associated with continuous change, as well as the need to invest in building an organization structure which encourages and embraces change, while balancing opportunity and managing risk.

Mitigating actions

- Global Process Owners continue implementation of standard solutions across the company
- Reward system sets desired behavioral changes in motion and keeps momentum
- Launch of organizational health initiatives and periodic tracking of progress
- Range of programs to attract and retain talent

Internal – Operational

Analytics and big data =

In order to utilize data analytics and "big data" to support even better decision-making, we recognize the need to invest in an appropriate organization structure and governance framework with common standards, methods and tools to deliver insightful information across the company.

Mitigating actions

- Risk and mitigation ownership with an empowered community of Global Process Owners
- Define and align master data definition, quality standards and priorities
- Extended set of key controls

We're committed to leading with integrity in our industry. It's one of our three core values. We continue to further advance and expand our Integrity and Compliance program to help ensure compliance with laws and regulations and guide our employees to make fair and honest decisions every day.

Below is a summary of the 2020 priorities and activities, and the outcomes thereof, as required pursuant to the Dutch Decree on the publication of non-financial information.

GOVERNANCE AND ORGANIZATION

The Executive Committee is responsible for maintaining a culture of integrity and ensuring an effective compliance control framework. The Supervisory Board's Audit Committee oversees this responsibility. The Executive Committee has delegated certain responsibilities to the following committees (for more details visit our website):

Integrity and Compliance Committee

Reviews investigations into material violations of laws, regulations and internal rules, and SpeakUp! reports. Also decides on disciplinary measures and control improvement actions, and monitoring and responding to any trends or irregularities. By submitting these cases through a central Integrity and Compliance Committee, we ensure transparency and consistency of measures throughout the organization.

Risk, Control and Compliance Committees (RCC)

Responsible for supervising the effectiveness of the control environment and reviewing weaknesses in this environment, as well as progress on improvement actions. There are eight Business Unit RCCs and four Functional RCCs, in addition to a Group RCC. They each met quarterly in 2020.

Human Rights Committee

Responsible for supervising our Human Rights Control Framework and driving further expansion of the human rights program. To learn more, including details of how our approach to human rights helped our EcoVadis rating improve, see Note 4 of the Sustainability statements.

Privacy Committee

Responsible for supervising the company's Privacy Control Framework and driving further expansion of the data privacy program. In 2020, several critical projects were delivered. These included the launch of a new tool for cookie compliance, which helps to ensure required consent is given by website visitors before cookies are used for analytics and other marketing purposes. We also introduced automated workflows for handling data subject requests to ensure they are handled in line with applicable privacy laws.

Integrity and Compliance function

Day-to-day management of our Integrity and Compliance Framework is delegated to the Integrity and Compliance team, led by the Director of Integrity and Compliance, who reports to the General Counsel. The team includes legal experts in competition law; anti-bribery and anti-corruption; export control and sanctions; data privacy; and human rights.

To ensure we maintain and strengthen our culture of integrity, the Integrity and Compliance team – together with various functions and stakeholders – focuses efforts on three key areas:

- Help leaders to lead by example
- Build capabilities through training
- Build awareness through communication campaigns

The Integrity and Compliance managers contribute to further strengthening the culture of integrity by identifying and addressing local risks and cooperating with other functions to monitor controls and follow up on SpeakUp! cases. In 2020, the heads of Integrity and Compliance, Internal Control and Internal Audit met monthly to discuss findings and actions.

RISK MANAGEMENT

Every year, each business unit (BU) and major function identifies its key compliance risks and defines actions to mitigate these risks. These actions form part of the BU/function integrity and compliance plan, which in turn forms part of a larger BU/function legal plan.

POLICY MANAGEMENT

In 2020, we continued to expand our Policy Portal, a one-stop-shop for key policies, rules and procedures relating to our global processes. By reducing complexity and increasing transparency, it's easier for employees to access and understand which rules apply to their job. For example, during the year we issued rules and procedures on who has authority to approve certain decisions, receiving or offering gifts, and hospitality events. We also distributed business-friendly do's and don'ts, for example regarding parallel imports in Europe and e-commerce globally. Our policies and supporting tools increase awareness and knowledge across the company. No major risks or issues have been identified in these compliance fields.

AWARENESS AND EDUCATION

In 2020, we continued to counsel and educate employees on integrity and compliance rules and controls through e-learnings and in-person sessions. Business-friendly do's and don'ts were also issued to designated employees in specific compliance fields.

Communication campaigns

Employees are regularly informed about compliance risks and duties. For example, in 2020, we ran campaigns to educate employees about external fraud threats, hospitality and gifts compliance and our internal reporting system. We also focus on a different aspect of integrity every month to help employees make fair and honest decisions every day. In November, a global Integrity Week was held focused on protecting company data.

E-learning

Employees are required to follow mandatory e-learnings on various subjects, including our Code of Conduct, Life-Saving Rules, operating a diverse and respectful workplace, fraud, competition law, export control, information security and data privacy.

Training sessions

A number of face-to-face and virtual trainings are provided on integrity and compliance related topics. Due to the challenges posed by COVID-19, video conference trainings (including polls and Q&As) were offered to help increase employee engagement.

DUE DILIGENCE

We have processes in place to perform due diligence screenings on M&A targets and business partners. During 2020, we automated the screening of customers, suppliers and transactions in the area of export control and sanctions.

MONITORING

We have several processes to monitor compliance with our rules by employees and business partners. Managers are also required to self-assess and confirm compliance with company rules as part of the internal control self-assessment. Supplier performance is monitored through the EcoVadis self-assessment and Together for Sustainability audits. We also periodically screen high risk business partners registered in the third party compliance management tool.

During 2020, we launched our annual Code of Conduct declaration to senior leadership, with a 100% completion rate in two weeks. All our employees were then asked to reconfirm compliance.

Internal Audit performs numerous audits on our operations. Their audit plan is risk-based and takes account of prior compliance and internal control findings. In 2020, several internal audits were held to validate compliance with our rules in certain units; and we advanced our Gift, Hospitality and Conflict of Interest Register for more transparency on gifts received and provided, and on potential conflicts between the company's interests and personal interests.

GRIEVANCE AND INVESTIGATION

Our whistleblowing framework was named #1 out of all top companies in the Netherlands by Transparency International NL. Our SpeakUp! grievance mechanism enables employees and third parties to raise concerns about compliance with our Code of Conduct. Strict principles of confidentiality, respect for anonymity, non-retaliation, objectivity and the right to be heard are applied. A strict protocol means investigators must follow certain planning, investigation and reporting steps to ensure the right quality and speed.

In 2020, the total number of reports increased slightly, partly due to COVID-19 related concerns. We continue to see higher levels of reporting through our SpeakUp! hotline and online (180 SpeakUp! vs 70 direct reporting). All reports and alerts led to 35 dismissals and various other disciplinary measures and control improvements, confirming the value of our grievance framework.

For more details, visit https://akzo.no/SpeakUp

REPORTING

During 2020, the Director of Integrity and Compliance reported twice to the Executive Committee and the Audit Committee of the Supervisory Board on material developments of the Integrity and Compliance Program. Should there be any material investigation matters, these are discussed with our external auditor on a quarterly basis. No individual matters or disciplinary actions have been discussed with the Integrity and Compliance Committee that would warrant separate disclosure in this annual report. Should there be any material compliance matters or material internal control weaknesses or improvements in the future, these will be addressed through the RCCs and discussed with the Audit Committee and external auditor and, where appropriate, disclosed in accordance with the applicable legal requirements.

SpeakUp! reports

	2018	2019	2020
Total reports and alerts registered	238	222	250
Reports received through SpeakUp!	104	164	180
Integrity	50	59	61
Safety	6	5	21
Sustainability	48	100	98
Dismissals resulting from SpeakUp! reports			6
Conclusions SpeakUp! reports:			
Substantiated	14	28	27
Unsubstantiated	42	82	70
Other (e.g. referred)	48	54	46

In 2020, 56 reports and alerts were received outside our SpeakUp! mechanism, 43 of which were unsubstantiated, leading to 29 dismissals.

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

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

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

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

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

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

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

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

1. REMUNERATION FOR THE BOARD OF MANAGEMENT

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

The remuneration principles that apply for the Board of Management are aligned with those applied more broadly in the company. This provides a shared sense of purpose and direction at different management levels and a shared reward when success is achieved.

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

Variable remuneration provides an incentive to realize long-term value creation. For the short term, the Supervisory Board sets operational targets over a one-year period that are crucial to the company and are pre-conditions to value creation. The biggest portion of the remuneration packages of Board of Management members is directly aimed at strategic priorities that will contribute to building sustainable long-term value creation, with targets for the return for shareholders and the return on invested capital. Following the separation of Specialty Chemicals, a one-off long-term incentive to reward bringing value creation at a higher level has been added for the performance period 2018-2020.

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

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

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

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

Base salary

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

The elements of the Remuneration Policy strategy

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

Purpose	Strategy	Value
Total direct compensation Is the basis for benchmark efforts, i.e. the reference to the labor market peer group.	Base salary and variable income. Variable income concerns the performance-related short-term incentive (STI) and the long-term incentive plan (LTI). In addition, Board of Management members are entitled to certain benefits.	Value of each respective item is specified in more detail below.
Base salary Basic pay for the job.	Aims to provide a fair and competitive basis for the total pay level to attract high caliber leaders. Annual review based on the market movement in the Netherlands and peer companies. In-depth benchmark at least every three years.	Base salaries at AkzoNobel target the median of the labor market peer group.
Short-term incentive (STI) Incentive aligning short-term business objectives and business drivers toward long-term value creation. Driving pay for performance.	The Supervisory Board sets operational targets for the respective performance year and determines the extent to which they have been achieved. By ensuring that long-term value creation is properly reflected in stretched yet achievable targets, the realization of strategic business objectives is addressed. In total, 70% of the at-target STI is linked to financial objectives and 30% is related to personal objectives.	On-target performance: 100% of annual base salary for the CEO and 65% for the CFO. Maximum opportunity capped at 150% of on-target. Threshold: No STI pay-out below threshold level.
Long-term incentive (LTI) Encourage long-term, sustainable economic and shareholder value creation – both absolute and relative to competitors – and to align Board of Management interests with those of shareholders, as well as ensuring retention of the members of the Board of Management.	Performance shares are awarded every year, to be converted into shares upon realization of predefined targets, observing a three-year vesting period. An additional two-year holding period after vesting applies. Performance targets are based on company strategy, driving long-term value creation. All LTI targets are linked to financial goals. Performance is measured over three financial years, starting with the year of grant.	The grant equals 150% of base salary. Maximum vesting opportunity is 150% of the number of performance shares vested.
Shareholding requirement Aligning reward to the interests of stakeholders, and emphasizing confidence in performance and strategy.	Members of the Board of Management are expected to build up a shareholding in the company; the minimum shareholding requirement must be accrued in five years. Considered are shares privately purchased and vested shares granted under AkzoNobel share-based compensation plans.	The minimum shareholding requirement is 300% of annual base salary for the CEO and 150% for the CFO.
Pension and other benefits Post-retirement remuneration and other benefits, creates alignment with market practice.	A company-paid contribution to allow participation in a private pension plan, as applicable to Netherlands-based employees. Other benefits include sick pay (aligned with Netherlands-based employees) and a company car.	Pension contributions aligned with plans in place for employees in the Netherlands. Other benefits aligned with market practice.
Goal setting Goal setting is crucial to driving pay for performance aligned with company strategy and to ensure that decisions made and results delivered are aligned with the interests of our stakeholders.	Supervisory Board sets goals, their respective weight and targets (i.e. metric) for the respective performance year under the STI and LTI scheme, considering: (1) Company strategy (2) Focus on long-term value creation (3) Historical performance, business future outlook, and circumstances and priorities (4) Stakeholder expectations.	Goals must be stretching yet achievable.

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

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

Short-term incentive (STI)

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

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

Remuneration Board of Management for the reported financial year

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

[1] Social security contributions and car arrangement.
[2] Amounts based on IFRS2 expenses.
[3] Compensation intended for build-up of retirement benefits instead of pension contributions.
[4] PIP is the one-off Special Incentive Plan for the performance period 2018-2020.
[5] At December 31, 2020, these shares had a market value of 1,583,237. Total remuneration based on this value amounts to 6,035,161.
[6] At December 31, 2020, these shares had a market value of 1,348,124. Total remuneration based on this value amounts to 4,102,880.

In determining the outcome of the STI elements, the Remuneration Committee applied a reasonableness test in which the actual level of the performance was critically assessed in light of the assumptions made at the beginning of the year, taking into account the impact of COVID-19. The test also included an assessment of the progress made with the strategic objectives under prevailing market conditions.

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

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

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

LONG-TERM INCENTIVES (LTI)

Conditional grant LTI share plan 2020-2022

The Remuneration Committee determines the grant levels to be made in respect of members of the Board of Management, within the limits and plans that have been approved by shareholders. In 2020, the CEO and CFO received a conditional grant of shares equivalent to the face value of 150% of their annual base salaries. The grant price was determined based on the average share price of an AkzoNobel common share in the two weeks following publication of the annual results on February 12, 2020:

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

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

The performance level determines: (i) the performance level below which no shares vest; (ii) the performance level at which the target number of shares vest; and (iii) the performance level at which the maximum number of shares vest.

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

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

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

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

Relative TSR vesting scheme for the conditional grants

Rank	Vesting (as % of 50% of conditional grant)
1	150
2	135
3	120
4	100
5	75
6	50
7	25
8-10	0

Vesting of the LTI Share Plan 2018-2020

Under the LTI Share Plan 2018-2020, a conditional grant of 20,200 shares was made to the CEO and a conditional grant of 17,200 shares made to the CFO.

In line with the Remuneration Policy, vesting of 50% of the shares conditionally granted is linked to AkzoNobel's ROI performance. The company's ROI performance at the end of the performance period was reviewed by the Supervisory Board. The Supervisory Board recognized that the initial ROI target was not fully in line with the company's new strategy. They decided not to adjust the target, but to apply their discretionary power and to evaluate performance against the ROI target as defined and communicated at the beginning of 2020. This resulted in a vesting of 106% for this specific part of the long-term incentive.

For the 2018 conditional grant, 50% was linked to AkzoNobel's relative total shareholder return (TSR) performance compared with the companies in a defined industry peer group. Independent external experts conducted an analysis to calculate the number of shares that will vest according to the TSR ranking. In order to adjust for changes in exchange rates, all local currencies were converted into euros.

AkzoNobel's TSR performance during the period 2018 to 2020 resulted in the sixth position within the ranking of the peer group companies. This ranking resulted in a vesting of 50% for this part of the long-term incentive.

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

The Remuneration Committee determined that:

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

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

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

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

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

2020 Performance Incentive Plan

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

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

In determining the outcome of the Performance Incentive Plan, the Remuneration Committee applied a reasonableness test in which the actual level of the performance was critically assessed in light of the assumptions made at the beginning of the year and the decision to pause and suspend the 15 by 20 ambition. The test also included an assessment of the progress made with the strategic objectives under prevailing market conditions.

Actual ROS performance was 15.0% (excluding unallocated cost). The Remuneration Committee subsequently determined that payments for the Board of Management would be:
- Thierry Vanlancker, CEO: €2,067,000 (200% of salary)
- Maarten de Vries, CFO: €1,391,000 (200% of salary)

Claw back and value adjustment

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

Loans

The company does not grant loans, advance payments or guarantees to members of the Supervisory Board, members of the Executive Committee or any family member of such persons.

Shareholding requirements and share matching

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

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

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

Performance range – 2020 Performance Incentive Plan

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

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

in €	2016	2017	Divestment Specialty Chemicals 2018	2019	2020
Remuneration CEO	**Ton Büchner**	**Thierry Vanlancker**			
Fixed compensation	1,339,000	1,135,825	1,151,900	1,186,500	1.245.800
Total direct compensation	3,518,900	2,825,863	2,899,883	3,561,212	5,561,689
% change fixed compensation	9%	(15%)	1%	3%	5%
% change total compensation	2%	(20%)	3%	23%	56%
Remuneration CFO	**Maëlys Castella**		**Maarten de Vries**		
Fixed compensation	710,300	715,016	797,600	819,800	865,500
Total direct compensation	1,586,400	2,169,290	1,515,816	1,843,977	3,559,658
% change fixed compensation	4%	1%	12%	3%	6%
% change total compensation	20%	37%	(30%)	22%	93%
Company performance					
Net income attributable to shareholders	970,000,000	832,000,000	6,674,000,000	539,000,000	630,000,000
Net income % change	(1)	(14)	702	(92)	17
ROI	14.4	13.9	12.6	14.1	16.1
ROI % change	3%	(3%)	(9%)	12%	14%
Adjusted operating income (OPI)	928,000,000	905,000,000	798,000,000	991,000,000	1,099,000,000
Adjusted OPI % change	(37%)	(2%)	(12%)	24%	11%
Average remuneration on a full-time equivalent basis of employees					
Average salary per employee[1]	58,559	53,453	56,619	54,825	56,061
% change average remuneration	(1%)	(9%)	6%	(3%)	2%

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

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

Comparative information

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

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

Over the last few years of transition, the company's performance fluctuated significantly as the table above shows. In 2018, net profit increased sharply, mainly due to the divestment of Specialty Chemicals, with a deal result of €5,811 million after tax. The transition was also reflected in the development of remuneration. Restructuring due to discontinued operations, for example, resulted in a reduction of the average salary per employee, followed by increases when operations stabilized and profits increased again. In 2018, the increase in average salary was also influenced by the inclusion of a one-off €57 million pension cost for the UK guaranteed minimum pension equalizations.

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

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

Post-contract compensation

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

Board contracts

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

2. REMUNERATION FOR THE SUPERVISORY BOARD

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

Implementation of the Remuneration Policy for the Supervisory Board in 2020 resulted in the payout presented in the table below. According to the Code, members are not remunerated in shares.

3. REMUNERATION POLICIES FOR THE NEXT FINANCIAL YEAR

In 2020, the Supervisory Board evaluated the remuneration policies for the Board of Management and Supervisory Board. The Supervisory Board considered input from stakeholders, the requirements of the EU Directive on the encouragement of long-term shareholder engagement (SRD II), and the Dutch regulation implementing this directive. As a result, a new policy was prepared for the remuneration of the Board of Management, to be submitted for approval at the AGM in April 2021.

Remuneration Policy for the Board of Management

Since 2017, AkzoNobel has been focused on its Winning together: 15 by 20 strategy to deliver 15% ROS (excluding unallocated cost) in 2020. The company's new Grow & Deliver strategy, including ambitions for 2021-23, balances growth (at least in line with relevant markets) and profitability improvement (an average 50 basis points increase in ROS per year). The Supervisory Board has concluded that the Remuneration Policy for the Board of Management should provide adequate and balanced remuneration in support of the new company strategy. For that purpose, a revised Remuneration Policy will be submitted to the AGM. The updated Remuneration Policy seeks to:

- Attract and retain high caliber people to the Board of Management by offering competitive remuneration against a European peer group
- Incentivize realization of the company's Grow & Deliver strategy and the short- and long-term ambitions through aligning metrics and targets around growth and delivery in STI and LTI
- Deliver sustainable value creation for shareholders and other stakeholders, by setting focused LTI metrics and simplifying share matching

Remuneration Policy for the Supervisory Board

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

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

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

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

1 As of May 1, 2016.
2 Deputy Chairman as of October 18, 2016.
3 From May 1, 2016, until December 1, 2017.
4 As of November 30, 2017.
5 As of May 1, 2018.
6 Until April 30, 2018.
7 Until April 30, 2019.
8 As of May 1, 2019.
9 Until April 24, 2020.

AkzoNobel and the capital markets

AkzoNobel's common shares are listed on Euronext Amsterdam. The company is included in the AEX Index, which consists of the top 25 listed companies in the Netherlands, ranked on the basis of their turnover in the stock market and free float. During 2020, 203 million AkzoNobel shares were traded on Euronext Amsterdam (2019: 229 million). AkzoNobel has a sponsored level 1 ADR program and ADRs can be traded on the international OTCQX platform in the US. Please refer to the table below for stock codes and ticker symbols.

Euronext ticker symbol	AKZA
ISIN common share	NL0013267909
OTC ticker symbol	AKZOY
ISIN ADR	US0101995035

AkzoNobel has 100% free float and a broad base of international shareholders. Based on an independent shareholder analysis, the "Distribution of shares" chart (see opposite page) shows the geographical spread of institutional shareholders.

Around 41% of the company's share capital is held by socially responsible investing (SRI) shareholders.

Around 4% of the company's share capital is held by private investors, many of whom are resident in the Netherlands. Approximately 41% of the company's share capital is held by socially responsible investing (SRI) shareholders*, compared with 11% in 2019. This increase has mainly been driven by the reclassification of several major shareholders, according to Nasdaq's methodology.

*As calculated by Nasdaq, according to their methodology, which is to include the sum of:
- Core sustainable and responsible investor firms where 100% of equity assets are managed with an environmental, social and governance (ESG) approach
- Sustainable and responsible investor themed funds managed by a broad range of sustainable and responsible investors

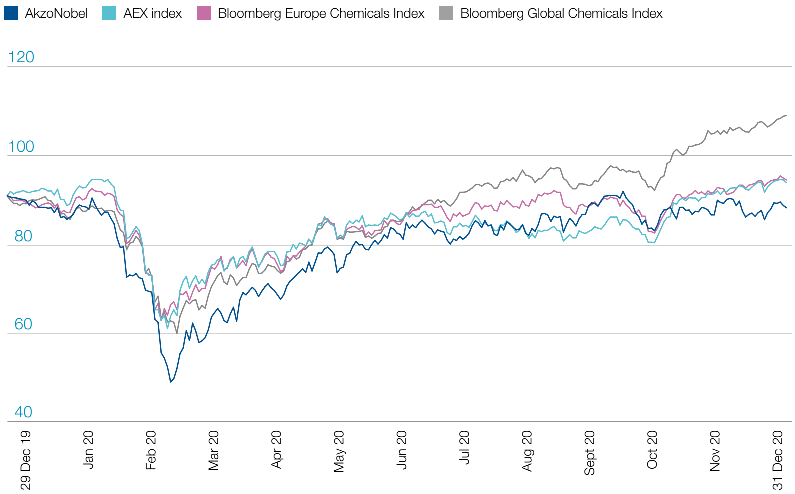
For further information please visit our website: akzonobel.com

Key share data[1]

	2018	2019	**2020**
Year-end (share price in €)	70.40	90.69	87.86
Year-high (share price in €)[2]	82.70	91.86	91.60
Year-low (share price in €)[2]	68.82	69.12	48.50
Number of shares outstanding at year-end (in millions)	256	200	191
Market capitalization at year-end (in € billions)	17.8	18.1	16.7
Dividend per share (in €)	1.80	1.90	1.95
Dividend yield (in %)[3]	2.6	2.1	2.2

[1] Based on Bloomberg share data.
[2] Based on close value.
[3] Based on year-end share price. Excluding special dividend of €4.50 in 2019.

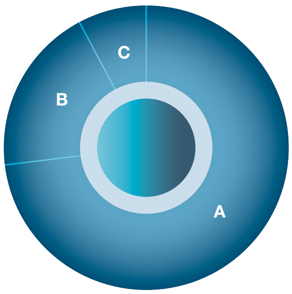
Share price performance 2020 AkzoNobel share price in €



Following 2020 reviews, AkzoNobel was included in a number of leading sustainability indices and continues to be the reference in the paints and coatings industry. Please refer to our approach to sustainable business in the Sustainability statements for a complete overview.

The AkzoNobel share price was 3.1% lower at year-end 2020, compared with 2019 year-end.

Analyst recommendations



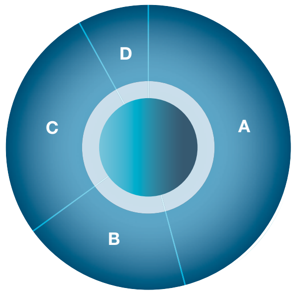
A Buy	19
B Hold	5
C Sell	2

At year-end 2020, AkzoNobel was covered by 26 equity brokers. An overview of analyst recommendations is shown in the graph above.

Credit rating

AkzoNobel is committed to maintaining a strong investment grade credit rating. Regular review meetings are held between rating agencies and AkzoNobel senior management. See the table below for the current credit ratings and outlook.

Distribution of shares 2020 in %



A US	46
B UK	19
C Rest of Europe	27
D Rest of world	8

Bonds

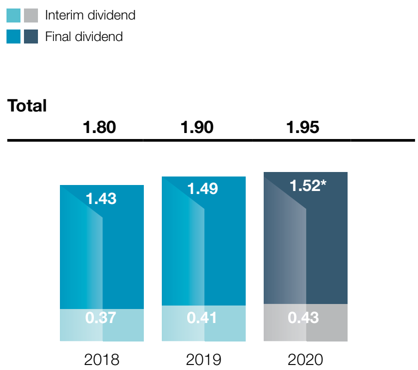
On April 7, 2020, AkzoNobel launched a €750 million bond, with a ten-year maturity and a coupon of 1.625%. The maturity schedule of outstanding bonds is shown below.

Dividend

The dividend policy is to pay a stable to rising dividend. In 2020, an interim dividend of €0.43 per share (2019: €0.41) was paid. The Board of Management proposes a 2020 final dividend of €1.52 per share, which would equal a total 2020 dividend of €1.95 (2019: €1.90) per share.

The dividend proposed to the 2021 Annual General Meeting of shareholders (April 22), following adoption, will be payable as of May 6, 2021. AkzoNobel's shares will trade ex-dividend as of April 26, 2021. In compliance with the listing requirements of Euronext Amsterdam, the record date for the final dividend will be April 27, 2021.

Dividend paid in € per share



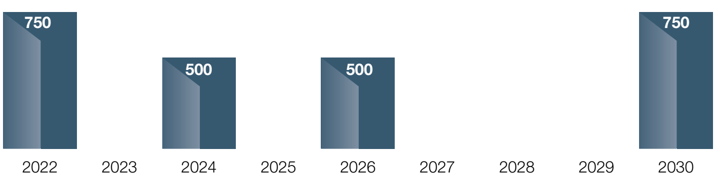
* Proposed.

In February 2020, CFO Maarten de Vries (pictured) and CEO Thierry Vanlancker hosted an investor event in London. Broadcast live by video webcast, it provided an update on the company's Winning together: 15 by 20 strategy, including plans for 2020 and beyond.

Rating agency	Long-term rating	Outlook
Moody's*	Baa1	Stable
Standard & Poor's*	BBB+	Stable

* Rating affirmed December 2020.

Debt maturity[1] in € millions (nominal amounts)



[1] As of April 2020.

FINANCIAL INFORMATION

CONSOLIDATED STATEMENT OF INCOME

In € millions, for the year ended December 31	Note		2019*		2020
Continuing operations					
Revenue	5	9,276		8,530	
Cost of sales	6	(5,314)		(4,745)	
Gross profit			**3,962**		**3,785**
Selling expenses	6	(2,217)		(1,916)	
General and administrative expenses	6	(637)		(663)	
Research and development expenses	6	(262)		(238)	
Other results	6	(5)		(5)	
			(3,121)		**(2,822)**
Operating income			**841**		**963**
Financing income and expenses	8	(76)		(69)	
Results from associates and joint ventures	14	20		25	
Profit before tax			**785**		**919**
Income tax	9		(230)		(241)
Profit for the period from continuing operations			**555**		**678**
Discontinued operations					
Profit/(loss) for the period from discontinued operations	2		22		(7)
Profit for the period			**577**		**671**
Attributable to					
Shareholders of the company			539		630
Non-controlling interests			38		41
Profit for the period			**577**		**671**
Earnings per share, in €					
Continuing operations					
Basic	10		2.43		3.33
Diluted	10		2.42		3.32
Discontinued operations					
Basic	10		0.10		(0.04)
Diluted	10		0.10		(0.04)
Total operations					
Basic	10		2.53		3.29
Diluted	10		2.52		3.28

* Costs by nature 2019 have been reclassified to align to our 2020 cost structure and allocations. This resulted in reclassifications between cost lines in our statement of income, which did not impact total operating income.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

In € millions, for the year ended December 31	2019	2020
Profit for the period	**577**	**671**
Other comprehensive income/(expense)		
Items that will not be reclassified to the statement of income:		
Post-retirement benefits	(249)	115
Income tax	24	(18)
Net effect	**(225)**	**97**
Items that may be reclassified subsequently to the statement of income:		
Exchange differences arising on translation of foreign operations	127	(430)
Income tax	11	5
Net effect	**138**	**(425)**
Other comprehensive expense for the period	**(87)**	**(328)**
Comprehensive income for the period	**490**	**343**
Comprehensive income attributable to		
Shareholders of the company	453	323
Non-controlling interests	37	20
Comprehensive income for the period	**490**	**343**

CONSOLIDATED BALANCE SHEET, BEFORE ALLOCATION OF PROFIT

In € millions, at December 31	Note		2019		2020
Assets					
Non-current assets					
Intangible assets	11	3,625		3,554	
Property, plant and equipment	12	1,700		1,621	
Right-of-use assets	13	374		324	
Deferred tax assets	9	529		497	
Investments in associates and joint ventures	14	150		166	
Financial non-current assets	15	1,862		1,951	
Total non-current assets			**8,240**		**8,113**
Current assets					
Inventories	16	1,139		1,159	
Current tax assets	9	63		55	
Trade and other receivables	17	2,133		1,994	
Short-term investments	21	138		250	
Cash and cash equivalents	21	1,271		1,606	
Total current assets			**4,744**		**5,064**
Total assets			**12,984**		**13,177**
Equity and liabilities					
Equity					
Shareholders' equity	18	6,350		5,746	
Non-controlling interests	18	218		204	
Group equity			**6,568**		**5,950**
Non-current liabilities					
Post-retirement benefit provisions	19	701		664	
Other provisions	20	280		232	
Deferred tax liabilities	9	391		467	
Long-term borrowings	21	2,042		2,771	
Total non-current liabilities			**3,414**		**4,134**
Current liabilities					
Short-term borrowings	21	169		119	
Current tax liabilities	9	196		162	
Trade and other payables	22	2,406		2,580	
Current portion of provisions	19, 20	231		232	
Total current liabilities			**3,002**		**3,093**
Total equity and liabilities			**12,984**		**13,177**

CONSOLIDATED STATEMENT OF CASH FLOWS

In € millions, for the year ended December 31	Note		2019		2020
Profit for the period from continuing operations		**555**		**678**	
Adjustments to reconcile earnings to net cash generated from operating activities					
Amortization and depreciation	11, 12, 13	360		361	
Impairment losses	11, 12, 13	66		10	
Financing income and expenses	8	76		69	
Results from associates and joint ventures	14	(20)		(25)	
Pre-tax result on acquisitions and divestments	2	(83)		(27)	
Income tax	9	230		241	
Changes in working capital	23	(244)		184	
Pension pre-funding	19, 23	(161)		–	
Changes in post-retirement benefit provisions	19	(509)		(46)	
Changes in other provisions	20, 23	(15)		(22)	
Interest paid		(66)		(47)	
Income tax paid		(184)		(165)	
Other changes		28		9	
Net cash generated from/(used for) operating activities			**33**		**1,220**
Capital expenditures*	11, 12	(214)		(258)	
Interest received		13		8	
Dividends from associates and joint ventures		–		17	
Acquisition of consolidated companies	2	(224)		(113)	
Investments in short-term investments	21	(2,325)		(248)	
Repayments of short-term investments	21	7,663		136	
Proceeds from divestments		104		31	
Other changes		(5)		–	
Net cash generated from/(used for) investing activities			**5,012**		**(427)**
Proceeds from borrowings	21	10		970	
Borrowings repaid	21	(623)		(339)	
Capital repayment	18	(2,000)		–	
Share buyback	18	(2,520)		(555)	
Dividends paid	18	(1,446)		(385)	
Buy-out of non-controlling interests	2	–		(44)	
Net cash generated from/(used for) financing activities			**(6,579)**		**(353)**
Net cash generated from/(used for) continuing operations			**(1,534)**		**440**
Net cash generated from/(used for) discontinued operations	2		(10)		(3)
Net change in cash and cash equivalents from continued and discontinued operations			**(1,544)**		**437**
Net cash and cash equivalents at January 1	21		2,732		1,210
Effect of exchange rate changes on cash and cash equivalents			22		(66)
Net cash and cash equivalents at December 31			**1,210**		**1,581**

* Capital expenditures include investments in intangible assets (refer to Note 11) and investments in property, plant and equipment (refer to Note 12).

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

In € millions	Attributable to shareholders of the company: Subscribed share capital	Additional paid-in capital	Cumulative translation reserve	Other (legal) reserves and undis-tributed profit	Shareholders' equity	Non-controlling interests	Group equity
Balance at January 1, 2019	**512**	**958**	**(608)**	**10,972**	**11,834**	**204**	**12,038**
Profit for the period	—	—	—	539	539	38	577
Other comprehensive income/(expense)	—	—	128	(249)	(121)	(1)	(122)
Tax on other comprehensive income	—	—	11	24	35	—	35
Comprehensive income for the period	**—**	**—**	**139**	**314**	**453**	**37**	**490**
Dividend	—	—	—	(1,423)	(1,423)	(23)	(1,446)
Share buyback*	(14)	—	—	(2,520)	(2,534)	—	(2,534)
Capital repayment and share consolidation	(399)	(957)	—	(644)	(2,000)	—	(2,000)
Equity-settled transactions**	—	—	—	20	20	—	20
Issue of common shares	1	(1)	—	—	—	—	—
Balance at December 31, 2019	**100**	**—**	**(469)**	**6,719**	**6,350**	**218**	**6,568**
Profit for the period	—	—	—	630	630	41	671
Other comprehensive income/(expense)	—	—	(409)	115	(294)	(21)	(315)
Tax on other comprehensive income	—	—	5	(18)	(13)	—	(13)
Comprehensive income for the period	**—**	**—**	**(404)**	**727**	**323**	**20**	**343**
Dividend	—	—	—	(366)	(366)	(19)	(385)
Share buyback*	(5)	—	—	(540)	(545)	—	(545)
Equity-settled transactions**	—	—	—	13	13	—	13
Acquisition of non-controlling interests	—	—	—	(29)	(29)	(15)	(44)
Balance at December 31, 2020	**95**	**–**	**(873)**	**6,524**	**5,746**	**204**	**5,950**

* Includes a tax credit of €3 million (2019: €nil).
** Includes a tax charge of €1 million (2019: €4 million tax credit).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 1 Summary of significant accounting policies

GENERAL INFORMATION

Akzo Nobel N.V. is a company headquartered in the Netherlands.The address of our registered office is Christian Neefestraat 2, Amsterdam; the Chamber of Commerce number is 09007809. We have attached a list of subsidiaries, associated companies and joint ventures, drawn up in conformity with Articles 379 and 414 of Book 2 of the Dutch Civil Code, as an Appendix to our annual report.

We have prepared the Consolidated financial statements of Akzo Nobel N.V. in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. They also comply with the financial reporting requirements included in Title 9 of Book 2 of the Dutch Civil Code. The Consolidated financial statements have been prepared on a going concern basis. The Management report within the meaning of Article 391 of Book 2 of the Dutch Civil Code consists of the following parts of the annual report:

- 2020 results at a glance
- CEO statement
- How we delivered on 15 by 20
- How we created value
- Strategy and operations
- Leadership and governance: Our Board of Management and Executive Committee
- Leadership and governance: Statement of the Board of Management
- Leadership and governance: Corporate governance statement
- Leadership and governance: Risk management
- Leadership and governance: Integrity and compliance management
- Leadership and governance: Remuneration report
- Financial information: Note 6 Operating income
- Financial information: Note 27 Financial risk management

The section How we created value provides information on the developments during 2020 and the results. This section also provides information on cash flow and net debt, capital expenditures, innovation activities and employees.

On February 16, 2021, the Board of Management authorized the financial statements for issue. The financial statements as presented in this report are subject to adoption by the Annual General Meeting of shareholders on April 22, 2021.

CONSOLIDATION

The Consolidated financial statements include the accounts of Akzo Nobel N.V. and its subsidiaries. Subsidiaries are companies over which Akzo Nobel N.V. has control, because it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect returns through its power over the subsidiary. Non-controlling interests in equity and in results are presented separately.

CHANGE IN ACCOUNTING POLICIES AND FIRST TIME APPLICATION

Accounting pronouncements, which became effective for 2020 (amendments to IFRS 3 “Definition of a Business”, amendments to IFRS 9, IAS 39 and IFRS 7 “Interest Rate Benchmark Reform – Phase 1”, amendments to IAS 1 and IAS 8 “Definition of Material”, “Amendments to References to the Conceptual Framework in IFRS Standards” and the amendment to IFRS 16 “COVID-19-Related Rent Concessions”) had no material impact on our Consolidated financial statements.

DISCONTINUED OPERATIONS (NOTE 2)

A discontinued operation is a component of our business that represents a separate major line of business or geographical area of operations that has been disposed of or is held for sale, or is a subsidiary acquired exclusively with a view to resale. Assets and liabilities are classified as held for sale if it is highly probable that the carrying value will be recovered through a sale transaction within one year rather than through continuing use. When reclassifying assets and liabilities as held for sale, we recognize the assets and liabilities at the lower of their carrying value or fair value less costs to sell. Assets held for sale are not depreciated and amortized but tested for impairment. In case of discontinued operations, the comparative figures in the Consolidated statement of income and Consolidated statement of cash flows are represented. The balance sheet comparative figures are not represented.

ALTERNATIVE PERFORMANCE MEASURES (NOTE 4)

Our Alternative Performance Measures (APM) are based on IFRS measures and exclude so-called identified items. Identified items are special charges and benefits, results on acquisitions and divestments, major restructuring and impairment charges, and charges and benefits related to major legal, environmental and tax cases.

USE OF ESTIMATES

The preparation of the financial statements in compliance with IFRS requires management to make judgments, estimates and assumptions that affect amounts reported in the financial statements. The estimates and assumptions are based on experience and various other factors that are believed to be reasonable under the circumstances and are used to judge the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are reviewed on an ongoing basis. The most critical accounting policies involving a higher degree of judgment and complexity in applying principles of valuation and for which changes in the assumptions and estimates could result in significantly different results than those recorded in the financial statements are the following:

- Scope of consolidation (Note 2)
- Discontinued operations and held for sale (Note 2)
- Income tax and deferred tax assets, including uncertain tax positions (Note 9)

- Impairment of intangible assets, property, plant and equipment and right-of-use assets (Note 11, 12, 13)
- Post-retirement benefit provisions (Note 19)
- Provisions and contingent liabilities (Note 20)

COVID-19 IMPACT ON FINANCIAL STATEMENTS

The pandemic situation in 2020 has been closely monitored and appropriate measures have been taken to continue serving our customers and save costs, while at the same time keeping the organization intact and able to respond quickly to changes in end market demand. The overall impact on AkzoNobel for the full-year 2020 was limited. An overall positive impact was noted for the Decorative Paints segment, whereas there was an overall adverse impact in the Performance Coatings segment. The pandemic has not impacted our going concern assumption.

AkzoNobel has a strong balance sheet and solid cash position. At December 31, 2020, cash and cash equivalents were €1.6 billion and financial leverage (net debt/ EBITDA) was 0.8. AkzoNobel is committed to retain a strong investment grade credit rating.

In 2020, a detailed assessment was performed of potential valuation adjustments to the overall asset base, either due to the direct impact of COVID-19 or due to its impact on future profitability. Goodwill and intangible asset impairment tests have been performed based on most recently updated forecasts. Recoverability of deferred tax assets has also been reassessed based on these forecasts. Furthermore, an assessment was performed with regard to the allowance for impairment of trade receivables, also taking into account potential additional risk associated with COVID-19.

The impact of the pandemic on the Financial Statements has been considered for each of the relevant notes, and additional disclosures have been provided in case COVID-19 had a material impact on a specific Financial Statements section. The Financial Statements sections for which this is relevant include:

- Government support received and recorded as credit to employee benefits (Note 7)
- Income tax and the valuation of deferred tax assets (Note 9)
- Intangible assets and the annual impairment testing process (Note 11)
- Valuation of trade receivables (Note 17).

In our 2020 figures, all COVID-19 related impacts have been treated as normal operations; none of these impacts have been included in identified items.

STATEMENT OF CASH FLOWS

We have used the indirect method to prepare the statement of cash flows. Cash flows in foreign currencies have been translated at transaction rates. Acquisitions or divestments of subsidiaries are presented net of cash and cash equivalents acquired or disposed of, respectively. Cash flows from derivatives are recognized in the statement of cash flows in the same category as those of the hedged items.

OPERATING SEGMENTS

We determine and present operating segments based on the information that is provided to the Executive Committee, our chief operating decision-maker during 2020, to make decisions about resources to be allocated to the segments and assess their performance. Segment results reported to the Executive Committee include items directly attributable to a segment as well as those items that can be allocated on a reasonable basis. Unallocated items comprise mainly of corporate assets and corporate costs and are reported in “Corporate and other”.

FOREIGN CURRENCIES

Transactions in foreign currencies are translated into the functional currency using the foreign exchange rate at transaction date. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency using the exchange rates at the balance sheet date. Resulting foreign currency differences are included in the statement of income in financing income and expenses. Non-monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at acquisition date.

The assets and liabilities of entities with other functional currencies are translated into euros, the functional currency of the parent entity, using the exchange rates at the balance sheet date. The income and expenses of entities with other functional currencies are translated into the functional currency, using the exchange rates at transaction date.

When a subsidiary is operating in a hyperinflationary country, the financial statements of this entity are restated into the current purchasing power at the end of the reporting period. Hyperinflation accounting is applied for Argentina.

Foreign exchange differences resulting from translation into the functional currency of investments in subsidiaries and of intercompany loans of a permanent nature with other functional currencies are recorded as a separate component (cumulative translation reserve) within other comprehensive income. These cumulative translation adjustments are reclassified (either fully or partly) to the statement of income upon disposal (either fully or partly) or liquidation of the foreign subsidiary to which the investment or the intercompany loan with a permanent nature relates to. Foreign currency differences arising on the translation of a financial liability designated as an effective hedge of a net investment in a foreign operation are recognized in the cumulative translation reserve (in other comprehensive income).

EXCHANGE RATES OF KEY CURRENCIES

The principal exchange rates against the euro used in preparing the balance sheet and the statement of income are:

	Balance sheet			Statement of income		
	2019	**2020**	**%**	**2019**	**2020**	**%**
US dollar	1.121	1.229	9.6	1.120	1.143	2.1
Pound sterling	0.854	0.900	5.4	0.878	0.889	1.3
Chinese yuan	7.808	7.992	2.4	7.742	7.875	1.7
Brazilian real	4.507	6.384	41.6	4.414	5.887	33.4

REVENUE RECOGNITION (NOTE 5)

Sale of goods

AkzoNobel's main business consists of straightforward selling of goods (paints and coatings) to customers at contractually determined prices and conditions without any additional services. Although the transfer of risks and rewards is not the only criterion to be considered to determine whether control over the goods has transferred, it is in most situations considered to be the main indicator of the customer's ability to direct the use of and obtain the benefits from the asset and largely also coincides with the physical transfer of the goods and the obligation of the customer to pay.

Variable considerations, including among others rebates, bonuses, discounts and payments to customers, are accrued for as performance obligations are satisfied and revenue is recognized. Variable considerations are only recognized when it is highly probable that these are not subject to significant reversal. In case of expected returns, no revenue is recognized for such products, but a refund liability and an asset for the right to recover the to be returned products are recorded. A provision for warranties is recognized when the underlying products or services are sold, generally based on historical warranty data.

Revenue is recognized net of rebates, discounts and similar allowances, and net of sales tax.

Equipment provided to customers

AkzoNobel regularly provides mixing machines, store interior and other assets to its customers at the start of a paints or coatings delivery contract. The delivery of such assets qualifies as a separate performance obligation. Revenue can only be recognized at the moment of transfer of such assets, when there is an agreed sales price or when there is a binding take-or-pay commitment for a minimum quantity of paints or coatings to be acquired by the customer.

Services

AkzoNobel provides certain training, technical or support services to customers as well as shipping and handling activities for its customers. Service revenue is recognized over time when the related services are being provided. When not separately invoiced, part of the sales price of paints or coatings is allocated to such services.

POST-RETIREMENT BENEFITS (NOTE 7, 19)

Contributions to defined contribution plans are recognized in the statement of income as incurred.

Most of our defined benefit pension plans are funded with plan assets that have been segregated in a trust or foundation. We also provide post-retirement benefits other than pensions to certain employees, which are generally not funded. Valuations of both funded and unfunded plans are carried out by independent actuaries based on the projected unit credit method. Post-retirement costs primarily represent the increase in the actuarial present value of the obligation for projected benefits based on employee service during the year and interest on the net defined benefit liability/asset. When the calculation results in a benefit to AkzoNobel, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. An economic benefit is available if it is realizable during the life of the plan, or on the settlement of the plan liabilities. The effect of these so-called asset ceiling restrictions and any changes therein are recognized in other comprehensive income. Remeasurement gains and losses, which arise in calculating our obligations, are recognized in other comprehensive income. When the benefits of a plan improve, the portion of the increased benefits related to past service by employees is recognized as an expense in the statement of income immediately. We recognize gains and losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs.

Interest on the net defined benefit liability/asset is included in financing expenses related to post-retirement benefits. Other charges and benefits recognized are reported in operating income, unless recorded in other comprehensive income.

OTHER EMPLOYEE BENEFITS (NOTE 7, 20)

Provisions for other long-term employee benefits are measured at present value, using actuarial assumptions and methods. Any actuarial gains and losses are recognized in the statement of income in the period in which they arise.

SHARE-BASED COMPENSATION (NOTE 7)

AkzoNobel has a performance-related and a restricted share plan as well as a share-matching plan, under which shares are conditionally granted to certain employees. The fair value is measured at grant date and amortized over the three-year period during which the employees normally become unconditionally entitled to the shares with a corresponding increase in shareholders' equity. Amortization is accelerated in the event of earlier vesting or settlement. In case of a plan modification, the fair value is increased when the change is beneficial to the employee.

INCOME TAX (NOTE 9)

Income tax expense comprises both current and deferred tax, including effects of changes in tax rates. In determining the amount of current and deferred tax we also take into account the impact of uncertain tax positions and whether additional taxes and interest may be due. Income tax is recognized in the statement of income, unless it relates to items recognized in other comprehensive income or equity.

Current tax includes the expected tax payable and receivable on the taxable income for the year, using tax rates enacted or substantially enacted at reporting date, as well as (any adjustments to) tax payables and receivables with respect to previous years.

Deferred tax is recognized using the liability method on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Consolidated financial statements. We do not recognize deferred tax for the initial recognition of goodwill, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit, and differences related to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future and we can control the timing of the reversal of the temporary difference. Deferred tax assets are recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized.

Measurement of deferred tax assets and liabilities is based upon the enacted or substantially enacted tax rates expected to apply to taxable income in the years in which temporary differences are expected to be reversed. Income tax consequences are taken into account in the determination of deferred tax liabilities to the extent earnings are expected to be distributed by subsidiaries in the foreseeable future and AkzoNobel has control over dividend distribution. Deferred tax positions are not discounted.

EARNINGS PER SHARE (NOTE 10)

Basic earnings per share is calculated by dividing the profit for the period attributable to shareholders of the company by the weighted average number of common shares outstanding during the year adjusted for any repurchased shares. Diluted earnings per share is calculated by adjusting the weighted average number of common shares outstanding during the year for the diluting effect of the shares of the performance-related share plan, the restricted share plan and the share-matching plan.

Adjusted earnings per share represents the basic earnings per share from continuing operations excluding identified items, after taxes.

GOVERNMENT GRANTS

Government grants related to costs (which include grants related to COVID-19) are deducted from the relevant costs to be compensated in the same period. Government grants to compensate for the cost of an asset are deducted from the cost of the related asset. Emission rights granted by the government are recorded at cost. A provision is recorded if the actual emission is higher than the emission rights granted.

INTANGIBLE ASSETS (NOTE 11)

Intangible assets are valued at cost less accumulated amortization and impairment charges. Intangible assets with an indefinite useful life, such as goodwill and certain brands, are not amortized, but tested for impairment annually using the value-in-use method. Goodwill in a business combination represents the excess of the consideration paid over the net fair value of the acquired identifiable assets, liabilities and contingent liabilities. If the cost of an acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the statement of income. The effects of all transactions with non-controlling interest shareholders are recorded in equity if there is no change in control.

Intangible assets with a finite useful life, such as licenses, know-how, certain brands, customer relationships, intellectual property rights, emission rights and capitalized development and software costs, are capitalized at historical cost and amortized on a straight-line basis over the estimated useful life of the assets, which generally ranges from 5 to 40 years for brands with finite useful lives, 5 to 25 years for customer lists and 3 to 15 years for other intangibles. Amortization methods, useful lives and residual values are reassessed annually. Research expenditures are recognized as an expense as incurred.

PROPERTY, PLANT AND EQUIPMENT (NOTE 12)

Property, plant and equipment are valued at cost less accumulated depreciation and impairment charges. Costs include expenditures that are directly attributable to the acquisition of the asset, including borrowing cost of capital investment projects under construction.

Depreciation is calculated using the straight-line method, based on the estimated useful life of the asset components.The useful life of plant equipment and machinery generally ranges from 10 to 25 years, and for buildings ranges from 20 to 50 years. Land is not depreciated. In the majority of cases, residual value is assumed to be not significant. Depreciation methods, useful lives and residual values are reassessed annually.

Costs of major maintenance activities are capitalized and depreciated over the estimated useful life. Maintenance costs which cannot be separately defined as a component of property, plant and equipment are expensed in the period in which they occur. We recognize conditional asset retirement obligations in the periods in which sufficient information becomes available to reasonably estimate the cash outflow.

LEASES (NOTE 13, 21)

We assess whether a contract is, or contains, a lease at inception. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for a consideration.

As a lessee

At commencement or on modification of a contract that contains a lease component, we allocate the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of cars we have elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

We recognize a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at the present value of the lease liability. The right-of-use asset value contains lease prepayments, lease incentives received, the initial direct costs and an estimate of restoration, removal and dismantling costs.

The right-of-use assets are subsequently depreciated using the straight-line method from the commencement date to the end of the lease term or shorter economic life. In addition, the value of right-of-use assets is reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The net present value of the lease liability is measured at the discounted value of the lease payments. The liability includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. The lease payments comprise the following:

- Fixed payments (including in substance fixed payments), less any lease incentives
- Variable lease payments that depend on an index or a rate
- The exercise price of a purchase option if it is reasonably certain that the option will be exercised
- Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease
- Amounts expected to be payable under residual value guarantees

These lease payments are discounted using the interest rate implicit in the lease contract, if that rate can be readily determined. If that rate cannot be readily determined, the incremental borrowing rate is used. We determine our incremental borrowing rates by obtaining interest rates from various external financing sources and make certain adjustments to reflect the term of the lease and type of the asset leased. At the lease commencement dates, we assess whether it is reasonably certain to exercise the extension options. We reassess whether it is reasonably certain to exercise the options, if there is a significant event or significant change in circumstances within our control.

At the commencement date, we assess whether it is reasonably certain that:

- An option to extend is exercised; or
- An option to purchase is exercised; or
- An option to terminate the lease is not exercised

In making these assessments, all relevant facts and circumstances that create an economic incentive for us to exercise, or not to exercise, the option, including any expected changes in facts and circumstances from the commencement date until the exercise date of the option are considered.

Short-term leases and leases of low-value assets

We do not record right-of-use assets and lease liabilities on the balance sheet for leases of low-value assets and short-term leases. We recognize the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

IMPAIRMENTS (NOTE 11, 12, 13)

We assess the carrying value of intangible assets, property, plant and equipment and right-of-use assets whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. In addition, for goodwill and other intangible assets with an indefinite useful life, the carrying value is reviewed at least annually or when circumstances indicate the carrying amount may be impaired. If the carrying value of an asset or its cash-generating unit exceeds its estimated recoverable amount, an impairment loss is recognized in the statement of income on the function level of the asset impaired. The assessment for impairment is performed at the lowest level of assets generating largely independent cash inflows. For goodwill and other intangible assets with an indefinite life, we have determined this to be at business unit level (one level below segment).

Except for goodwill, we reverse impairment losses in the statement of income if and to the extent we have identified a change in estimates used to determine the recoverable amount.

ASSOCIATES AND JOINT VENTURES (NOTE 14)

Associates and joint ventures are accounted for using the equity method and are initially recognized at cost. The Consolidated financial statements include our share of the income and expenses of the associates and joint ventures, whereby the result is determined using our accounting principles. When the share of losses exceeds the interest in the investee, the carrying amount is reduced to nil and recognition of further losses is discontinued, unless we have legal or constructive obligations on behalf of the investee.

INVENTORIES (NOTE 16)

Inventories are measured at the lower of cost and net realizable value. Costs of inventories comprise all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to the present location and condition. The costs of inventories are determined using weighted average cost.

PROVISIONS (NOTE 20)

We recognize provisions when a present legal or constructive obligation as a result of a past event exists, it is probable that an outflow of economic benefits is required to settle the obligation and the amount can be reliably estimated. Provisions are measured at net present value. The increase of provisions as a result of the passage of time is recognized in the statement of income under financing income and expenses.

Provisions for restructuring of activities are recognized when a detailed and formal restructuring plan has been approved, and the restructuring has either commenced or has been announced publicly. We do not provide for future operating costs.

FINANCIAL INSTRUMENTS

Classification

All assets are measured at amortized cost, fair value through profit or loss or fair value through other comprehensive income. Financial assets are classified according to a model based on:

- A contractual cash flow characteristics test A business model dictating how the reporting entity manages its financial assets in order to generate cash flows as either:
  1. Hold to collect contractual cash flows
  2. Collect contractual cash flows and sell
  3. Neither 1 or 2
- Election of the fair value option in some specific cases in order to eliminate an accounting mismatch

The classification of a financial asset is determined at initial recognition, but if certain conditions are met, an asset might be subject to reclassification.

Valuation and impairment

Financial assets are assessed for impairment either according to the general approach or a simplified approach.

The calculation of impairment under the general approach uses the following stages:

- 12-month expected credit losses; taking in account possible default events within one year
- Lifetime expected credit losses in case of an increase in credit risk; through recognition of expected credit losses over the remaining life of the exposure
- Lifetime expected credit losses, where interest is calculated on the net amount of the receivables less impairment loss

In all above stages, the impairment calculation used at AkzoNobel is based on external credit ratings of involved parties or default rates published by well-known credit risk agencies.

The financial assets included in the general impairment approach are long-term loans and other long-term receivables.

The calculation of impairment under the simplified approach requires recognition of lifetime expected credit loss (no tracking of changes in credit risk). The financial assets included in the simplified impairment approach are trade receivables and the remaining financial assets.

Measurement
Regular purchases and sales of financial assets and liabilities are recognized on trade date. The initial measurement of all financial instruments is at fair value. Except for derivatives and cash and cash equivalents, the initial measurement of financial instruments is adjusted for directly attributable transaction costs.

Derivative financial instruments (Note 27)
Derivative financial instruments are recognized at fair value on the balance sheet. Fair values are derived from market prices and quotes from dealers and brokers or are estimated using observable market inputs. When determining fair values, credit risk for our contract party, as well as for AkzoNobel, is taken into account.

Changes in the fair value are recognized in the statement of income, unless cash flow hedge accounting or net investment hedge accounting is applied. In those cases, the effective part of the fair value changes is deferred in other comprehensive income and released to the related specific lines in the statement of income or balance sheet at the same time as the hedged item.

Financial non-current assets (Note 15) and Trade and other receivables (Note 17)
Loans and receivables are measured at amortized cost, using the effective interest method, less any impairment losses.

Cash and cash equivalents and Short-term investments (Note 21)
Cash and cash equivalents and short-term investments are measured at fair value. Cash and cash equivalents include all cash balances and other investments that are directly convertible into known amounts of cash. Changes in fair values are included in financing income and expenses.

Long-term and Short-term borrowings (Note 21, 27) and Trade and other payables (Note 22)
Long-term and short-term borrowings, as well as trade and other payables, are measured at amortized cost, using the effective interest rate method. The interest expense on borrowings is included in financing income and expenses. The fair value of borrowings, used for disclosure purposes, is determined based on listed market price, if available. If a listed market price is not available, the fair value is calculated based on the present value of principal and interest cash flows, discounted at the interest rate at the reporting date, considering AkzoNobel's credit risk.

NEW IFRS ACCOUNTING STANDARDS

IFRS standards and interpretations thereof not yet in force, which may apply to our Consolidated financial statements for 2021 and beyond, have been assessed for their potential impact. These include among others amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 'Interest Rate Benchmark Reform – Phase 2', amendments to in IFRS 3 'References to the Conceptual Framework', amendments to IAS 16 'Property, Plant and Equipment: Proceeds before Intended Use', amendments to IAS 37 'Onerous Contracts – Costs of Fulfilling a Contract', AIP IFRS 9 'Financial instruments – Fees in the '10 percent' test for derecognition of financial liabilities', IFRS 17 'Insurance contracts' and Amendments to IAS 1 'Classification of Liabilities as Current or Non-current'. These changes are not expected to have a material effect on AkzoNobel's Consolidated financial statements.

Note 2 Scope of consolidation

Material subsidiaries
The Consolidated financial statements comprise the assets, liabilities, income and expenses of 283 legal entities. We consider legal entities material when they represent, for at least two subsequent years, more than 5% of either revenue or adjusted operating income or based on qualitative aspects. Material subsidiaries included in the table in this Note are fully owned at year-end 2020.

Material subsidiaries related to continuing operations

Legal entity	Principal place of business/country of incorporation
Akzo Nobel Coatings Inc.	US
Akzo Nobel Paints (Shanghai) Co Ltd.	China
Imperial Chemical Industries Limited	UK
Akzo Nobel Decorative Coatings B.V.	Netherlands
Akzo Nobel Coatings SPA	Italy

Acquisitions
On November 8, 2019, we acquired Mapaero in France to further strengthen our global position in the aerospace coatings industry. In 2019, we performed a preliminary purchase price allocation, resulting in €83 million of goodwill, that has been fully allocated to business unit Automotive and Specialty Coatings. The purchase price allocation was completed in 2020, resulting in €6 million higher goodwill, €10 million lower intangibles and €4 million lower deferred tax liabilities.

On April 1, 2020, we completed the acquisition of Mauvilac Industries Limited, a leading paints and coatings company on Mauritius, for €33 million. The business generated revenue of €17 million (unaudited) in 2019. This transaction resulted in €12 million goodwill and €19 million of intangibles, both fully allocated to business unit Decorative Paints Europe, Middle East and Africa.

On December 23, 2020 we completed the acquisition of New Nautical Coatings Inc. in the US for €59 million. This company owns the globally and nationally recognized brands of Sea Hawk Paints, Flexdel and Blue Water Marine Paint. The business generated revenue of

Recognized fair values at acquisition

In € millions	Mauvilac Industries Ltd., Mauritius	New Nautical Coatings Inc., USA	Other*	Total 2020
Other intangibles	19	29	(6)	42
Property. plant and equipment	2	2	1	5
Inventories	4	4	—	8
Trade and other receivables	3	2	—	5
Cash and cash equivalents	(1)	1	—	—
Deferred tax assets/(liabilities)	(3)	—	3	—
Trade and other payables	(3)	(1)	—	(4)
Net identifiable assets and liabilities	**21**	**37**	**(2)**	**56**
Goodwill	12	22	14	48
Purchase consideration	**33**	**59**	**12**	**104**
Cash and cash equivalents acquired	1	(1)	—	—
Paid in 2020 related to acquisitions in previous years	—	—	16	16
To be paid in 2021 and later years	—	—	(7)	(7)
Net cash outflow	**34**	**58**	**21**	**113**

* Related to PPA adjustments for the 2019 Mapaero acquisition and several small acquisitions in 2020.

€16 million (unaudited) in 2020. We performed a preliminary purchase price allocation, resulting in €22 million of goodwill and €29 million of intangibles, both fully allocated to business unit Marine and Protective Coatings.

In 2020, other smaller acquisitions include the Powder Coatings business of Poederlak Benelux B.V. and the Stahl Performance Powder Coatings activities.

Payments in 2020 for acquisitions in previous years included an amount of €14 million for Mapaero.

Divestments

In 2020 and 2019, no significant divestments occurred.

Discontinued operations and held for sale

The results from discontinued operations in 2020 and 2019, mainly relate to the former Specialty Chemicals and Organon BioSciences businesses. The cash flows from discontinued operations in 2020 predominantly concerned the former Deco North America business (2019: Specialty Chemicals).

Discontinued operations

In € millions	2019	2020
Revenue	—	—
Expenses	—	—
Profit before tax	**—**	**—**
Income tax	—	—
Profit for the period after tax	**—**	**—**
Results related to discontinued operations in previous years	21	1
Tax related to discontinued operations in previous years	1	(8)
Total profit/(loss) for the period from discontinued operations	**22**	**(7)**

Cash flows from discontinued operations

In € millions	2019	2020
Net cash from operating activities	(10)	(3)
Net cash from investing activities	–	–
Net cash from financing activities	–	–
Cash flows from discontinued operations	**(10)**	**(3)**

Note 3 Segment information

Decorative Paints

Our customers mainly consist of professionals and do-it-yourselfers. We supply a variety of quality products for every situation and surface, including paints, lacquers and varnishes. We also offer a range of mixing machines and color concepts for the building and renovation industry.

Performance Coatings

We are a supplier of performance coatings that are used to protect and enhance everything from ships, cars, aircraft, yachts and architectural components (structural steel, building products, flooring) to consumer goods (mobile devices, appliances, beverage cans, furniture) and oil and gas facilities.

The tables in this Note include Alternative Performance Measures (APMs). Refer to Note 4 for further information on these APMs.

Information per reportable segment

In € millions	Revenue third parties 2019	Revenue third parties 2020	Amortization and depreciation 2019	Amortization and depreciation 2020	Operating income 2019	Operating income 2020	Identified items[1] 2019	Identified items[1] 2020	Adjusted operating income[2] 2019	Adjusted operating income[2] 2020	ROS%[3] 2019	ROS%[3] 2020	OPI margin[4] 2019	OPI margin[4] 2020
Decorative Paints	3,670	3,558	(155)	(153)	425	551	7	(22)	418	573	11.4	16.1	11.6	15.5
Performance Coatings	5,549	4,957	(183)	(159)	565	665	(123)	(35)	688	700	12.4	14.1	10.2	13.4
Corporate and other	57	15	(22)	(49)	(149)	(253)	(34)	(79)	(115)	(174)				
Total	**9,276**	**8,530**	**(360)**	**(361)**	**841**	**963**	**(150)**	**(136)**	**991**	**1,099**	**10.7**	**12.9**	**9.1**	**11.3**

[1] Identified items are special charges and benefits, results on acquisitions and divestments, major restructuring and impairment charges, and charges and benefits related to major legal, environmental and tax cases. The identified items exclude the items related to interest.
[2] Adjusted operating income is operating income excluding identified items.
[3] ROS% is calculated as adjusted operating income (operating income excluding identified items) as a percentage of revenues from third parties. Up to 2019, ROS% used to be based on group revenues which included intercompany revenues. Therefore, the 2019 figures have been restated for this change in definition.
[4] OPI margin is calculated as operating income as a percentage of revenues from third parties. Up to 2019, OPI margin used to be based on group revenues which include intercompany revenues. Therefore, the 2019 figures have been restated for this change in definition.

Information per reportable segment

In € millions	Invested capital 2019	Invested capital 2020	Total assets 2019	Total assets 2020	Total liabilities 2019	Total liabilities 2020	Capital expenditures[1] 2019	Capital expenditures[1] 2020	ROI%[2] 2019	ROI%[2] 2020
Decorative Paints	2,992	2,567	5,569	5,882	3,249	3,273	62	77	13.5	20.5
Performance Coatings	3,401	3,384	6,794	6,519	2,774	2,586	113	146	20.7	20.7
Corporate and other	621	452	621	776	393	1,368	39	35		
Total	**7,014**	**6,403**	**12,984**	**13,177**	**6,416**	**7,227**	**214**	**258**	**14.1**	**16.1**

[1] Capital expenditures include investments in intangible assets (refer to Note 11) and investments in property, plant and equipment (refer to Note 12).
[2] ROI% is calculated as adjusted operating income (operating income excluding identified items) of the last 12 months as a percentage of average invested capital of the last 12 months. Invested capital is calculated as total assets (excluding cash and cash equivalents, short-term investments, investments in associates, the receivable from pension funds in an asset position and assets held for sale) less current tax liabilities, deferred tax liabilities and trade and other payables.

Regional information

In € millions	Revenue by region of destination 2019	Revenue by region of destination 2020	Intangible assets and property, plant and equipment 2019	Intangible assets and property, plant and equipment 2020	Invested capital 2019	Invested capital 2020	Capital expenditures* 2019	Capital expenditures* 2020
The Netherlands	359	342	1,182	1,188	1,766	1,616	42	46
Other European countries	3,748	3,626	1,659	1,598	2,469	2,212	74	84
US and Canada	1,139	1,019	501	529	682	719	29	41
South America	815	697	239	184	347	244	15	13
Asia	2,656	2,344	1,642	1,550	1,528	1,399	44	63
Other regions	559	502	102	126	222	213	10	11
Total	**9,276**	**8,530**	**5,325**	**5,175**	**7,014**	**6,403**	**214**	**258**

* Capital expenditures include investments in intangible assets (refer to Note 11) and investments in property, plant and equipment (refer to Note 12).

Note 4 Alternative performance measures

In presenting and discussing AkzoNobel's operating results, management uses certain alternative performance measures not defined by IFRS, which exclude the so-called identified items. Identified items are special charges and benefits, results on acquisitions and divestments, major restructuring and impairment charges, and charges and benefits related to major legal, environmental and tax cases. These alternative performance measures should not be viewed in isolation as alternatives to the equivalent IFRS measures and should be used as supplementary information in conjunction with the most directly comparable IFRS measures. Alternative performance measures do not have a standardized meaning under IFRS and therefore may not be comparable to similar measures presented by other companies. Where a non-financial measure is used to calculate an operational or statistical ratio, this is also considered an alternative performance measure.

Alternative performance measures

In € millions	2019 Continuing operations	2019 Discontinued operations	2019 Total	2020 Continuing operations	2020 Discontinued operations	2020 Total
Operating income	**841**	**–**	**841**	**963**	–	**963**
APM adjustments to operating income						
- Transformation costs[1]	204	–	204	121	–	121
- Gain on disposal	(54)	–	(54)	–	–	–
- Other	–	–	–	15	–	15
Total APM adjustments (identified items)	**150**	**–**	**150**	**136**	–	**136**
Adjusted operating income	**991**	**–**	**991**	**1,099**	–	**1,099**
Profit/(loss) for the period attributable to shareholders of the company	**517**	**22**	**539**	**637**	**(7)**	**630**
APM adjustments to operating income	150	–	150	136	–	136
APM adjustment interest on tax settlement	–	–	–	(3)	–	(3)
APM adjustments to income tax[2]	(7)	–	(7)	(28)	–	(28)
APM adjustment deal result on sale Specialty Chemicals, net of tax	–	(22)	(22)	–	–	–
Total APM adjustments	**143**	**(22)**	**121**	**105**	**–**	**105**
Adjusted profit/(loss) for the period attributable to shareholders of the company	**660**	**–**	**660**	**742**	**(7)**	**735**

[1] Includes costs related to the strategy to create a focused high-performing Paints and Coatings business.
[2] Includes the tax impact on APM adjustments.

Adjusted OPI, OPI margin and ROS%

In € millions	2019	2020
Revenue from third parties		
Decorative Paints	3,670	3,558
Performance Coatings	5,549	4,957
Other	57	15
Total	**9,276**	**8,530**
Operating income		
Decorative Paints	425	551
Performance Coatings	565	665
Other	(149)	(253)
Total	**841**	**963**
Total APM adjustments (identified items)[1]		
Decorative Paints	7	(22)
Performance Coatings	(123)	(35)
Other	(34)	(79)
Total	**(150)**	**(136)**
Adjusted operating income[2]		
Decorative Paints	418	573
Performance Coatings	688	700
Other	(115)	(174)
Total	**991**	**1,099**
OPI margin%[3]		
Decorative Paints	11.6	15.5
Performance Coatings	10.2	13.4
Other[5]		
Total	**9.1**	**11.3**
ROS%[4]		
Decorative Paints	11.4	16.1
Performance Coatings	12.4	14.1
Other[5]		
Total	**10.7**	**12.9**

[1] The identified items exclude the items related to interest.
[2] Adjusted operating income is operating income excluding identified items.
[3] OPI margin is calculated as operating income as a percentage of revenues from third parties. Up to 2019, OPI margin used to be based on group revenues which include intercompany revenues. Therefore, the 2019 figures have been restated for this change in definition.
[4] ROS% is calculated as adjusted operating income (operating income excluding identified items) as a percentage of revenues from third parties. Up to 2019, ROS% used to be based on group revenues which include intercompany revenues. Therefore, the 2019 figures have been restated for this change in definition.
[5] OPI margin and ROS% for Other activities/eliminations is not shown, as this is not meaningful.

EBITDA[1]

In € millions	OPI	Depreciation and amortization	EBITDA	OPI	Depreciation and amortization	EBITDA
			2019			2020
Decorative Paints	425	(155)	580	551	(153)	704
Performance Coatings	565	(183)	748	665	(159)	824
Other	(149)	(22)	(127)	(253)	(49)	(204)
Total	**841**	**(360)**	**1,201**	**963**	**(361)**	**1,324**

[1] EBITDA is operating income excluding depreciation and amortization.

Adjusted EBITDA[2]

In € millions	Adjusted OPI	Depreciation and amortization excluding identified items	Adjusted EBITDA	Adjusted OPI	Depreciation and amortization excluding identified items	Adjusted EBITDA
			2019			2020
Decorative Paints	418	(155)	573	573	(141)	714
Performance Coatings	688	(173)	861	700	(154)	854
Other	(115)	(22)	(93)	(174)	(48)	(126)
Total	**991**	**(350)**	**1,341**	**1,099**	**(343)**	**1,442**

[2] Adjusted EBITDA is operating income excluding depreciation, amortization and identified items.

AkzoNobel uses alternative performance measure adjustments (APM adjustments) to the IFRS measures to provide supplementary information on reporting on the underlying developments of the business. These APM adjustments may affect the IFRS measures operating income, net profit and earnings per share. A reconciliation of the alternative performance measures to the most directly comparable IFRS measures can be found in the tables for adjusted operating income and adjusted earnings from continuing operations in this Note.

Alternative performance measures: Adjusted earnings per share

In € millions	2019	2020
Profit for the period attributable to shareholders of the company from continuing operations	517	637
APM adjustments to operating income	150	136
APM adjustment to interest	—	(3)
APM adjustment to income tax	(7)	(28)
Adjusted profit from continuing operations attributable to shareholders of the company*	**660**	**742**
Weighted average number of shares (in millions)	213.1	191.4
Earnings per share from continuing operations (in €)	2.43	3.33
Adjusted earnings per share from continuing operations (in €)	3.10	3.88

* For the reconciliation to IFRS measures please refer to the first table in this Note.

Alternative performance measures: ROI%

In € millions	2019	2020
Average invested capital		
Decorative Paints	3,106	2,799
Performance Coatings	3,325	3,388
Other	595	647
Total	**7,026**	**6,834**
Adjusted operating income[1]		
Decorative Paints	418	573
Performance Coatings	688	700
Other	(115)	(174)
Total	**991**	**1,099**
ROI%[2]		
Decorative Paints	13.5	20.5
Performance Coatings	20.7	20.7
Other[3]		
Total	**14.1**	**16.1**

[1] For reconciliation to IFRS measures please refer to the first table in this Note.
[2] ROI% is calculated as adjusted operating income (operating income excluding identified items) of the last 12 months as a percentage of average invested capital of the last 12 months. Invested capital is calculated as total assets (excluding cash and cash equivalents, short-term investments, investments in associates, the receivable from pension funds in an asset position and assets held for sale) less current tax liabilities, deferred tax liabilities and trade and other payables.
[3] ROI% for Other activities/eliminations is not shown, as this is not meaningful.

Note 5 Revenue

AkzoNobel derives revenue from the transfer of goods and services over time and at a point in time in the major product lines and geographical regions as disclosed in the table in this Note.

For the receivables, which are included in Trade and other receivables, reference is made to Note 17.

As at December 31, 2020, and at December 31, 2019, no significant contract assets were recognized.

As at December 31, 2020, the amount of contract liabilities deferred to be recognized over time in 2021 is €3 million. These contract liabilities primarily relate to shipping, training and certain technical services, for which revenue is recognized over time. The amount of €3 million included in contract liabilities at the beginning of the period has been recognized as revenue during the year 2020 (2019: €3 million).

Revenue disaggregation

	Decorative Paints		Performance Coatings		Other		Total	
In € millions	2019	2020	2019	2020	2019	2020	2019	2020
Primary geographical markets - revenue from third parties								
The Netherlands	202	233	100	94	57	15	359	342
Other European countries	1,747	1,847	2,001	1,779	—	—	3,748	3,626
US and Canada	—	—	1,139	1,019	—	—	1,139	1,019
South America	456	396	359	301	—	—	815	697
Asia	1,075	910	1,581	1,434	—	—	2,656	2,344
Other regions	190	172	369	330	—	—	559	502
Total	**3,670**	**3,558**	**5,549**	**4,957**	**57**	**15**	**9,276**	**8,530**
Major goods/service lines - revenue from third parties*								
Decorative Paints Europe, Middle East and Africa	2,129	2,246	—	—	—	—	2,129	2,246
Decorative Paints South America	457	396	—	—	—	—	457	396
Decorative Paints Asia	1,084	916	—	—	—	—	1,084	916
Powder Coatings	—	—	1,229	1,128	—	—	1,229	1,128
Marine and Protective Coatings	—	—	1,290	1,068	—	—	1,290	1,068
Automotive and Specialty Coatings	—	—	1,318	1,127	—	—	1,318	1,127
Industrial Coatings	—	—	1,707	1,634	—	—	1,707	1,634
Other	—	—	5	—	57	15	62	15
Total	**3,670**	**3,558**	**5,549**	**4,957**	**57**	15	**9,276**	**8,530**
Timing of revenue recognition								
Goods transferred at a point in time	3,621	3,512	5,311	4,772	—	—	8,932	8,284
Services transferred over time	49	46	238	185	57	15	344	246
Total	**3,670**	**3,558**	**5,549**	**4,957**	**57**	**15**	**9,276**	**8,530**

* The 2019 figures are restated to represent revenue from third parties instead of group revenue, as group revenue includes intercompany revenue.

Note 6 Operating income

In 2020, operating income was up 15% at €963 million (2019: €841 million). Margin management and cost savings more than offset lower volumes. Operating income as a percentage of revenue (OPI margin) improved to 11.3% (2019: 9.1%). Operating income included €136 million (2019: €150 million) negative impact from identified items, mainly related to €121 million transformation costs to create a focused high-performing Paints and Coatings business.

In 2019, operating income was up 39% at €841 million (2018: €605 million). Price/mix effects, cost savings and lower identified items more than offset raw material inflation and lower volumes. Operating income as a percentage of revenue (OPI margin) improved to 9.1% (2018: 6.5%). Operating income included €150 million (2018: €193 million) negative impact from identified items, related to €204 million transformation costs to create a focused high-performing Paints and Coatings business (including €66 million non-cash impairments), partly offset by a gain on disposal of €54 million following asset network optimization.

Costs by nature 2020

In € millions	Employee benefits	Amortization	Depreciation	Purchases and other costs	Total
Cost of sales	(524)	—	(160)	(4,061)	(4,745)
Selling expenses	(832)	(48)	(83)	(953)	(1,916)
General and administrative expenses	(319)	(12)	(40)	(292)	(663)
Research and development expenses	(175)	(4)	(14)	(45)	(238)
Other results	—	—	—	(5)	(5)
Total	**(1,850)**	**(64)**	**(297)**	**(5,356)**	**(7,567)**

Costs by nature 2019*

In € millions	Employee benefits	Amortization	Depreciation	Purchases and other costs	Total
Cost of sales	(537)	—	(149)	(4,628)	(5,314)
Selling expenses	(861)	(54)	(97)	(1,205)	(2,217)
General and administrative expenses	(300)	(10)	(33)	(294)	(637)
Research and development expenses	(177)	(3)	(14)	(68)	(262)
Other results	—	—	—	(5)	(5)
Total	**(1,875)**	**(67)**	**(293)**	**(6,200)**	**(8,435)**

* Costs by nature 2019 have been reclassified to align to our 2020 cost structure and allocations. This resulted in reclassifications between cost lines in our statement of income, which did not impact total operating income.

Note 7 Employee benefits

Salaries, wages and other employee benefits in operating income

In € millions	2019	2020
Salaries and wages	(1,461)	(1,449)
Post-retirement cost	(137)	(138)
Other social charges	(277)	(263)
Total	**(1,875)**	**(1,850)**

Average number of employees of total AkzoNobel*

Average number during the year	2019	2020
Decorative Paints	12,900	12,100
Performance Coatings	18,000	17,500
Corporate and other	3,300	3,400
Total	**34,200**	**33,000**

Average number of employees in the Netherlands*

Average number during the year	2019	2020
Decorative Paints	600	600
Performance Coatings	1,000	1,000
Corporate and other	700	700
Total	**2,300**	**2,300**

Employees*

At year-end	2019	2020
Decorative Paints	12,500	11,900
Performance Coatings	18,000	17,100
Corporate and other	3,300	3,200
Total	**33,800**	**32,200**

* As a result of an organizational redesign completed in 2020, the 2019 employee numbers have been restated to reflect this change.

The average number of employees working outside the Netherlands was 30,700 (2019: 31,900).

In 2020, the number of employees decreased by 5% to 32,200 people (year-end 2019: 33,800 people). Acquisitions in 2020 added around 250 people.

Employee benefit costs in 2020 include an €33 million compensation related to government support measures for COVID-19, mainly in China and the UK. These grants were mainly provided in the form of (partial) compensations for costs of salaries and wages, waivers of social charges and postponement of payment of indirect and corporate income taxes. AkzoNobel did not submit any application for the 'Noodmaatregel Overbrugging voor Werkgelegenheid (NOW)' in the Netherlands.

SHARE-BASED COMPENSATION

Share-based compensation relates to the equity-settled performance-related share plan and the restricted share plan, as well as the share-matching plan. Charges recognized in the 2020 statement of income for share-based compensation amounted to €14 million and are included in salaries and wages (2019: €16 million).

Performance-related and restricted share plan

Under the performance-related share plan and the restricted share plan, a number of conditional shares are granted to the members of the Board of Management, members of the Executive Committee and executives each year. The number of participants of the performance-related share plan and the restricted share plan at year-end 2020 was 289 (2019: 294). The shares of the performance-related share plan series 2017-2019 have vested and were delivered to the participants in 2020.

The performance targets for the conditional grant of performance shares for the Board of Management and the Executive Committee is linked for 50% to the relative TSR performance of the company compared with the peer group and for 50% to the ROI performance of the company, after which a two-year holding restriction will apply.

The plan for the executives is a restricted share plan without any performance conditions, whereby the conditional grant of shares will vest upon the condition that the executives remain in service with the company during the three-year vesting period, after which a one-year holding restriction applies.

The conditional shares of the 2018-2020 performance share plan for the AkzoNobel participants vested for 78% (series 2017-2019: 85%), including extraordinary dividend shares of 14.37% (series 2017-2019: 11.37%), the final vesting percentage amounted to 89.21% (series 2017-2019: 94.66%).

The share price of a common AkzoNobel share at year-end 2020 amounted to €87.86 (2019: €90.64).

Fair value of restricted and performance-related shares

The fair value of the restricted shares of the 2020-2022 grant, amounting to €64.83, is based on the share price on March 11, 2020 of €69.73 and the expected dividend yield of 2.40%. The fair value of the performance-related

Fair value performance-related shares in €

Series	Opening share price per:	Fair Value	Market condition (TSR)[4]	Non-market based performance conditions[5]	Share price	Expected volatility	Risk free interest rate
2017-2019	January 2, 2017	52.42	40.14	59.03	59.03	23.94%	(0.12)%
2017-2019[1]	May 9, 2017	76.34	75.63	76.72	76.72	24.13%	(0.09)%
2017-2019[1]	July 28, 2017	77.16	78.88	76.23	76.23	23.77%	(0.08)%
2018-2020[2]	April 26, 2018	71.65	67.51	75.78	75.78	22.66%	(0.04)%
2019-2021	January 2, 2019	61.09	52.57	69.60	69.60	20.12%	(0.04)%
2020-2022[3]	April 21, 2020	53.42	42.95	63.88	63.88	21.42%	(0.33)%

[1] Concerns an additional share grant.
[2] Date of the AGM at which the new LTI performance criteria for the Board of Management were approved.
[3] Date the Supervisory Board approved use of the average share price calculation method to determine the number of shares granted.
[4] 35% for the 2017-2019 grant and 50% for grants thereafter.
[5] 65% for the 2017-2019 grant and 50% for grants thereafter.

Share plans of AkzoNobel executives

Plan	Performance/ Vesting period	Award date	End of performance period	End of holding period	Balance at January 1, 2020	Awarded in 2020	Vested in 2020	Forfeited in 2020	Dividend in 2020	Subject to performance condition	Unvested in 2020	Subject to holding period	Balance at December 31, 2020
2017-2019 Performance Share Plan	3 years	Jan 1, 2017	Jan 1, 2020	NA	211,968	—	(211,956)	(12)	—	—	—	—	—
2017-2019 Performance Share Plan	3 years	Jan 1, 2017	Jan 1, 2020	Feb 12, 2022	70,332	—	(70,332)	—	—	—		70,332	—
2018-2020 Restricted Share Plan	3 years	Jan 1, 2018	Jan 1, 2021	Jan 1, 2022	179,685	3,843	(521)	(15,987)	—	NA	167,020	167,020	167,020
2018-2020 Performance Share Plan	3 years	Jan 1, 2018	Jan 1, 2021	Feb 17, 2023	90,354	—	(8,600)	(14,123)	2,403	70,034	70,034	70,034	70,034
2019-2021 Restricted Share Plan	3 years	Jan 1, 2019	Jan 1, 2022	Jan 1, 2023	204,853	6,855	(328)	(24,510)	—	NA	186,870	186,870	186,870
2019-2021 Performance Share Plan	3 years	Jan 1, 2019	Jan 1, 2022	Feb 2024	94,691	—	(9,135)	(12,544)	2,519	75,531	75,531	75,531	75,531
2020-2022 Restricted Share Plan	3 years	Jan 1, 2020	Jan 1, 2023	Jan 1, 2024	—	190,973	(82)	(14,205)	—	NA	176,686	176,686	176,686
2020-2022 Performance Share Plan	3 years	Jan 1, 2020	Jan 1, 2023	Feb 2025	—	73,393	(6,676)	(9,979)	1,509	58,247	58,247	58,247	58,247
2020-2022 Restricted Share Plan	3 years	Apr 1, 2020	Apr 1, 2023	NA	—	6,590	—	—	—	—	6,590	—	6,590
Total					**851,883**	**281,654**	**(307,630)**	**(91,360)**	**6,431**	**203,812**	**740,978**	**804,720**	**740,978**

shares of the 2020-2022 grant is for 50% based on a market condition (TSR) and for 50% based on non-market-based performance condition (ROI).

The TSR part of the award is valued applying a Monte Carlo simulation model and the other part is valued based on the share price at grant date. The parameters applied for the fair value calculations are: share price at grant date (opening of first trading date from grant date), expected volatility (based on the share price development over the past three years of AkzoNobel), and risk-free interest rate (based on a Dutch zero-coupon government bond).

Share-matching plan

The members of the Board of Management and the members of the Executive Committee are eligible to participate in the share-matching plan. However, they will not be eligible for matching shares for the years 2019, 2020 and 2021. Under certain conditions, members who invest part of their short-term incentive in AkzoNobel shares may have such shares matched by the company. During 2020, 3,361 potential matching shares were matched, leading to a total of 1,720 potential matching shares on December 31, 2020. For an overview of the matching shares outstanding for the members of the Board of Management per December 31, 2020, we refer to the Remuneration report.

Note 8 Financing income and expenses

Financing income and expenses

In € millions	2019	2020
Financing income	17	14
Financing expenses	(76)	(66)
Net interest on net debt	**(59)**	**(52)**
Other interest		
Financing income related to post-retirement benefits	21	14
Interest charges on provisions	(14)	(10)
Other items	(24)	(21)
Net other financing credit/(charge)	**(17)**	**(17)**
Total financing income and expenses	**(76)**	**(69)**

Net financing expenses for the year were €69 million (2019: €76 million). Significant variances are:

- Net interest on net debt decreased by €7 million to €52 million (2019: €59 million), mainly due to lower interest cost on debt
- Financing income related to post-retirement benefits decreased from €21 million in 2019 to €14 million in 2020 mainly due to the impact of lower discount rates
- Interest charges on provisions decreased from €14 million in 2019 to €10 million due to changes in discount rates
- Other items in 2020 and 2019 mainly include foreign currency results

The average interest rate used for capitalized interest was 1.9% (2019: 1.5%). Capitalized interest was negligible in both 2020 and 2019.

The average interest rate on total debt was 2.4% (2019: 2.8%).

Note 9 Income tax

Pre-tax income from continuing operations amounted to a profit of €919 million (2019: €785 million). The net tax charges related to continuing operations are included in the statement of income as shown in this Note.

Classification of current and deferred tax result

In € millions	2019	2020
Current tax (expense)/income for		
The year	(171)	(131)
Adjustments for previous years	1	(2)
Total current tax expense	**(170)**	**(133)**
Deferred tax (expense)/income for		
Origination and reversal of temporary differences and tax losses	(22)	(106)
(De)recognition of deferred tax assets	(45)	1
Changes in tax rates	7	(3)
Total deferred tax expense	**(60)**	**(108)**
Total	**(230)**	**(241)**

The total deferred tax charge including discontinued operations was €108 million (2019: €55 million). The total tax charge including discontinued operations was €249 million (2019: €229 million).

Effective tax rate reconciliation

In 2020, the effective income tax rate based on the statement of income is 26.2% (2019: 29.3%).

The second table in this Note presents the effective consolidated tax rate excluding the impact of results on discontinued operations. Including these results, the effective consolidated tax rate is 27.1% (2019: 28.4%).

Non-deductible expenses are mainly related to base erosion, non-deductible interest and the effects of Argentina hyperinflation accounting. The non-taxable income is mainly related to the Innovation box in the Netherlands, R&D credits and the tax exemption for investments.

The impact of non-refundable withholding tax on the tax rate is dependent on our relative share in the profit of subsidiaries in countries that levy withholding tax on dividends and on the timing of the remittance of such dividends. Based on the Dutch tax system there is a limited credit for such taxes.

Effective tax rate

in %	2019	2020
Corporate tax rate in the Netherlands	25.0	25.0
Effect of tax rates in other countries	(2.2)	(0.4)
Weighted average statutory income tax rate	**22.8**	**24.6**
Non-taxable income	(1.0)	(1.2)
Non-deductible expenses	3.2	1.8
(De)recognition of deferred tax assets	5.8	(0.1)
Non-refundable withholding taxes	0.4	0.6
Adjustment for prior years	(0.2)	0.2
Deferred tax adjustment due to changes in tax rates	(1.7)	0.3
Effective tax rate	**29.3**	**26.2**

Deferred tax assets and liabilities

In assessing the recognition of the deferred tax assets, management considers whether it is probable that some portion or all of the deferred tax assets will be realized. The ultimate realization of the deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. The amount of deferred tax assets considered realizable, however, could change in the near term if future estimates of projected taxable income during the carryforward period are revised. The majority of the amount of the non-current portion of deferred or current taxes will be recovered or settled after more than 12 months.

In 2020, deferred tax asset recoverability has been assessed using taxable profit forecasts, which take the potential impact of the COVID-19 pandemic on future results into account. These assessments showed sufficient taxable profit to recover previously recognized deferred tax assets in most jurisdictions, whilst in some jurisdictions this resulted in minor derecognitions or re-recognitions, with a net effect of a re-recognition of deferred tax assets of €4 million. Deferred tax assets not recognized relate to tax loss carryforwards.

Due to the divestment of the Specialty Chemicals business in 2018, the company has been reorganizing itself into a focused Paints and Coatings company. In 2019, this resulted in a simplification of the intercompany financing structure, enlarging the scope of the global business support services, centralizing R&D and supply chain functions and implementing other cost saving initiatives. This has substantially affected the income generated and expenses incurred by subsidiaries in most countries, because intercompany interest, cost sharing and royalty flows, albeit all remaining at arm's length, have changed following these changes in the business set up. For subsidiaries in several countries in Europe, these changes in future profitability led to the derecognition or re-recognition of deferred tax assets. In aggregate, the net effect of the derecognition and re-recognition of deferred tax assets in 2019 was a charge of €47 million.

From the total amount of recognized net deferred tax assets, €196 million (2019: €345 million) is related to entities that have suffered a loss in either 2020 or 2019 and where utilization is dependent on future taxable profit in excess of the profit arising from the reversal of existing taxable temporary differences. This assessment is based on management's long-term projections and tax planning strategies.

A deferred tax liability is recognized for taxable temporary differences related to investments in subsidiaries, branches and associates and interests in joint arrangements, to the extent that it is probable that these will reverse in the foreseeable future. The expected net tax impact of the remaining differences for which no deferred tax liabilities have been recognized is €33 million (2019: €30 million). Deferred tax assets not recognized fully relate to tax loss carryforwards in 2020.

Deferred tax assets and liabilities 2020

In € millions	Balance at January 1, 2020	Changes in exchange rate	Recognized in income	Recognized in equity/Other comprehensive income	Acquisitions	Balance at December 31, 2020
Intangible assets	(410)	24	(31)	—	—	(417)
Property, plant and equipment	49	(6)	17	—	—	60
Financial non-current assets	(200)	13	(79)	(1)	—	(267)
Post-retirement benefit provisions	158	(9)	23	(16)	—	156
Other provisions	35	(3)	(3)	—	—	29
Other items	102	—	(37)	3	—	68
Tax credits	173	—	11	—	—	184
Tax loss carryforwards	641	(25)	27	2	—	645
Deferred tax assets not recognized	(410)	18	(36)	—	—	(428)
Deferred tax assets (liabilities)	**138**	**12**	**(108)**	**(12)**	—	**30**

Deferred tax assets and liabilities 2019

In € millions	Balance at January 1, 2019	Changes in exchange rate	Recognized in income	Recognized in equity/Other comprehensive income	Acquisitions	Balance at December 31, 2019
Intangible assets	(363)	—	(8)	—	(39)	(410)
Property, plant and equipment	47	4	(1)	—	(1)	49
Financial non-current assets	(158)	(10)	(32)	—	—	(200)
Post-retirement benefit provisions	121	2	(21)	56	—	158
Other provisions	37	1	(3)	—	—	35
Other items	79	1	8	15	(1)	102
Tax credits	150	—	23	—	—	173
Tax loss carryforwards	582	20	37	2	—	641
Deferred tax assets not recognized	(304)	(12)	(58)	(36)	—	(410)
Deferred tax assets (liabilities)	**191**	**6**	**(55)**	**37**	**(41)**	**138**

Expiration year of loss carryforwards 2020

In € millions	2021	2022	2023	2024	2025	Later	Unlimited	Total	Deferred tax
Total loss carryforwards	2	6	1	108	—	124	2,898	3,139	645
Loss carryforwards not recognized in deferred tax assets	—	(6)	—	—	—	(2)	(2,134)	(2,142)	(428)
Total loss carryforwards recognized	**2**	—	**1**	**108**	—	**122**	**764**	**997**	**217**

Expiration year of loss carryforwards 2019

In € millions	2020	2021	2022	2023	2024	Later	Unlimited	Total	Deferred tax
Total loss carryforwards	2	2	11	134	141	133	2,995	3,418	641
Loss carryforwards not recognized in deferred tax assets	(1)	(1)	(8)	(1)	(2)	(15)	(1,221)	(1,249)	(242)
Total loss carryforwards recognized	**1**	**1**	**3**	**133**	**139**	**118**	**1,774**	**2,169**	**399**

Deferred tax assets and liabilities per balance sheet item

		December 31, 2019			December 31, 2020	
In € millions	Net balance	Assets	Liabilities	Net balance	Assets	Liabilities
Intangible assets	(410)	32	442	(417)	18	435
Property, plant and equipment	49	83	34	60	85	25
Financial non-current assets	(200)	10	210	(267)	36	303
Post-retirement benefit provisions	158	161	3	156	157	1
Other provisions	35	44	9	29	37	8
Other items	102	147	45	68	129	61
Tax credits	173	173	—	184	184	—
Tax loss carryforwards	641	641	—	645	645	—
Deferred tax assets not recognized	(410)	(410)	—	(428)	(428)	—
Tax assets/liabilities	**138**	**881**	**743**	**30**	**863**	**833**
Set-off of tax	—	(352)	(352)	—	(366)	(366)
Net deferred taxes	**138**	**529**	**391**	**30**	**497**	**467**

The losses in the tables on tax losses carried forward are gross amounts, with the tax impact included in the last column of the table.

Income tax recognized in equity

In € millions	2019	2020
Currency exchange differences on intercompany loans of a permanent nature	11	5
Share-based compensation	4	(1)
Share buyback	—	3
Post-retirement benefits	24	(18)
Total	**39**	**(11)**
Current tax	2	1
Deferred tax	37	(12)
Total	**39**	**(11)**

Note 10 Earnings per share

Profit for the period attributable to the shareholders of the company was €630 million (in 2019: €539 million).

The number of shares for the earnings per share calculation decreased as a result of the capital repayment and share consolidation executed in 2019 and the share buyback programs of 2019 and 2020.

Profit for the period

In € millions	2019	2020
Profit before tax from continuing operations	785	919
Income tax	(230)	(241)
Profit from continuing operations	**555**	**678**
Profit for the period attributable to non-controlling interests	(38)	(41)
Profit for the period from continuing operations attributable to shareholders of the company	**517**	**637**
Profit for the period from discontinued operations attributable to shareholders of the company	22	(7)
Profit for the period attributable to shareholders of the company	**539**	**630**

Weighted average number of common shares

Number of shares	2019	2020
Issued common shares at January 1	**256,219,301**	**199,600,331**
Effect of issued common shares during the year	249,936	264,818
Capital repayment and share consolidation	(26,674,886)	—
Effect of share buyback program	(16,720,349)	(8,440,749)
Shares for basic earnings per share for the year	**213,074,002**	**191,424,400**
Effect of dilutive shares		
For performance-related and restricted shares	763,868	674,365
For share-matching plan	5,719	3,039
Shares for diluted earnings per share	**213,843,589**	**192,101,804**

Earnings per share

in €	2019	2020
Continuing operations		
Basic	2.43	3.33
Diluted	2.42	3.32
Discontinued operations		
Basic	0.10	(0.04)
Diluted	0.10	(0.04)
Total operations		
Basic	2.53	3.29
Diluted	2.52	3.28

Earnings per share (and adjusted earnings per share) from continuing operations increased in 2020, mainly due to the increased profit before tax from continuing operations and the impact of the share buyback program.

Adjusted earnings per share from continuing operations

In € millions	2019	2020
Profit before tax from continuing operations	785	919
Identified items reported in operating income	150	136
Interest on tax settlement	–	(3)
Adjusted income tax	(237)	(269)
Non-controlling interests	(38)	(41)
Adjusted profit from continuing operations attributable to shareholders of the company	**660**	**742**
Adjusted earnings per share from continuing operations (in €)	**3.10**	**3.88**

Note 11 Intangible assets

Intangible assets

In € millions	Goodwill	Brands	Customer lists	Other intangibles	Total
Balance at December 31, 2018					
Cost of acquisition	1,013	2,216	810	221	4,260
Cost of internally developed intangibles	–	–	–	158	158
Accumulated amortization/impairment	(23)	(177)	(506)	(254)	(960)
Carrying value at December 31, 2018	**990**	**2,039**	**304**	**125**	**3,458**
Impact adoption IFRS16	–	–	–	(36)	(36)
Balance at January 1, 2019	**990**	**2,039**	**304**	**89**	**3,422**
Movements in 2019					
Acquisitions through business combinations	101	(13)	144	11	243
Investments - including internally developed intangibles	–	–	–	35	35
Amortization	–	(12)	(38)	(17)	(67)
Impairments	(12)	–	(21)	(5)	(38)
Changes in exchange rates	14	9	6	1	30
Total movements	**103**	**(16)**	**91**	**25**	**203**
Balance at December 31, 2019					
Cost of acquisition	1,121	2,208	940	175	4,444
Cost of internally developed intangibles	–	–	–	191	191
Accumulated amortization/impairment	(28)	(185)	(545)	(252)	(1,010)
Carrying value at December 31, 2019	**1,093**	**2,023**	**395**	**114**	**3,625**
Movements in 2020					
Acquisitions through business combinations	48	8	23	11	90
Investments - including internally developed intangibles	–	–	–	34	34
Amortization	–	(11)	(33)	(20)	(64)
Changes in exchange rates	(45)	(76)	(10)	–	(131)
Total movements	**3**	**(79)**	**(20)**	**25**	**(71)**
Balance at December 31, 2020					
Cost of acquisition	1,123	2,134	921	178	4,356
Cost of internally developed intangibles	–	–	–	212	212
Accumulated amortization/impairment	(27)	(190)	(546)	(251)	(1,014)
Carrying value at December 31, 2020	**1,096**	**1,944**	**375**	**139**	**3,554**

Brands with indefinite useful lives are almost fully related to Dulux, which is the major brand, due to its global presence, high recognition and strategic nature. Other intangibles include licenses, know-how, intellectual property rights, software and development cost. Both at year-end 2020 and 2019, there were no material purchase commitments for individual intangible assets. No intangible assets were registered as security for bank loans.

Goodwill and other intangibles per business unit

In € millions		Goodwill		Brands with indefinite useful lives		Other intangibles with finite useful lives		Total intangibles
	2019	2020	2019	2020	2019	2020	2019	2020
Decorative Paints Europe, Middle East and Africa	81	97	838	837	143	148	1,062	1,082
Decorative Paints South America	—	—	116	83	—	1	116	84
Decorative Paints Asia	11	10	884	847	50	38	945	895
Powder Coatings	156	149	—	—	53	48	209	197
Marine and Protective Coatings	147	163	—	—	58	78	205	241
Automotive and Specialty Coatings	279	281	—	—	197	180	476	461
Industrial Coatings	419	396	—	—	144	126	563	522
Corporate and other	—	—	—	—	49	72	49	72
Total	**1,093**	**1,096**	**1,838**	**1,767**	**694**	**691**	**3,625**	**3,554**

Key assumptions

In % per year	Average revenue growth 2021-2025	Pre-tax weighted average cost of capital 2021-2025
Decorative Paints	2.3-6.6%	9.7-14.5%
Performance Coatings	2.2-3.6%	8.9-9.5%

Annual impairment testing

Goodwill and other intangibles with indefinite useful lives are tested for impairment per business unit (one level below segment level) annually or whenever an impairment trigger exists, applying the value-in-use method. The impairment test is in principle based on cash flow projections of the five-year plan. Elements considered to determine if a different approach would be more appropriate are, among others, high growth/emerging economies, geo expansion opportunities, introduction of new product ranges and opportunities from market consolidation. In 2020, the above exception was applied for Decorative Paints Asia and Decorative Paints South America, for which the revenue growth and adjusted EBITDA-margin development projections were extrapolated beyond the five-year explicit forecast period for another five years, applying reduced average growth rates.

The key assumptions used in the projections for annual impairment testing are:

- Revenue growth per year: based on actual experience, analysis of markets and GDP growth and the expected market share developments
- Adjusted EBITDA-margin development per year: based on actual experience and management's long-term projections
- Weighted average cost of capital per year: the pre-tax discount rate determined per business unit, reflecting current market assessments of the time value of money and the risks specifically associated with the business units

For all business units, a terminal value was calculated based on the long-term inflation expectations of 1.0%. The estimated pre-tax cash flows are discounted to their present value using a pre-tax weighted average cost of capital. The discount rates are determined for each business unit and range from 8.9% to 14.5% (2019: 8.8% to 12.7%), with a weighted average of 9.6% (2019: 9.4%).

Sensitivity tests were performed for growth assumptions, adjusted EBITDA margin development assumptions and for the weighted average cost of capital. These sensitivity tests show that reasonably possible changes in these key assumptions would not cause carrying amounts to exceed recoverable amounts for any of the business units.

In 2020 and 2019, no impairment charges were recognized in relation to the annual impairment test.

Impact COVID-19 on annual impairment testing process

The situation around COVID-19 is being closely monitored to ensure that the impact on estimated future cash flows is reflected in the models which are used to assess the valuation of the carrying value of AkzoNobel's asset base. In addition to the beforementioned annual impairment testing process, AkzoNobel has made a detailed assessment in the second quarter, specifically focussing on the potential impact of the pandemic. The outcome of both assessments showed sufficient headroom in all business units.

Specific asset impairments

In 2020, no impairment charges were recorded in relation to specific assets. In 2019, impairment charges were recorded for Performance Coatings, following the implementation of our strategic portfolio review, which was determined to be a triggering event. As this portfolio review also included certain recently acquired and not yet integrated businesses to be divested, the goodwill related to these businesses was also included in the impairment review and subsequently impaired.

Note 12 Property, plant and equipment

Investments in property, plant and equipment

Throughout 2020, AkzoNobel has continued to assess all investment opportunities to ensure the right capital and capacity allotment and have taken decisions accordingly. With an aim to reinforce capability to support customers and enhance our manufacturing and supply chain, AkzoNobel has, among others, invested in the Powder Coatings site in Como, Italy, which is expected to enable further automatization and operational efficiency with automated and integrated production lines. Another major investment has been initiated in Turkey to increase the product range in decorative and wood care paints and unlock further value engineering opportunities.

We continued to invest in High Point, North Carolina, to transform our wood coatings facility into a best-in-class manufacturing site.

Impairments

In 2020, no significant impairments were recognized. In 2019, impairments were recognized in Performance Coatings, following the implementation of our strategic portfolio review.

Property, plant and equipment

In € millions	Buildings and land	Plant equipment and machinery	Other equipment	Construction in progress and prepayments on projects	Assets not used	Total
Balance at December 31, 2018						
Cost of acquisition	1,505	1,894	888	178	10	4,475
Accumulated depreciation/impairment	(711)	(1,283)	(722)	(4)	(7)	(2,727)
Carrying value at December 31, 2018	**794**	**611**	**166**	**174**	**3**	**1,748**
Impact adoption IFRS 16	(28)	(1)	—	—	—	(29)
Balance at January 1, 2019	**766**	**610**	**166**	**174**	**3**	**1,719**
Movements in 2019						
Acquisitions	8	4	—	—	—	12
Divestments	(22)	(1)	(10)	—	—	(33)
Investments	6	24	13	136	—	179
Transfer between categories	44	57	19	(121)	1	—
Depreciation	(43)	(102)	(43)	—	—	(188)
Impairments, including reversals	(2)	(19)	(2)	—	—	(23)
Changes in exchange rates	13	12	6	3	—	34
Total movements	**4**	**(25)**	**(17)**	**18**	**1**	**(19)**
Balance at December 31, 2019						
Cost of acquisition	1,528	1,974	906	193	11	4,612
Accumulated depreciation/impairment	(758)	(1,389)	(757)	(1)	(7)	(2,912)
Carrying value at December 31, 2019	**770**	**585**	**149**	**192**	**4**	**1,700**
Movements in 2020						
Acquisitions	3	1	1	—	—	5
Divestments	(4)	(1)	(1)	(3)	—	(9)
Investments	8	23	6	187	—	224
Transfer between categories	28	83	22	(133)	—	—
Depreciation	(53)	(107)	(38)	—	—	(198)
Impairments, including reversals	—	(2)	(1)	—	—	(3)
Changes in exchange rates	(58)	(31)	(5)	(3)	(1)	(98)
Total movements	**(76)**	**(34)**	**(16)**	**48**	**(1)**	**(79)**
Balance at December 31, 2020						
Cost of acquisition	1,425	1,937	890	244	10	4,506
Accumulated depreciation/impairment	(731)	(1,386)	(757)	(4)	(7)	(2,885)
Carrying value at December 31, 2020	**694**	**551**	**133**	**240**	**3**	**1,621**

Note 13 Leases

AkzoNobel mainly leases land, office spaces, stores and cars. Some leases provide for additional rent payments that are based on changes in local price indices.

Some property leases contain extension options exercisable by AkzoNobel up to one year before the end of the non-cancellable contract period. We have estimated that the lease liability would increase by less than 20%, if we would exercise the extension options which are currently not included in the valuation of the lease liability. This excludes so-called "evergreens" or perpetual leases.

Total net cash out flow from financing activities related to leases recognized on the balance sheet was €105 million (2019: €108 million). Net cash outflow for leases not recognized on the balance sheet was €17 million (2019: €17 million).

Refer to Note 27 Financial risk management for the maturities of lease liabilities.

Right-of-use assets

In € millions	Land	Buildings	Other	Total
Balance at January 1, 2019				
Cost of acquisition	56	336	70	462
Accumulated depreciation/impairment	(10)	(20)	—	(30)
Carrying value at January 1, 2019	**46**	**316**	**70**	**432**
Movements in 2019				
Additions	1	18	32	51
Modifications	(1)	1	—	—
Disposals	—	(3)	(1)	(4)
Depreciation	(4)	(63)	(38)	(105)
Impairments	—	(5)	—	(5)
Changes in exchange rates	1	3	1	5
Total movements	**(3)**	**(49)**	**(6)**	**(58)**
Balance at December 31, 2019				
Cost of acquisition	57	355	102	514
Accumulated depreciation/impairment	(14)	(88)	(38)	(140)
Carrying value at December 31, 2019	**43**	**267**	**64**	**374**
Movements in 2020				
Additions	2	52	43	97
Modifications	—	(13)	1	(12)
Disposals	(1)	(6)	(9)	(16)
Depreciation	(3)	(60)	(36)	(99)
Impairments	—	(7)	—	(7)
Changes in exchange rates	(2)	(8)	(3)	(13)
Total movements	**(4)**	**(42)**	**(4)**	**(50)**
Balance at December 31, 2020				
Cost of acquisition	55	353	102	510
Accumulated depreciation/impairment	(16)	(128)	(42)	(186)
Carrying value at December 31, 2020	**39**	**225**	**60**	**324**

Income/(expenses) recognized in profit and loss

In € millions	2019	2020
Sub lease income	6	10
Depreciation right-of-use assets	(105)	(99)
Impairments for right-of-use assets	(5)	(7)
Interest expense on lease liabilities	(8)	(6)
Short-term lease expenses	(10)	(9)
Expenses relating to low-value assets	(4)	(4)
Variable lease expenses	(3)	(4)
Total expenses	**(129)**	**(119)**

Note 14 Investments in associates and joint ventures

Balance sheet information of our share in associates

		Associates
In € millions	2019	2020
Condensed balance sheet		
Non-current assets	68	71
Current assets	114	141
Total assets	**182**	**212**
Shareholders' equity	147	164
Non-current liabilities	6	6
Current liabilities	29	42
Total liabilities and equity	**182**	**212**

Profit and loss of our share in associates

		Associates
In € millions	2019	2020
Condensed statement of income		
Revenue	154	165
Profit before tax	29	37
Profit from continuing operations	20	25
Other comprehensive income	—	—
Profit for the period	**20**	**25**

At year-end 2020, the carrying value of equity investments in associates amounted to €164 million (2019: €147 million). AkzoNobel has granted loans of €2 million in total to certain associates (2019: €3 million). In 2020, the results from associates amounted to a profit of €25 million (2019: €20 million).

No significant contingent liabilities exist related to associates.

The largest associate of AkzoNobel is Metlac S.p.a., incorporated in Italy. None of the associates are considered individually material to the group.

Note 15 Financial non-current assets

Financial non-current assets

In € millions	2019	2020
Pension assets	1,418	1,543
Loans and receivables	336	331
Other financial non-current assets	108	77
Total	**1,862**	**1,951**

Pension assets (€1,543 million) relate to pension plans in an asset position (2019: €1,418 million). For more information on post-retirement benefit provisions, refer to Note 19.

Loans and receivables include the subordinated loan of €87 million (2019: €88 million) granted to the Pension Fund APF in the Netherlands and the non-current part of an escrow account related to the pre-funding of the Akzo Nobel (CPS) Pension Scheme in the UK amounting to €71 million (2019: €105 million), invested in corporate bonds. Under certain conditions, the minimum annual funding of this pension fund from the escrow account is €29 million (£26 million). The current portion of the escrow account is reported as other receivables within trade and other receivables, refer to Note 17.

Note 16 Inventories

Of the total carrying value of inventories at year-end 2020, €17 million is measured at net realizable value (2019: €36 million). In 2020, €59 million was recognized in the statement of income for the write-down of inventories (2019: €70 million), while €28 million of write-downs were reversed (2019: €22 million). There are no inventories subject to retention of title clauses.

Inventories

In € millions	2019	2020
Raw materials and supplies	342	378
Work in progress	71	70
Finished products and goods for resale	726	711
Total	**1,139**	**1,159**

Note 17 Trade and other receivables

Trade and other receivables

In € millions	2019	2020
Trade receivables	1,812	1,751
Prepaid expenses	33	30
Tax receivables other than income tax	116	91
FX contracts	9	10
Receivables from associates	8	—
Other receivables	155	112
Total	**2,133**	**1,994**

Ageing of trade receivables

In € millions	2019	2020
Performing trade receivables	1,625	1,644
Past due trade receivables		
< 3 months	162	99
> 3 months	83	66
Allowance for impairment	(58)	(58)
Total trade receivables	**1,812**	**1,751**

Trade receivables are presented net of an allowance for impairment of €58 million (2019: €58 million). The impact from the COVID-19 pandemic on the valuation of trade receivables has been evaluated as part of the regular process on determination of the allowance for impairment. Whilst the allowance for impairment of trade receivables initially increased as a direct result of the additional risk associated with COVID-19, impairment of trade receivables returned to normal levels at year-end.

Allowance for impairment of trade receivables

In € millions	2019	2020
Balance at January 1	**69**	**58**
Additions charged to income	29	22
Release of unused amounts	(24)	(3)
Utilization	(16)	(14)
Acquisitions	—	1
Currency exchange differences	—	(6)
Balance at December 31	**58**	**58**

In 2020, €22 million of impairment losses were recognized in the statement of income (2019: €29 million). An amount of €3 million was reversed (2019: €24 million).

Since the total amount of impairment losses under IFRS 9 is not significant, no separate disclosure was made in the statement of income.

Other receivables include the current portion of €29 million (£26 million) of the escrow account for the Akzo Nobel (CPS) Pension Scheme in the UK.

Note 18 Group equity

Composition of share capital at year-end 2019

In €	Authorized share capital	Subscribed share capital
Priority shares (48 with nominal value of €400)	19,200	19,200
Cumulative preferred shares (200 million with nominal value of €0.50)	100,000,000	—
Common shares (500 million with nominal value of €0.50)	250,000,000	99,800,166
Total	**350,019,200**	**99,819,366**

During 2020, 9,331,481 common shares repurchased in 2019 and 2020 were cancelled (2019: 28,433,528 common shares).

For further details on weighted average number of shares, refer to Note 10.

Composition of share capital at year-end 2020

In €	Authorized share capital	Subscribed share capital
Priority shares (48 with nominal value of €400)	19,200	19,200
Cumulative preferred shares (200 million with nominal value of €0.50)	100,000,000	—
Common shares (500 million with nominal value of €0.50)	250,000,000	95,289,921
Total	**350,019,200**	**95,309,121**

Outstanding common shares

Number of shares	2019	2020
Outstanding at January 1	**256,219,301**	**199,600,331**
Issued in connection to performance-related share plan and share-matching plan	283,370	310,991
Capital repayment and share consolidation	(28,468,812)	—
Stock dividend	—	—
Share buyback	(31,599,495)	(10,027,257)
Shares bought back not yet cancelled	3,165,967	695,776
Outstanding at December 31	**199,600,331**	**190,579,841**

Weighted average number of common shares

Number of shares	2019	2020
Weighted average number of common shares	**213,074,002**	**191,424,400**

Subscribed share capital

For further details on subscribed share capital, refer to Note F in the Company financial statements.

Cumulative translation reserves comprise all foreign exchange differences arising from the translation of the financial statements of foreign operations, as well as from the translation of intercompany loans with a permanent nature and liabilities and derivatives that hedge the net investments in a foreign subsidiary.

Equity-settled transactions consist of the performance related and restricted share plan and share-matching plan, whereby shares are granted to the Board of Management, Executive Committee and other executives. For details of the share-based compensation, refer to Note 7.

Non-controlling interests

Group entity	Partner at year-end 2020	2019 %	2019 Equity stake in € millions	2020 %	2020 Equity stake in € millions
Akzo Nobel India Limited, Kolkata, India	Privately held, India	25.24	53	25.24	50
PT ICI Paints Indonesia, Jakarta, Indonesia	PT DWI Satrya Utama, Indonesia	45.00	25	45.00	29
Akzo Nobel Paints (Malaysia) Sdn. Bhd., Kuala Lumpur, Malaysia	Privately held, Malaysia	40.05	23	40.05	21
Akzo Nobel Kemipol A.S., Izmir, Turkey	Privately held, Turkey	49.00	17	49.00	20
International Paint (Korea) Ltd, Busan, South-Korea	Noroo Holdings, South Korea	40.00	16	40.00	16
International Paints of Shanghai Co. Ltd, Shanghai, China	Huayi Fine Chemical Co. Ltd, China: China National Shipbuilding Equipment & Materials Corp.	49.00	10	49.00	14
International Paints Saudi Arabia, Saudi Arabia	Yousuf Bin Ahmed Kanoo Co. Ltd, Saudi Arabia	40.00	15	40.00	12
Akzo Nobel Oman SAOC, Muscat, Oman	Omar Zawawi establishment LLC, Oman	50.00	11	50.00	11
Akzo Nobel UAE Paints LLC, United Arab Emirates	Kanoo Group, United Arab Emirates	40.00	9	40.00	8
Akzo Nobel Paints (Guangzhou) Limited, Guangzhou, China	Industrial Development Co. Ltd of Guanzhou, China	10.00	5	10.00	4
Akzo Nobel Pakistan Limited, Karachi, Pakistan	Privately held, Pakistan	24.19	9	2.99	1
Others			25		18
Total			**218**		**204**

Non-controlling interests

None of the non-controlling interests are considered individually material to the group.

Dividend

Our dividend policy is to pay a stable to rising dividend.

In 2020, an interim dividend of €0.43 (2019: €0.41) per common share was paid. We propose a 2020 final dividend of €1.52 (2019: €1.49) per common share, which would equal a total 2020 dividend of €1.95 (2019: €1.90).

In line with our announcement on April 19, 2017, we have returned the vast majority of the net proceeds from the separation of the Specialty Chemicals business to our shareholders. The Extraordinary General Meeting of November 13, 2018, approved to return an amount of €2.0 billion to shareholders by means of a capital repayment and share consolidation, which was executed in January 2019. A share consolidation ratio of 9:8 was applied.

We distributed €1.0 billion by means of a special cash dividend of €4.50 per common share (post consolidation) on February 25, 2019, in addition to the €1.0 billion special cash dividend already distributed in December 2017.
The share buyback program to repurchase common shares up to the value of €2.5 billion was completed at the end of 2019, acquiring 31.2 million common shares, which all have been cancelled. On October 23, 2019, a €500 million share buyback program was announced, for which 0.4 million common shares were acquired in 2019 and 6.2 million shares in 2020, which have all been cancelled.

On October 21, 2020, a new €300 million share buyback program was announced for which 0.7 million shares were acquired in 2020, that have not yet been cancelled.
The share buyback program is to be completed in the first half of 2021.

Note 19 Post-retirement benefit provisions

Post-retirement benefit provisions relate to defined benefit pension and other post-retirement benefit plans, including healthcare or welfare plans. The largest defined benefit pension plans are the ICI Pension Fund (ICIPF) and the Akzo Nobel (CPS) Pension Scheme in the UK which together account for 86% of defined benefit obligations (DBO) and 91% of plan assets. Other pension plans include among others the largely unfunded plans in Germany, the plans in the US and certain other smaller plans in the UK. The benefits of these pension plans are based primarily on years of service and employees' compensation. The funding policy for the plans is consistent with local requirements in the countries of establishment. We also provide certain healthcare and life insurance benefits to retired employees, mainly in the US and the Netherlands.

Valuations of the obligations under the plans are carried out regularly by independent qualified actuaries. We accrue for the expected costs of providing such post-retirement benefits during the service years of the employees. Governance of the benefit plans is the responsibility of the Executive Committee Pensions. This committee provides oversight of the costs and risks of the plans including oversight of the impact of the plans on the company in terms of cash flow, pension expenses and the balance sheet. The committee develops and maintains policies on benefit design, funding, asset allocation and assumption setting.

Pension plans

Almost all of the defined benefit plans have been closed to new members since the early to mid-2000s, although in many plans long-serving employees continue to accrue benefits. For plans in the US, benefit accrual is frozen and employees participate in defined contribution plans for future service. In countries where plans are closed, new employees are eligible to join a defined contribution arrangement. In countries in high growth markets, pension schemes currently are not material. Unless mandated by law, it is our policy that any new plans are established as defined contribution plans.

The most significant risks that we run in relation to defined benefit plans are investment returns falling short of expectations, low discount rates, inflation exceeding expectations, retirees living longer than expected and legislation changes. The assets and liabilities of each of the funded plans are held outside of the company in a trust or a foundation, which is governed by a board of fiduciaries or trustees, depending on the legal arrangements in the country concerned. The primary objective with regards to the investment of pension plan assets is to ensure that each individual plan has sufficient funds available to satisfy future benefit obligations in accordance with local legal and legislative requirements. For this purpose, we work closely with plan trustees or fiduciaries to develop investment strategies. Studies are carried out periodically to analyze and understand the trade-off between expected investment returns, volatility of outcomes and the impact on cash contributions. We aim to strike a cautious balance between these factors in order to agree affordable contribution schedules with plan fiduciaries.

Plan assets principally consist of insurance (annuity) policies, long-term interest-earning investments and (investment funds with holdings primarily in) quoted equity securities. Our largest plans use derivatives (such as index futures, currency forward contracts and swaps) to reduce volatility of underlying variables, for efficient portfolio management and to improve the liability matching characteristics of the assets. Limits have been set on the use of derivatives which are periodically subject to review for compliance with the pension fund's investment strategy.

In line with our proactive pension risk management strategy, we seek to reduce risk in our pension plans over time. We continue to evaluate different potential de-risking strategies and opportunities on an ongoing basis. Some future de-risking transactions may have both cash flow and balance sheet impacts which may be substantial, as have some of the de-risking actions already taken. The cost of fully removing risk would exceed estimated funding deficits.

Between 2014 and 2020, ICIPF and a smaller UK plan, the ICI Specialty Chemicals Pension Fund (ISCPF), have invested in annuity buy-in contracts that aim to hedge all key risks related to their pensioner populations. CPS has an insurance contract to hedge longevity risk in respect of a portion of its pensioners. In 2020, the Trustee of the ICIPF entered into a further annuity buy-in agreement with Legal and General Assurance Society Limited and the Trustee of the ISCPF entered into a further annuity buy-in agreement with Pension Insurance Corporation plc. Together they cover, in aggregate, £84 million (€94 million) of pensioner liabilities (insurer valuation). The buy-in involved the purchase of a bulk annuity policy under which the insurer will pay to ICIPF and ISCPF amounts equivalent to the benefits payable to members who have recently become pensioners. The pension liabilities remain with, and the matching annuity policies are held within, ICIPF and ISCPF. The accounting impact of the transaction is a lower valuation of the plan assets giving a reduction in Other comprehensive income of £21 million (€23 million) of which £18 million (€20 million) relates to ICIPF and £3 million (€3 million) relates to ISCPF.

By purchasing bulk annuities, the ICIPF and ISCPF Trustees have both taken significant steps in actively de-risking liabilities and reducing the risk that AkzoNobel will be required to contribute additional cash in the future.

In October 2018, the UK High Court provided clarity for trustees and employers on providing equal pension benefits for men and women where they are in receipt of Guaranteed Minimum Pensions (GMPs) as a result of the Lloyds Banking Group judgment. According to this judgment, pension schemes were required to retrospectively equalize GMPs by uplifting pensions to the same level, as far as needed, for men and women. On November 20, 2020, the High Court ruled that pension schemes will need to revisit individual transfer payments made since May 17, 1990, to check if any additional value is due as a result of GMP equalization. As a result, a past service cost of £5 million (€6 million) has been charged across the AkzoNobel pension schemes in the UK in 2020.

In setting the discount rate assumption for calculating the DBO of each plan, the so called Willis Towers Watson (WTW) RATE:Link model is used for the majority of the plans in the group. RATE:Link had previously been using a Bloomberg fixed income securities Bloomberg Industry Classification Standard (BICS) framework to provide the relevant inputs. However, due to a change in the Bloomberg BICS framework in 2020, this framework is no longer deemed suitable and RATE:Link now uses the Bloomberg BCLASS framework. Although the curve-fitting methodology has not changed in 2020, the change in Bloomberg framework used by RATE:Link has resulted in an estimated net €170 million remeasurement gain included in Other comprehensive income. The impact of this change in accounting estimate in relation to bond inclusion is included in the reconciliation table as a €270 million gain within the overall actuarial loss due to liability financial assumption changes in the DBO, partially offset by a €100 million reduction in the experience gain in plan assets in respect of the UK buy-in annuity policies.

On November 25, 2020, correspondence between the Chancellor of the Exchequer and the UK Statistics Authority (UKSA) was published regarding the future of the Retail Price Index (RPI) measurement of inflation. With effect from February 2030 onwards, increases in the RPI will be aligned with those under the Consumer Prices Index (CPI) with owner occupiers' housing costs (CPIH). Broadly this is expected to result in RPI inflation being 1% lower in the longer term than under the existing methodology. The inflation assumption continues to be calculated using a market breakeven inflation rate. However, the CPI inflation assumption, on which the benefits of some plans are based, is set with reference to RPI. Until 2030, the CPI inflation assumption is calculated as 1% below RPI and from 2030 onwards as 0.1% below RPI. The impact has been recognized within remeasurements in Other comprehensive income. The impact on the actuarial loss due to liability financial assumption changes in the DBO is partially offset by an impact on the experience gain in plan assets in respect of the UK buy-in annuity policies and is not material.

Reconciliation balance sheet

In € millions	DBO	Plan assets	Total 2019	DBO	Plan assets	Total 2020
Balance at the beginning of the period	**(13,354)**	**13,654**	**300**	**(14,616)**	**15,287**	**671**
Statement of income						
Current service cost	(30)	—	(30)	(33)	—	(33)
Past service cost	(2)	—	(2)	(5)	—	(5)
Net interest (charge)/income on net defined benefit (liability)/asset	(361)	382	21	(262)	276	14
Cost recognized in statement of income	**(393)**	**382**	**(11)**	**(300)**	**276**	**(24)**
Remeasurements						
Actuarial (loss)/gain due to liability experience	50	—	50	148	—	148
Actuarial (loss)/gain due to liability financial assumption changes	(1,368)	—	(1,368)	(915)	—	(915)
Actuarial (loss)/gain due to liability demographic assumption changes	189	—	189	(74)	—	(74)
Actuarial loss due to buy-in	—	(30)	(30)	—	(23)	(23)
Return on plan assets (less)/greater than discount rate	—	914	914	—	981	981
Remeasurement effects recognized in Other comprehensive income	**(1,129)**	**884**	**(245)**	**(841)**	**958**	**117**
Cash flow						
Employer contributions	—	569	569	—	114	114
Employee contributions	(2)	2	—	(2)	2	—
Benefits and administration costs paid from plan assets	881	(881)	—	859	(859)	—
Net cash flow	**879**	**(310)**	**569**	**857**	**(743)**	**114**
Other						
Acquisitions/divestments/transfers	—	—	—	(2)	2	—
Changes in exchange rates	(619)	677	58	718	(766)	(48)
Total other	**(619)**	**677**	**58**	**716**	**(764)**	**(48)**
Balance at the end of the period	**(14,616)**	**15,287**	**671**	**(14,184)**	**15,014**	**830**
Asset restriction			(3)			(3)
Net balance sheet position			**668**			**827**
In the balance sheet under						
Other financial non-current assets			1,418			1,543
Post-retirement benefit provisions			(701)			(664)
Current portion of provisions			(49)			(52)
Net balance sheet position			**668**			**827**

The remaining pension plans primarily represent plans accounted for as defined contribution plans. This includes, among others, the Pension Fund APF in the Netherlands and the 401k Plan in the US. The ITP2 plan in Sweden is financed through insurance with the Alecta insurance company and is classified as a multi-employer defined benefit plan. As AkzoNobel does not have access to sufficient information from Alecta to enable a defined benefit accounting treatment, it is accounted for as a defined contribution plan.

Contributions in 2020 were €1 million (2019: €1 million). Alecta's funding ratio in 2020 is normally allowed to vary between 125% and 175%. The most recently quoted ratio at December 2020 stood at 148%. The expenses of all plans accounted for as defined contribution plans in AkzoNobel totaled €82 million in 2020 (2019: €86 million).

Other post-retirement benefit plans

AkzoNobel provides certain healthcare and life insurance benefits to retired employees, mainly in the US and the Netherlands. The risks to which the US healthcare plans expose AkzoNobel include the risk of future increases in the cost of healthcare which would increase the cost of maintaining the plans. The benefit payments to retirees under the Dutch plan are frozen. Both plans expose AkzoNobel to the risk of a further decline in discount rates, which increases the plan obligations, and longevity risk as the plans generally pay lifetime benefits.

Reconciliation balance sheet

The closing net balance sheet position of €827 million (2019: €668 million) includes the pension plans

(€963 million net asset; 2019: €826 million net asset) and other post-retirement plans (€136 million liability; 2019: €158 million liability).

Administrative expenses

In addition to the expenses borne by the funds themselves, some expenses are borne directly by AkzoNobel. Administrative expenses are incurred, especially for the UK pension funds, of €18 million (2019: €19 million), which are included in operating income. In addition, we directly incurred asset management expenses of €2 million (2019: €4 million), which have been included in other comprehensive income.

Interest costs

Interest costs on DBO for both pensions and other post-retirement benefits, together with the interest income on plan assets, comprise the net financing income related to post-retirement benefits of €14 million (2019: €21 million), refer to Note 8.

Pension plans in asset position

Pension balances recorded under Financial non-current assets totaled €1,543 million (2019: €1,418 million). The increase in 2020 was due to €145 million of net actuarial gains, €45 million of employer contributions and net income of €7 million, partially offset by €72 million of exchange rate translation losses in the relevant plans. These assets could be recognized under IFRIC 14 because economic benefits are available in the form of future refunds from the plan or reductions in future contributions to the plan, either during the life of the plan or on the (final) settlement of the plan liabilities.

Plan assets

The equities and government bond debt assets have quoted prices in active markets, although most are held through funds comprised of such instruments which are not actively traded themselves. The total value of plan assets not quoted in active markets is €8,354 million (2019: €8,812 million, including the UK buy-in annuity policies totaling €7,595 million (2019: €8,018 million), investments in real estate, totaling €381 million (2019: €405 million) and other investments in infrastructure, catastrophe bonds, insurance policies and high-yield credit strategies. The UK buy-in annuity policies have a value that is equal to the DBO of the pensioners covered by the policies. Plan assets did not directly include any of AkzoNobel's own transferable financial instruments, nor any property occupied by or assets used by the company.

Cash flows

In 2021, we expect to contribute €88 million (2020: €101 million) to our defined benefit pension plans, including £26 million (€29 million) of top-up contributions to the CPS plan, paid from an escrow account, in line with the agreed recovery plan following the March 31, 2017 triennial valuation. We expect to pay a further €11 million (2020: €13 million) to our other post-retirement benefit plans. No allowance is made for any special one-off contributions that may arise in relation to new de-risking opportunities.

The sensitivity effect on DBO shown allows for an alternative value for each assumption while the other actuarial assumptions remain unchanged. While this table illustrates the overall impact on DBO of the changes shown, the significance of the impact and the range of reasonably possible alternative assumptions may differ between the different plans that comprise the total DBO. In particular, the plans differ in benefit design, currency and average term, meaning that different assumptions have different levels of significance for each plan.

The sensitivity analysis is intended to illustrate the inherent uncertainty in the valuation of the DBO under market

Plan assets

		2019		2020
In € millions	Total	Percentage of total	Total	Percentage of total
Equities	331	2	366	2
Debt - fixed interest government bonds	1,641	11	1,315	9
Debt - index-linked government bonds	2,728	18	3,121	21
Debt - corporate and other bonds	1,458	10	1,798	12
UK buy-in annuity policies	8,018	52	7,595	51
Cash and cash equivalents	289	2	215	1
Other	822	5	604	4
Total	**15,287**	**100**	**15,014**	**100**

Cash flows

		Pensions		Other post-retirement benefits
In € millions	2020	2021	2020	2021
Regular contributions	44	44	13	11
Top-ups	57	44	—	—
Total	**101**	**88**	**13**	**11**

Sensitivity of DBO to change in assumptions

In € millions	ICIPF UK	CPS UK	Other pension plans	Other post-retirement benefits	Total
Discount rate: 0.5% decrease	539	297	146	5	987
Price inflation: 0.5% increase*	303	172	80	—	555
Life expectancy: one year increase from age 60	682	131	74	6	893
Maturity information					
Weighted average duration of DBO (years)	12.1	15.8	15.9	9.8	13.5

* The sensitivity to price inflation assumption includes corresponding changes to all inflation-related compensation increases, pensions in payment and pensions in deferment.

Key figures and assumptions by plan

In € millions or %	ICIPF UK 2019	CPS UK 2019	Other pension plans 2019	Other post-retirement benefits 2019	Total 2019	ICIPF UK 2020	CPS UK 2020	Other pension plans 2020	Other post-retirement benefits 2020	Total 2020
Percentage of total DBO	62%	24%	13%	1%	100%	61%	25%	13%	1%	100%
Defined Benefit Obligation at year-end	(9,124)	(3,499)	(1,835)	(158)	(14,616)	(8,716)	(3,503)	(1,829)	(136)	(14,184)
Fair value of plan assets at year-end	9,939	4,032	1,316	—	15,287	9,579	4,101	1,334	—	15,014
Plan funded status	815	533	(519)	(158)	671	863	598	(495)	(136)	830
Restriction on asset recognition	—	—	(3)	—	(3)	—	—	(3)	—	(3)
Amounts recognized on the balance sheet	**815**	**533**	**(522)**	**(158)**	**668**	**863**	**598**	**(498)**	**(136)**	**827**
Percentage of total current service cost	10%	27%	63%	—	100%	9%	24%	67%	—	100%
Current service cost	(3)	(8)	(19)	—	(30)	(3)	(8)	(22)	—	(33)
Employer contributions	479	37	41	12	569	4	37	60	13	114
Discount rate	1.9%	2.0%	1.9%	2.9%	1.9%	1.3%	1.4%	1.4%	2.6%	1.3%
Rate of compensation increase	1.5%	1.4%	2.7%	—	2.0%	1.5%	1.3%	1.9%	—	1.5%
Inflation	3.1%	3.0%	2.1%	—	2.9%	2.9%	2.9%	2.0%	—	2.8%
Pension increases	2.9%	2.3%	2.1%	—	2.6%	2.8%	2.4%	2.0%	—	2.6%
Life expectancy (in years)										
Currently aged 60										
Males	26.3	25.9	25.9	26.1	26.2	26.4	26.2	26.1	25.7	26.3
Females	27.8	28.3	28.4	27.8	28.0	28.0	29.0	28.5	27.6	28.3
Currently aged 45, from age 60										
Males	27.3	27.0	27.3	27.2	27.2	27.5	27.3	27.4	26.8	27.4
Females	29.0	29.5	29.7	29.0	29.2	29.2	30.1	29.9	28.6	29.5

conditions at the measurement date. Its results cannot be extrapolated due to non-linear effects that changes in the key actuarial assumptions may have on the total DBO. Furthermore, the analysis does not indicate a probability of such changes occurring and it does not necessarily represent our view of expected future changes in DBO. Any management actions that may be taken to mitigate the inherent risks in the post-retirement defined benefit plans are not reflected in this analysis, as they would normally be reflected in plan asset changes rather than DBO changes.

The sensitivities in the table only apply to the DBO and not to the net amounts recognized in the balance sheet. Movements in the fair value of plan assets (which include the de-risking instruments) would, to a significant extent, be expected to offset movements in the DBO resulting from changes in the given assumptions. At ICIPF, the annuity buy-in contracts cover 99% of pensioner liabilities (2019: 99%) and 83% of total liabilities (2019: 84%).

At CPS, the longevity hedge contract covers 49% of pensioner liabilities (2019: 58%) and 30% of total liabilities (2019: 35%).

DBO at funded and unfunded pension plans*

In € millions	2019	2020
Wholly or partly funded plans	14,268	13,854
Unfunded plans	190	194
Total	**14,458**	**14,048**

* Excludes other post-retirement benefit plans.

Future benefit payments

The figures in the table below are the estimated future benefit payments to be paid from the plans to beneficiaries over the next ten years.

Future benefit payments

In € millions	Pensions	Other post-retirement benefits
2021	844	11
2022	844	11
2023	853	10
2024	858	10
2025	864	9
2026 - 2030	4,415	41

Key plan details for the two largest pension plans[1]

	ICI Pension Fund, UK	Akzo Nobel (CPS) Pension Scheme, UK
Type of plan	Defined benefit, based upon years of service and final salary	Defined benefit, based upon years of service and final salary
Benefits	Retirement pension for employee Dependents' pensions on death of employee/pensioner Options for ill health early retirement	Retirement pension for employee Dependents' pensions on death of employee/pensioner Options for ill health early retirement
Pension increases (main benefit section)	Annually linked to UK RPI with a maximum of 5%	Annually linked to UK CPI with a maximum of 5%
Plan structure	Plans are set up under a trust and are tax approved	Plans are set up under a trust and are tax approved
Governance	Trustee directors: Four member-nominated Five appointed with the agreement of Law Debenture One independent (Law Debenture)	Trustee directors: Four member-nominated Three company-nominated One independent (Law Debenture)
Regulatory framework	The plans are tax approved and assets are held in trust for the benefit of participants. The trustees have a legal duty to manage the trust in the best interests of participants. Investment strategy is controlled by the trustees in consultation with the company	
Funding basis	A plan specific basis must be agreed with each trustee board in accordance with UK regulations. The basis is not the same as the IFRS calculation as it uses more prudent assumptions about the life expectancy and the discount rates reflect prudent estimates of the expected return on assets actually held, thus the trustees' investment strategies will impact the discounted value of liabilities	
Frequency of funding reviews	Normally every three years	Normally every three years
Latest completed valuation	March 31, 2017	March 31, 2017
Funding deficit at latest completed valuation[1,2]	£604 million (€671 million)	£123 million (€137 million)
Recovery plan	£125 million (€146 million)[3] in January 2019 and £290 million (€333 million)[3] in March 2019, following experience gains since the March 31, 2017, valuation date	£26 million (€29 million) per annum in 2019 to 2022, paid in March each year from an escrow account pre-funded with £142 million (€181 million)[3] in February 2019
Next funding review	March 31, 2020 (due to be completed before June 30, 2021)	March 31, 2020 (due to be completed before June 30, 2021)
Asset allocation at March 31, 2020		
Matching:	99%	85%
Return seeking:	1%	15%
	Buy-in annuity contracts cover 99% of pensioner liabilities and 83% of total liabilities	The longevity hedge contract covers 49% of pensioner liabilities and 30% of total liabilities
Membership at March 31, 2020		
Active	116	322
Deferred	6,245	6,334
Pensioner	38,286	17,442
Total	44,647	24,098

[1] Amounts in euro are a convenience translation using the December 31, 2020, exchange rate, unless indicated otherwise.
[2] Based on local valuation regulations.
[3] Actual rate at time of transfer.

Note 20 Other provisions and contingent liabilities

General

Provisions are recognized when an outflow of economic benefits for settlement is probable and the amount can be reliably estimated. It should be understood that, in light of possible future developments, such as: (a) potential additional lawsuits; (b) possible future settlements; and (c) rulings or judgments in pending lawsuits, certain cases may result in additional liabilities and related costs. At this point in time, we cannot estimate any additional amount of loss or range of loss in excess of the recorded amounts with sufficient certainty to allow such amount or range of amounts to be meaningful. While the outcome of said cases, claims and disputes cannot be predicted with certainty, we believe, based upon legal advice and information received, that the final outcome will not materially affect our consolidated financial position but could be material to our results of operations or cash flows in any one accounting period.

Provisions for restructuring of activities

Provisions for restructuring of activities comprise of accruals for certain employee benefits and for costs which are directly associated with plans to exit or cease specific activities and closing down of facilities. For all restructuring provisions, a detailed formal plan exists and the implementation of the plan has started or the plan has been announced before the balance sheet date. Most restructuring plans are expected to be completed within one year from the balance sheet date.

Environmental liabilities

We are confronted with costs arising out of environmental laws and regulations, which include obligations to eliminate or limit the effects on the environment of the disposal or release of certain wastes or substances at various sites. Proceedings involving environmental matters, such as the alleged discharge of chemicals or waste materials into the air, water, or soil, are pending against us in various countries. In some cases, this concerns sites divested in prior years or derelict sites belonging to companies acquired in the past.

The provision has been discounted using an average pre-tax discount rate of 0.3% (2019: 1.4%).

Movements in other provisions

In € millions	Restructuring of activities	Environmental costs	Liabilities to (former) employees	Sundry	Total
Balance at January 1, 2020	**96**	**75**	**169**	**122**	**462**
Additions made during the year	77	6	30	47	160
Utilization	(84)	(9)	(16)	(44)	(153)
Amounts reversed during the year	(14)	(7)	(3)	(18)	(42)
Unwind of discount	—	3	6	—	9
Divestments	—	—	—	(5)	(5)
Changes in exchange rates	(1)	(5)	(8)	(5)	(19)
Balance at December 31, 2020	**74**	**63**	**178**	**97**	**412**
Non-current portion of provisions	13	53	114	52	232
Current portion of provisions	61	10	64	45	180
Balance at December 31, 2020	**74**	**63**	**178**	**97**	**412**

Liabilities to (former) employees

Liabilities to (former) employees consist of employer liability plans, jubilee plans and other long-term compensation plans, and exclude payables related to restructurings. The majority of the cash outflows related to liabilities to (former) employees is expected to occur after five years. In calculating the liabilities to (former) employees, a pre-tax discount rate of on average 0.6% (2019: 1.0%) has been used.

Sundry provisions

Sundry provisions relate to a variety of provisions, including provisions for (customer) claims, sales returns, guarantees and other operational provisions. The majority of the cash outflows related to sundry provisions is expected to occur within one to five years. In calculating the sundry provisions, a pre-tax discount rate of on average negative 0.2% (2019: 1.2%) has been used.

Contingent liabilities

Environmental liabilities can change substantially due to the emergence of additional information on the nature or extent of the contamination, the geological circumstances, the necessity of employing particular methods of remediation, actions by governmental agencies or private parties, or other factors. While it is not feasible to predict the outcome of all pending environmental exposures, it is reasonably possible that there will be a need for future provisions for environmental costs which, in management's opinion, based on information currently available, would not have a material effect on the company's financial position but could be material to the company's results of operations in any one accounting period.

A number of claims against AkzoNobel are pending, all of which are contested. This includes a lawsuit filed in April 2019, by PT DWI Satrya Utama (PTDSU) against Akzo Nobel N.V., certain subsidiaries as well as certain subsidiary directors at the Tangerang District Court, Indonesia. PTDSU owns a 45% interest in PT ICI Paints Indonesia (PTICIPI), an indirect subsidiary of Akzo Nobel N.V., PTDSU alleges that it suffered damages as a result of defendants' improper management of PTICIPI. In March 2020, the District Court dismissed the case on the grounds that they do not have jurisdiction, against which the claimant appealed. In January 2021, the High Court of Indonesia rejected this appeal.

We are also involved in legal disputes and disputes with tax authorities in several jurisdictions. AkzoNobel has provided various indemnities and guarantees in respect of past divestments to the relevant purchasers and their permitted assigns (if applicable), which in general are capped in time and/or amount (in proportion to the value received). The provided guarantees and indemnities have varying maturity periods. AkzoNobel has received various claims under such indemnities and guarantees. In some instances, AkzoNobel has been named as a direct defendant despite the divestments.

Akzo Nobel N.V. has withdrawn its declarations of joint and several liability under Article 403 of Book 2 of the Dutch Civil Code for certain Dutch former Specialty Chemicals subsidiaries divested as per October 1, 2018, and is following the procedures to terminate its residual liability under those declarations under Article 404 of Book 2 of the Dutch Civil Code. One objection against the termination of residual liability is still pending and Akzo Nobel N.V. and Nouryon continue to cooperate to get this resolved.

Current portion of provisions

The current portion of post-retirement benefit provisions (€52 million) and the current portion of other provisions (€180 million) add up to €232 million (2019: €231 million), as reflected in the balance sheet.

Discount rates

The discount rates used in calculating the provisions recognized at December 31, 2020, are mentioned in the paragraphs on provisions for environmental costs, liabilities to (former) employees and sundry provisions. Changes in the discount rate will affect our consolidated financial position. A sensitivity test showed that a one percentage point increase or decrease of discount rates will have an impact down or up, respectively, of €9 million on the provisions recognized at December 31, 2020.

Note 21 Net debt

Net debt

in € millions	Long-term borrowings	Short-term borrowings	Short-term investments	Cash and cash equivalents	Net debt
Net debt at January 1, 2019	**2,069**	**692**	**(5,460)**	**(2,799)**	**(5,498)**
Net cash from operating activities	—	—	—	(33)	(33)
Net cash from investing activities	—	—	—	102	102
Acquisitions	7	—	(16)	224	215
Unwind of discount and amortized cost	10	(1)	—	—	9
Proceeds from borrowings	3	7	—	(10)	—
Borrowings repaid	—	(623)	—	623	—
New/modification of lease contracts	34	18	—	—	52
Transfers from long-term to short-term	(86)	86	—	—	—
Movement bankoverdrafts and short-term bank loans	—	2	—	(2)	—
Investments in short-term investments	—	—	(2,325)	2,325	—
Repayments of short-term investments	—	—	7,663	(7,663)	—
Dividends	—	—	—	1,446	1,446
Capital repayments	—	—	—	2,000	2,000
Share buyback	—	—	—	2,520	2,520
Net cash from discontinued operations	—	—	—	10	10
Changes in exchange rates	3	(6)	—	(15)	(18)
Other changes	2	(6)	—	1	(3)
Net debt at December 31, 2019	**2,042**	**169**	**(138)**	**(1,271)**	**802**
Net debt at January 1, 2020	**2,042**	**169**	**(138)**	**(1,271)**	**802**
Net cash from operating activities	—	—	—	(1,220)	(1,220)
Net cash from investing activities	—	—	—	202	202
Acquisitions	7	—	—	112	119
Buy-out of non-controlling interests	—	—	—	44	44
Unwind of discount and amortized cost	12	—	—	—	12
Proceeds from borrowings	756	214	—	(970)	—
Borrowings repaid	—	(339)	—	339	—
New/modification of lease contracts	82	—	—	—	82
Transfers from long-term to short-term	(117)	117	—	—	—
Movement bank overdrafts and short-term bank loans	—	(29)	—	29	—
Investments in short-term investments	—	—	(248)	248	—
Repayments of short-term investments	—	—	136	(136)	—
Dividends	—	—	—	385	385
Share buyback	—	—	—	555	555
Net cash from discontinued operations	—	—	—	3	3
Changes in exchange rates	(11)	(13)	—	74	50
Net debt at December 31, 2020	**2,771**	**119**	**(250)**	**(1,606)**	**1,034**

Analysis of net debt by category

In € millions	2019	2020
Bonds issued	1,741	2,486
Lease liabilities	262	238
Other borrowings	39	47
Long-term borrowings	**2,042**	**2,771**
Current portion of long-term borrowings	3	5
Current portion of lease liabilities	90	86
Debt to credit institutions	61	25
Other	15	3
Short-term borrowings	**169**	**119**
Total borrowings	**2,211**	**2,890**
Short-term investments	(138)	(250)
Cash and cash equivalents	(1,271)	(1,606)
Net debt	**802**	**1,034**

AkzoNobel's net debt is mainly denominated in euro.

The part of long-term borrowings that is due within one year is presented under short-term borrowings. For details on the exposure to interest rate and foreign currency risk, refer to Note 27.

The average effective interest rate of the bonds outstanding at year-end 2020 was 1.9% (year-end 2019: 1.9%).

Bonds issued

In € millions	2019	2020
2 5/8% 2012/22 (€750million)	747	748
1 3/4% 2014/24 (€500million)	498	498
1 1/8% 2016/26 (€500million)	496	497
1 5/8% 2020/30 (€750million)	—	743
Total	**1,741**	**2,486**

Aggregated maturities of long-term borrowings

In € millions	2022-2025	After 2025
Bonds issued	1,246	1,240
Lease liabilities	180	58
Other borrowings	13	34
Total	**1,439**	**1,332**

Long-term borrowings

We have a multi-currency revolving credit facility, which was amended in 2020 from €1.8 billion to €1.3 billion and extended to 2025. This facility does not contain financial covenants or acceleration provisions that are based on adverse changes in ratings or material adverse change. At year-end 2020 and 2019, this facility has not been drawn.

In April 2020, a bond was issued with a nominal value of €750 million maturing in 2030 at a coupon rate of 1.625%.

The blended incremental borrowing rate applied to the lease liabilities at year-end 2020 was 1.9% (2019: 2.2%).

At year-end 2020 and 2019, none of the borrowings was secured by collateral.

Short-term borrowings

We have US dollar and euro commercial paper programs in place, which can be used to the extent that the equivalent portion of the €1.3 billion multi-currency revolving credit facility is not used. We had no commercial paper outstanding at year-end 2020 and 2019.

Short-term investments

Short-term investments almost entirely consist of time deposits, money market funds and other marketable securities with a life time at investment date longer than three months but shorter than twelve months. For more information on credit risk management, refer to Note 27.

Cash and cash equivalents

Deposits and money market funds within cash and cash equivalents almost entirely consist of time deposits immediately convertible into known amounts of cash and with a maturity of three months or less from the date of purchase and marketable securities that can be redeemed immediately when called.

At December 31, 2020, an amount of €14 million in cash and cash equivalents was restricted (2019: €21 million). Restricted cash is defined as cash that cannot be accessed centrally due to regulatory or contractual restrictions.

Short-term investments

In € millions	2019	2020
Short-term investments with life between three and 12 months	138	250
Total	**138**	**250**

Cash and cash equivalents

In € millions	2019	2020
Cash on hand and in banks	1,031	1,103
Deposits and money market funds with a life up to three months	240	503
Included under cash and cash equivalents in the balance sheet	**1,271**	**1,606**
Debt to credit institutions	(61)	(25)
Total per statement of cash flows	**1,210**	**1,581**

Note 22 Trade and other payables

Trade and other payables

In € millions	2019	2020
Trade payables to suppliers	1,588	1,703
Trade payables to customers	295	329
Taxes and social security contributions	164	186
Amounts payable to employees	232	265
Interest	41	53
FX contracts	18	8
Dividends	7	6
Other liabilities	61	30
Total	**2,406**	**2,580**

Note 23 Cash flow

Operating activities in 2020 resulted in a cash inflow of €1,220 million (2019: cash inflow of €33 million).

The pension pre-funding in 2019 concerns the payment of €161 million for the funding of the escrow account for Akzo Nobel (CPS) Pension Scheme in the UK.

Changes in working capital as per consolidated statement of cash flows

In € millions	2019	2020
Trade and other receivables	9	(14)
Inventories	9	(84)
Trade and other payables	(262)	282
Total	**(244)**	**184**

The above amounts cannot be reconciled directly to the respective balance sheet positions. They reflect changes in balance sheet positions only to the extent these have a cash flow impact, or they reverse the non-cash impact as included in profit for the period. These amounts exclude non-cash movements such as unwinding of discount, movements through other comprehensive income, acquisitions and divestments, and changes in exchange rates.

Note 24 Commitments

Purchase commitments for property, plant and equipment aggregated €24 million (2019: €3 million).

Note 25 Related party transactions

We purchased and sold goods and services to various related parties in which we hold a 50% or less equity interest (associates and joint ventures). Such transactions were conducted at terms comparable with transactions with third parties.

During 2020, we considered the members of the Executive Committee and the Supervisory Board to be the key management personnel as defined in IAS 24 "Related parties". For details on their remuneration, as well as on shares held by members of the Supervisory Board or Board of Management, refer to Note 26. In the ordinary course of business, we also have transactions with various organizations with which certain members of the Supervisory Board or Executive Committee are associated.

For related party transactions with pension funds, refer to Notes 15 and 19.

Note 26 Remuneration of the Supervisory Board and the Board of Management

Total compensation for key management personnel expensed during the period amounted to €21.7 million (2019: €20.9 million). An amount of €8.2 million relates to short-term employee benefits (2019: €7.9 million); €0.6 million relates to post contract benefits and other post contract compensation (2019: €0.7 million); €4.5 million relates to share-based compensation (2019: €5.9 million); €7.7 million relates to other long-term incentives (2019: €3.1 million); and €0.7 million relates to payments upon termination of employment (2019: €3.3 million). Additional charges of €1.4 million (2019: €2.9 million) were accrued which relate to taxation on excessive pay ("Belasting heffing excessieve beloningsbestanddelen").

This compensation includes total remuneration for the members of the Supervisory Board of €0.8 million (2019: €1.0 million) and for the members of the Board of Management of €9.1 million (2019: €6.5 million). For more details on the remuneration of the individual members of the Supervisory Board and the Board of Management reference is made to the Remuneration report.

In accordance with the Articles of Association and good corporate governance practice, the remuneration of Supervisory Board members is not dependent on the results of the company. We do not grant share-based compensation to our Supervisory Board members.

An overview of shares held by the Supervisory Board members is provided on this page. A similar overview is provided of the shares held by the Board of Management.

Loans

The company does not grant loans, advance payments or guarantees to members of the Supervisory Board, members of the Executive Committee or any family members of such persons.

Shares held by the members of the Supervisory Board

Number of shares at year-end	2019	2020
Nils Smedegaard Andersen, Chairman	4,500	4,500
Byron Grote*	4,295	6,667
Pamela Kirby	–	–
Dick Sluimers	–	–
Sue Clark	–	–
Patrick Thomas	–	–
Michiel Jaski	444	444
Jolanda Poots-Bijl	–	–

* In the form of ADRs.

Shares held by the Board of Management

Number of shares at year-end	2019	2020
Thierry Vanlancker	19,181	43,518
Maarten de Vries	4,164	5,678

Note 27 Financial risk management

FINANCIAL RISK MANAGEMENT FRAMEWORK

Our activities expose us to a variety of financial risks: market risk (including currency risk, fair value interest rate risk and price risk), credit risk and liquidity risk. These risks are inherent to the way we operate as a multinational with a large number of locally operating subsidiaries. Our overall risk management program seeks to identify, assess, and – if necessary – mitigate these financial risks in order to minimize potential adverse effects on our financial performance.

Our risk mitigating activities include the use of derivative financial instruments to hedge certain risk exposures. The Board of Management is ultimately responsible for risk management. We centrally identify, evaluate and hedge financial risks, and monitor compliance with the corporate policies approved by the Board of Management, except for commodity risks, which are subject to identification, evaluation, hedging and monitoring in the businesses. We have treasury hubs located in Brazil and China that are primarily responsible for regional cash management and short-term financing. We do not allow extensive treasury operations at subsidiary level directly with external parties.

Maturity of liabilities and cash outflows

In € millions	Less than 1 year	Between 1 and 5 years	Over 5 years
At December 31, 2019			
Borrowings	79	1,259	521
Interest on borrowings	69	182	8
Lease liabilities	90	183	79
Trade and other payables	2,388	–	–
FX contracts (hedges)			
Outflow	2,468	–	–
Inflow	(2,456)	–	–
Total	**2,638**	**1,624**	**608**
At December 31, 2020			
Borrowings	33	1,259	1,274
Interest on borrowings	64	152	54
Lease liabilities	86	180	58
Trade and other payables	2,572	–	–
FX contracts (hedges)			
Outflow	1,570	–	–
Inflow	(1,572)	–	–
Total	**2,753**	**1,591**	**1,386**

LIQUIDITY RISK MANAGEMENT

The primary objective of liquidity management is to provide for sufficient cash and cash equivalents at all times and any place in the world to enable us to meet our payment obligations. We aim for a well-spread maturity schedule of our long-term borrowings and a strong liquidity position. At year-end 2020, we had €1.6 billion available as cash and cash equivalents (2019: €1.3 billion) and €250 million available as short-term investments (2019: €138 million), refer to Note 21.

In addition, we have a multi-currency revolving credit facility, which was amended in 2020 from €1.8 billion to €1.3 billion and extended to 2025. This facility does not contain financial covenants or acceleration provisions that are based on adverse changes in ratings or on other material adverse changes. At year-end 2020 and 2019, this facility had not been drawn. We have US dollar and euro commercial paper programs in place, which can be used to the extent that the equivalent portion of the €1.3 billion multi-currency revolving credit facility is not used. We had no commercial paper outstanding at year end 2020 and 2019. The table on maturity of liabilities and cash outflows in this Note shows our cash outflows per maturity group. The amounts disclosed in the table are the contractual undiscounted cash flows.

CREDIT RISK MANAGEMENT

Credit risk arises from financial assets such as cash and cash equivalents, deposits with financial institutions, money market funds, trade receivables and derivative financial instruments with a positive fair value. We have a credit risk management policy in place to limit credit losses due to non-performance of financial counterparties and customers. We monitor our exposure to credit risk on an ongoing basis at various levels. We only deal with financial counterparties that have a sufficiently high credit rating. Generally, we do not require collateral in respect of financial assets. Investments in cash and cash equivalents, short-term investments and transactions involving derivative financial instruments are entered into with counterparties that have sound credit ratings and a good reputation. Derivative transactions are concluded mostly with parties with whom we have contractual netting agreements and ISDA agreements in place. We set limits per counterparty for the different types of financial instruments we use. We closely monitor the acceptable financial counterparty credit ratings and credit limits and revise where required in line with the market circumstances. We do not expect non-performance by the counterparties for these financial instruments. Due to our geographical spread and the diversity of our customers, we were not subject to any significant concentration of credit risks at balance sheet date.

The credit risk from trade receivables is measured and analyzed at a local operating entity level, mainly by means of ageing analysis, refer to Note 17. Additionally, trade receivables and financial assets measured at amortized cost are subject to the expected credit loss impairment model either using the general or the simplified approach. For more information on the applied impairment approaches per financial asset type, refer to Note 1.

Generally, the maximum exposure to credit risk is represented by the carrying value of financial assets in the balance sheet.

At year-end 2020, the credit risk on consolidated level was €4.2 billion (2019: €3.7 billion) for cash and cash equivalents, short-term investments, loans, trade and other receivables. Our credit risk is well spread among both global and local counterparties. Our largest counterparty risk amounted to €450 million at year-end 2019 (2019: €380 million).

FOREIGN EXCHANGE RISK MANAGEMENT

Trade and financing transactions

We operate in a large number of countries, where we have clients and suppliers, many of whom are outside of the local functional currency environment. This creates currency exposure which is partly netted out on group level. The purpose of our foreign currency hedging activities is to protect us from the risk that the functional currency net cash flows resulting from trade or financing transactions are adversely affected by changes in exchange rates. Our policy is to hedge our transactional foreign exchange rate exposures above predefined thresholds from recognized assets and liabilities. Cash flow hedge accounting on forecasted transactions is applied by exception. Derivative transactions with external parties are bound by limits per currency.

In general, our forward exchange contracts have a maturity of less than one year. When necessary, forward exchange contracts are rolled over at maturity. Currency derivatives are not used for speculative purposes.

Hedged notional amounts at year-end

In € millions	Buy 2019	Sell 2019	Buy 2020	Sell 2020
US dollar	605	739	174	379
Pound sterling	599	136	485	31
Chinese yuan	48	—	31	—
Other	238	574	205	493
Total	**1,490**	**1,449**	**895**	**903**

Investments in foreign subsidiaries, associates and joint ventures

During 2020 and 2019, net investment hedge accounting was applied on hedges of certain net investments in foreign operations, which were partly hedged. The main net investments included were related to Chinese yuan (2020 and 2019) and Vietnamese dong (2020 and 2019), which were hedged with forward exchange contracts for the same currencies. The spot results related to these hedges were recognized in other comprehensive income and accumulated in the cumulative translation reserves. At year-end 2020 one hedge of net investments in Polish zloty was outstanding. During 2020 and 2019, these hedges were fully effective.

INTEREST RATE RISK MANAGEMENT

We are partly financed with debt in order to obtain more efficient leverage. Fixed rate debt results in fair value interest rate risk. Floating rate debt results in cash flow interest rate risk. We treat fixed rate debt maturing within one year as floating rate debt for debt portfolio purposes. At the end of 2020 and 2019, the fixed/floating ratio of our outstanding bonds was 100% fixed as we have no outstanding bonds maturing within one year. During 2020 and 2019, we have not used any interest rate derivatives.

IBOR reform refers to the global reform of interest rate benchmarks, which includes the replacement of some interbank offered rates (IBOR) with alternative benchmark rates. Since our long-term borrowings have fixed interest rates and we currently do not have any interest related hedging instruments, the interest rate benchmark reform will not have a material impact on the company's financial statements. Fallback language has been added to our contracts while preparing for the transition to new rates.

CAPITAL RISK MANAGEMENT

Our objectives when managing capital are to safeguard our ability to satisfy our capital providers and to maintain a capital structure that optimizes our cost of capital. For this we maintain a conservative financial strategy, with the objective to remain a strong investment grade company as rated by the rating agencies Moody's and Standard & Poor's. The capital structure can be altered, among others, by adjusting the amounts of dividends paid to shareholders, return capital to capital providers, or issue new debt or shares. In April 2020, a bond was issued with a nominal value of €750 million maturing in 2030 at a coupon rate of 1.625%. Consistent with other companies in the industry, we monitor capital headroom based on the leverage ratio net debt/EBITDA, for which we have set a target range of 1 to 2. The ratio was 0.8 in 2020 (2019: 0.7). EBITDA is the sum of operating income, depreciation and amortization; for 2020 amounting to €1,324 million (2019: €1,201 million). Net debt is calculated as the total of long and short-term borrowings less cash and cash equivalents and short-term investments; for 2020 amounting to €1,034 million (2019: €802 million).

Fair value of financial instruments and IFRS 9 categories

In the table "Fair value per financial instrument category" insight is provided in the recognition of the respective financial instruments per IFRS 9 category. The total carrying value is based on the accounting principles as outlined in Note 1. Financial instruments are recognized at fair value and subsequently recognized either at fair value or at amortized cost, using the effective interest method. The financial instruments accounted for at fair value through profit or loss are derivative financial instruments and securities included in financial non-current assets, cash and cash equivalents and short-term investments. The remaining financial instruments are accounted for at amortized cost.

The following valuation methods for financial instruments carried at fair value through profit or loss are distinguished:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable)

For the purpose of determining the fair value per financial instrument category, shown in the column "Fair value", the following valuation methods were used:

A level 1 valuation method was used to estimate the fair value of the bonds issued included in our long-term borrowings. The estimate is based on the quoted market prices for the same or similar issues or on the current rates offered to us for debt with similar maturities.

A level 2 valuation method was used to determine the fair value of marketable securities included in cash and cash equivalents and short-term investments by obtaining the market price at reporting date. The fair value of foreign currency contracts and swap contracts was determined by level 2 valuation techniques using market observable input (such as foreign currency interest rates based on Reuters) and by obtaining quotes from dealers and brokers. A level 2 valuation method was used to determine the fair value of time deposits included in cash and cash equivalents and short-term investments using the market interest rate. The carrying amounts of cash and banks, trade receivables less allowance for impairment, other short-term borrowings and other current liabilities approximate fair value due to the short maturity period of those instruments and were determined using level 2 fair value methods. For €122 million of Financial non-current assets a level 3 fair valuation method (discounted cash flow) was used resulting in a deviation between the fair value and the carrying value.

Fair value per financial instrument category

			Carrying value per IFRS 9 category			
In € millions	Carrying amount	Out of scope of IFRS 7*	Measured at amortized cost	Measured at fair value through profit or loss	Total carrying value	Fair value
2019 year-end						
Financial non-current assets	1,862	1,526	210	126	336	364
Trade and other receivables	2,133	149	1,975	9	1,984	1,984
Short-term investments	138	–	–	138	138	138
Cash and cash equivalents	1,271	–	–	1,271	1,271	1,271
Total financial assets	**5,404**	**1,675**	**2,185**	**1,544**	**3,729**	**3,757**
Long-term borrowings	2,042	–	2,042	–	2,042	2,174
Short-term borrowings	169	–	169	–	169	169
Trade and other payables	2,406	396	1,992	18	2,010	2,010
Total financial liabilities	**4,617**	**396**	**4,203**	**18**	**4,221**	**4,353**
2020 year-end						
Financial non-current assets	1,951	1,669	202	80	282	316
Trade and other receivables	1,994	121	1,863	10	1,873	1,873
Short-term investments	250	–	–	250	250	250
Cash and cash equivalents	1,606	–	–	1,606	1,606	1,606
Total financial assets	**5,801**	**1,790**	**2,065**	**1,946**	**4,011**	**4,045**
Long-term borrowings	2,771	–	2,771	–	2,771	2,995
Short-term borrowings	119	–	119	–	119	119
Trade and other payables	2,580	451	2,121	8	2,129	2,129
Total financial liabilities	**5,470**	**451**	**5,011**	**8**	**5,019**	**5,243**

* Mainly includes pension assets (refer to Note 15), prepaid expenses and non income tax related receivables (refer to Note 17) and amounts payable to employees and payables for taxes and social security contributions (refer to Note 22).

MASTER NETTING AGREEMENTS

We enter into derivative transactions under International Swaps and Derivatives Association (ISDA) master netting agreements. In general, under such agreements the amounts owed by each counterparty on a single day in respect of transactions outstanding in the same currency may be aggregated into a single net amount that is payable by one party to the other. In certain circumstances – e.g. when a credit event such as a default occurs – all outstanding transactions under the agreement may be terminated, the termination value is assessed and a net amount is payable in settlement of the transactions. We have evaluated the potential effect of netting agreements, including the effect of rights of set-off and concluded the impact is immaterial. We did not offset any amounts regarding derivative transactions.

Sensitivities on financial instruments at year-end 2020

Sensitivity object	Sensitivity	Hypothetical impact
Foreign currencies: We perform foreign currency sensitivity analysis by applying an adjustment to the spot rates prevailing at year-end. This adjustment is based on observed changes in the exchange rate in the past and management expectation for possible future movements. We then apply the expected possible volatility to revalue all monetary assets and liabilities (including derivative financial instruments) in a currency other than the functional currency of the subsidiary in the balance sheet at year-end.	A 10% (2019: 10%) strengthening of the euro versus US dollar	Profit: €8 million (2019: profit €10 million)
	A 10% (2019: 10%) strengthening of the euro versus the pound sterling	€nil (2019: €nil)
	A 10% (2019: 10%) strengthening of the euro versus Chinese yuan	Loss: €1 million (2019: €nil)
Interest rate: We perform interest rate sensitivity analysis by applying an adjustment to the interest rate curve prevailing at year-end. This adjustment is based on observed changes in the interest rate in the past and management expectation for possible future movements. We then apply the expected possible volatility to revalue all interest bearing assets and liabilities.	A 100 basis points increase of EURIBOR interest rates	Profit: €8 million (2019: profit €5 million)
	A 100 basis points increase of US LIBOR interest rates	Profit: €1 million (2019: €nil)
	A 100 basis points increase of GBP LIBOR interest rates	Profit: €1 million (2019: profit €1million)

Note 28 Subsequent events

The impact of the decision of the United Kingdom to leave the European Union (Brexit) as per January 1, 2021, was assessed. The impact on our activities and financial information is considered not to be material.

Statement of income for the year ended December 31

In € millions	Note		2019		2020
Revenue	A	57		15	
Other income	A	72		58	
Gross profit			**129**		**73**
General and administrative expenses		(68)		(24)	
Other results		(28)		–	
			(96)		**(24)**
Operating income			**33**		**49**
Financing income and expenses	B	(80)		50	
Net income from subsidiaries, associates and joint ventures		564		536	
Profit before tax			**517**		**635**
Income tax			22		(5)
Net income			**539**		**630**

Balance sheet as of December 31, before allocation of profit

In € millions	Note		2019		2020
Assets					
Non-current assets					
Intangible assets	C	45		71	
Deferred tax assets		30		31	
Financial non-current assets	D	11,495		12,225	
Total non-current assets			**11,570**		**12,327**
Current assets					
Short-term receivables	E	160		182	
Short-term investments	G	120		245	
Cash and cash equivalents	G	458		736	
Total current assets			**738**		**1,163**
Total assets			**12,308**		**13,490**
Equity and liabilities					
Equity					
Subscribed share capital		100		95	
Other legal reserves		211		246	
Cumulative translation reserves		(469)		(873)	
Actuarial gains and losses		(2,684)		(2,587)	
Other reserves		8,735		8,317	
Undistributed results		457		548	
Shareholders' equity	F		**6,350**		**5,746**
Provisions			**23**		**13**
Non-current liabilities					
Long-term borrowings	G	5,682		7,515	
Total non-current liabilities			**5,682**		**7,515**
Current liabilities					
Short-term borrowings	G	36		3	
Other current liabilities	H	217		213	
Total current liabilities			**253**		**216**
Total equity and liabilities			**12,308**		**13,490**

Note A General information

Akzo Nobel N.V. is a company headquartered in the Netherlands.The address of our registered office is Christian Neefestraat 2, Amsterdam; the Chamber of Commerce number is 09007809.

The financial statements of Akzo Nobel N.V. have been prepared in accordance with Part 9 of Book 2 of the Dutch Civil Code, making use of the option of Article 362 of the Code, meaning that the accounting principles used are the same as for the Consolidated financial statements. Foreign currency amounts have been translated, assets and liabilities have been valued, and net income has been determined in accordance with the principles of valuation and determination of income presented in Note 1 of the Consolidated financial statements.

For the Company financial statements, revenue mainly concerns service contracts and royalty related revenue from third parties; other income mainly concerns intercompany royalty income. Subsidiaries of Akzo Nobel N.V. are accounted for using the equity method, based on the pronouncements of the Dutch Accounting Standards Board.

The remuneration paragraph is included in Note 26 of the Consolidated financial statements. The number of employees having a contract with the Company at year-end 2020 was 6 (2019: 7). All employees are based in the Netherlands.

Akzo Nobel N.V. is head of the Dutch fiscal unity. Members of the fiscal unity are taxed as if they are taxable on a standalone basis.

Note B Financing income and expenses

Financing income and expenses

In € millions	2019	2020
Financing income - third parties	-	2
Financing income - subsidiaries	21	91
Financing expense - third parties	(41)	(49)
Financing expense - subsidiaries	(93)	(6)
Net Interest on net debt	**(113)**	**38**
Other items	33	12
Net Other financing income/ (expenses)	**33**	**12**
Total	**(80)**	**50**

Other items in 2020 and 2019 mainly include foreign currency results related to financing activities.

Note C Intangible assets

Intangible assets include (internally developed) software and licences. In 2019, intangible assets were included in non-current financial assets.

Intangible assets

In € millions	Other intangibles
Balance at January 1, 2020	
Cost of (internally developed) intangibles	51
Accumulated amortization	(6)
Carrying value at January 1, 2020	**45**
Movements in 2020	
Additions	31
Amortization	(5)
Total movements	**26**
Balance at December 31, 2020	
Cost of (internally developed) intangibles	82
Accumulated amortization	(11)
Carrying value at December 31, 2020	**71**

Note D Financial non-current assets

Movements in non-current assets

In € millions	Subsidiaries Share in capital	Subsidiaries Loans	Other non-current assets	Total
Balance at January 1, 2019	**9,246**	**1,949**	**91**	**11,286**
Investments/acquisitions/capital contributions	179	–	–	179
Divestments/capital repayments	(760)	–	–	(760)
Net income from subsidiaries	564	–	–	564
Equity-settled transactions	14	–	–	14
Loans granted	–	1,079	–	1,079
Repayment of loans	–	(779)	–	(779)
Changes in exchange rates	139	(4)	–	135
Post-retirement benefits	(223)	–	–	(223)
Balance at December 31, 2019	**9,159**	**2,245**	**91**	**11,495**
Investments/acquisitions/capital contributions	–	–	2	2
Divestments/capital repayments	(92)	–	(1)	(93)
Impairments	–	–	(2)	(2)
Net income from subsidiaries	536	–	–	536
Equity-settled transactions	10	–	–	10
Loans granted	–	469	–	469
Loans transferred	–	919	–	919
Repayment of loans	–	(775)	–	(775)
Changes in exchange rates	(390)	(7)	–	(397)
Post-retirement benefits	90	–	–	90
Acquisition of non-controlling interests	(29)	–	–	(29)
Balance at December 31, 2020	**9,284**	**2,851**	**90**	**12,225**

Investments in subsidiaries are measured using the equity method of accounting. Due to an intra-group funding restructuring, several intercompany loans were transferred in 2019 and 2020 from certain foreign subsidiaries to Akzo Nobel N.V.. Intercompany loans are priced at fair value at the date of the transfer, taking factors like the credit quality of AkzoNobel, country and currency risks into consideration.

Loans to subsidiaries that will mature in 2021 amounted to €705 million and the remaining amount of €2,015 million will mature between 2022 and 2025. The remainder of the loans to subsidiaries has no fixed repayment schedule.

Note E Short-term receivables

Short-term receivables

In € millions	2019	2020
Receivables from subsidiaries	117	125
FX contracts	9	10
Other receivables	34	47
Total	**160**	**182**

Short-term receivables are expected to be settled within a year. Receivables from subsidiaries include interest to be received on intercompany loans in the amount of €9 million (2019: €2 million).

Note F Shareholders' equity

The holders of common shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at the Annual General Meeting of shareholders. The holders of the priority shares are entitled to a dividend of 6% per share or the statutory interest in the Netherlands, whichever is lower, plus any accrued and unpaid dividends. They are entitled to 800 votes per share (in accordance with the 800 times higher nominal value per share) at the Annual General Meeting of shareholders. In addition, the holders of priority shares have the right to draw up binding lists of nominees for appointment to the Supervisory Board and the Board of Management; amendments to the Articles of Association are subject to the approval of the Meeting of Holders of Priority Shares.

Priority shares may only be transferred to a transferee designated by a Meeting of Holders of Priority Shares and against payment of the par value of the shares, plus interest at the rate of 6% per annum or the statutory interest in the Netherlands, whichever is lower, for the period between the beginning of the year and the date of transfer. There are no restrictions on voting rights of holders of common or priority shares. The Articles of Association set out procedures for exercising voting rights. The Annual General Meeting of shareholders has resolved in 2020 to authorize the Board of Management for a period of 18 months (i) to issue shares (or grant rights to shares) in the capital of the company up to a maximum of 10%, which in case of mergers or acquisitions can be increased by up to a maximum of 10%, of the total number of shares outstanding (and to restrict or exclude the pre-emptive rights to those shares) and (ii) to acquire shares in the capital of the company, provided that the shares that will at any time be held will not exceed 10% of the issued share capital. The issue or repurchase of shares requires the approval of the Supervisory Board.

During 2020, 9,331,481 common shares repurchased in 2019 and 2020 were cancelled (2019: 28,433,528 common shares). We held 695,776 common shares to be cancelled at year-end 2020 (year-end 2019: 3,165,967).

Of the shareholders' equity of €5.7 billion, an amount of €5.4 billion (2019: €6.0 billion) was unrestricted and

Statement of changes in equity

In € millions	Subscribed share capital	Additional paid-in capital	Legal reserves: Cash flow hedge reserve	Legal reserves: Other legal reserves	Legal reserves: Cumulative translation reserves	Actuarial gains & losses	Other reserves	Undistributed results	Shareholders' equity
Balance at January 1, 2019	**512**	**958**	**–**	**248**	**(608)**	**(2,459)**	**6,604**	**6,579**	**11,834**
Changes in exchange rates in respect of subsidiaries, associates and joint ventures	–	–	–	–	139	–	–	–	139
Post-retirement benefits	–	–	–	–	–	(225)	–	–	(225)
Net income	–	–	–	–	–	–	–	539	539
Comprehensive income	**–**	**–**	**–**	**–**	**139**	**(225)**	**–**	**539**	**453**
Dividend	–	–	–	–	–	–	–	(1,423)	(1,423)
Equity-settled transactions	–	–	–	–	–	–	20	–	20
Share buyback	(14)	–	–	–	–	–	(2,520)	–	(2,534)
Capital repayment and share consolidation	(399)	(957)	–	(61)	–	–	(583)	–	(2,000)
Issue of common shares	1	(1)	–	–	–	–	–	–	–
Addition to other reserves	–	–	–	24	–	–	5,214	(5,238)	–
Balance at December 31, 2019	**100**	**–**	**–**	**211**	**(469)**	**(2,684)**	**8,735**	**457**	**6,350**
Changes in exchange rates in respect of subsidiaries, associates and joint ventures	–	–	–	–	(404)	–	–	–	(404)
Post-retirement benefits	–	–	–	–	–	97	–	–	97
Net income	–	–	–	–	–	–	–	630	630
Comprehensive income	**–**	**–**	**–**	**–**	**(404)**	**97**	**–**	**630**	**323**
Dividend	–	–	–	–	–	–	–	(366)	(366)
Equity-settled transactions	–	–	–	–	–	–	13	–	13
Share buyback	(5)	–	–	–	–	–	(540)	–	(545)
Acquisition of non-controlling interests	–	–	–	–	–	–	(29)	–	(29)
Addition to other reserves	–	–	–	35	–	–	138	(173)	–
Balance at December 31, 2020	**95**	**–**	**–**	**246**	**(873)**	**(2,587)**	**8,317**	**548**	**5,746**

available for distribution – subject to the relevant provisions of our Articles of Association and Dutch law.

At year-end 2020, legal reserves include the €163 million reserve relating to earnings retained by subsidiaries, associates and joint ventures after the year 1983, to the extent that there are limitations for AkzoNobel to arrange profit distributions; and the €83 million reserve for capitalized development costs.

Unrestricted reserves at year-end

In € millions	2019	2020
Shareholders' equity at year-end	6,350	5,746
Subscribed share capital	(100)	(95)
Subsidiaries' restrictions to transfer funds	(145)	(163)
Reserve for development costs	(66)	(83)
Unrestricted reserves	**6,039**	**5,405**

Dividend

Our dividend policy is to pay a stable to rising dividend.

In 2020, an interim dividend of €0.43 (2019: €0.41) per common share was paid. We propose a 2020 final dividend of €1.52 (2019: €1.49) per common share, which would equal a total 2020 dividend of €1.95 (2019: €1.90).

On October 23, 2019, an €500 million share buyback program was announced, for which 0.4 million common shares were acquired in 2019. The plan was completed in April 2020, by acquiring a further 6.2 million shares in 2020.

On October 21, 2020, a new €300 million share buyback program was announced, which is to be completed in the first half of 2021. During 2020, 0.7 million common shares were repurchased under this program, that have not yet been cancelled.

Note G Net debt

Long-term borrowings

For the fair value of the bonds issued, refer to Note 27 of the Consolidated financial statements. We estimated the fair value of the bonds issued based on the quoted market prices (level 1) for the same or similar issues or on the current rates offered to us for debt with similar maturities. At year-end 2020, the fair value of the bonds included in long-term borrowings was €2,710 million (2019: €1,873 million).

Analysis of net debt by category

In € millions	2019	2020
Bonds issued	1,741	2,486
Debt from subsidiaries	3,941	5,029
Long-term borrowings	**5,682**	**7,515**
Current portion of long-term borrowings	—	—
Short-term loans	36	3
Short-term borrowings	**36**	**3**
Total borrowings	**5,718**	**7,518**
Short-term investments	(120)	(245)
Cash and cash equivalents	(458)	(736)
Net debt	**5,140**	**6,537**

Bonds issued

In € millions	2019	2020
2 5/8% 2012/22 (€750 million)	747	748
1 3/4% 2014/24 (€500 million)	498	498
1 1/8% 2016/26 (€500 million)	496	497
1 5/8% 2020/30 (€750 million)	—	743
Total	**1,741**	**2,486**

We have a multi-currency revolving credit facility, which was amended in 2020 from €1.8 billion to €1.3 billion and extended to 2025. This facility does not contain financial covenants or acceleration provisions that are based on adverse changes in ratings or material adverse change. At year-end 2020 and 2019, this facility has not been drawn.

In April 2020, a bond was issued with a nominal value of €750 million maturing in 2030 at a coupon rate of 1.625%.

At year-end 2020 and 2019, none of the borrowings was secured by collateral.

In 2021, an amount of €227 million of debt from subsidiaries will mature and €51 million of debt from subsidiaries will mature between 2022 and 2025. The remainder of the loans from subsidiaries has no fixed repayment schedule.

Short-term borrowings

We have US dollar and euro commercial paper programs in place, which can be used to the extent that the equivalent portion of the €1.3 billion multi-currency revolving credit facility is not used. We had no commercial paper outstanding at year-end 2020 and 2019.

Short-term investments

Short-term investments of €245 million almost entirely consist of time deposits, money market funds and marketable securities with a life time at investment date longer than three months but shorter than twelve months.

Cash and cash equivalents

Deposits and money market funds within cash and cash equivalents almost entirely consist of time deposits immediately convertible into known amounts of cash and with a maturity of three months or less from the date of purchase and marketable securities that can be redeemed immediately when called.

Cash and cash equivalents

In € millions	2019	2020
Cash on hand and in banks	343	427
Deposits and money markets funds with a maturity less than three months	115	309
Included in cash and cash equivalents in the balance sheet	**458**	**736**

Note H Other current liabilities

Other current liabilities

In € millions	2019	2020
Payables to subsidiairies	53	63
FX contracts	19	7
Debt related to pensions	3	3
Other suppliers	65	58
Interest payable	13	22
Other liabilities	64	60
Total	**217**	**213**

Note I Financial instruments

At year-end 2020, Akzo Nobel N.V. had outstanding foreign exchange contracts to buy currencies for a total of €0.9 billion (year-end 2019: €1.5 billion), while contracts to sell currencies totaled €0.9 billion (year-end 2019: €1.4 billion). The contracts mainly related to US dollars and pound sterling and all have maturities within one year. These contracts offset the foreign exchange contracts concluded by the subsidiaries, and the fair value changes are recognized in the statement of income to offset the fair value changes on the contracts with the subsidiaries. For information on risk exposure and risk management, see Note 27 of the Consolidated financial statements.

Note J Contingent liabilities

Akzo Nobel N.V. is parent of the group's fiscal unity in the Netherlands, and is therefore liable for the liabilities of said fiscal unity as a whole.

Akzo Nobel N.V. has declared in writing that it accepts joint and several liability for contractual debts of certain Dutch consolidated companies (Article 403 of Book 2 of the Dutch Civil Code). These debts, at year-end 2020, aggregating €0.4 billion (2019: €0.4 billion), are included in the Consolidated balance sheet.

Akzo Nobel N.V. has withdrawn its declarations of joint and several liability under Article 403 of Book 2 of the Dutch Civil Code for certain Dutch former Specialty Chemicals subsidiaries divested as per October 1, 2018 and is following the procedures to terminate its residual liability under those declarations under Article 404 of Book 2 of the Dutch Civil Code. One objection against the termination of residual liability is still pending and Akzo Nobel N.V. and Nouryon continue to cooperate to get this resolved.

Additionally, at year-end 2020, guarantees were issued on behalf of consolidated companies for an amount of €0.3 billion (2019: €0.3 billion).

The debts and liabilities of the consolidated companies underlying these guarantees are included in the Consolidated balance sheet.

A number of claims against Akzo Nobel N.V. are pending, all of which are contested. This includes a lawsuit filed in April 2019, by PT DWI Satrya Utama (PTDSU) against Akzo Nobel N.V., certain subsidiaries as well as certain subsidiary directors at the Tangerang District Court, Indonesia. PTDSU owns a 45% interest in PT ICI Paints Indonesia (PTICIPI), an indirect subsidiary of Akzo Nobel N.V.. PTDSU alleges that it suffered damages as a result of defendants improper management of PTICIPI. In March 2020, the District Court dismissed the case on the grounds that they do not have jurisdiction, against which the claimant appealed. In January 2021, the High Court of Indonesia rejected this appeal.

Note K Auditor's fees

Our independent auditor, PwC, has rendered, for the period to which the audit of the financial statements relates, in addition to the audit of the statutory financial statements, mainly statutory audits of controlled entities.

Fees PricewaterhouseCoopers

			2020
In € millions	In the Netherlands	Network outside the Netherlands	Total
Audit of the financial statements	4.3	5.3	9.6
Other audit	0.1	0.2	0.3
Tax services	—	—	—
Other non-audit services	—	—	—
Total	**4.4**	**5.5**	**9.9**

Fees PricewaterhouseCoopers

			2019
In € millions	In the Netherlands	Network outside the Netherlands	Total
Audit of the financial statements	4.5	6.0	10.5
Other audit services	0.3	0.1	0.4
Tax services	—	—	—
Other non-audit services	—	—	—
Total	**4.8**	**6.1**	**10.9**

Amsterdam, February 16, 2021

The Board of Management
Thierry Vanlancker
Maarten de Vries

The Supervisory Board
Nils Smedegaard Andersen
Jolanda Poots-Bijl
Sue Clark
Byron Grote
Michiel Jaski
Pamela Kirby
Dick Sluimers
Patrick Thomas

OTHER INFORMATION

PROPOSAL FOR PROFIT ALLOCATION

With due observance of Dutch law and the Articles of Association, it is proposed that net income of €259 million is carried to the other reserves. Furthermore, with due observance of article 43, paragraph 7, it is proposed that dividend on priority shares of €1,152 and on common shares of €371 million (to be increased by dividend on shares issued and reduced by dividend on shares repurchased in 2021 before the ex-dividend date) will be distributed. Following the acceptance of this proposal, the holders of common shares will receive a total dividend of €1.95 per share, of which €0.43 was paid earlier as an interim dividend. The final dividend of €1.52 per share will be made available from May 6, 2021.

PROFIT ALLOCATION AND DISTRIBUTIONS

PROFIT ALLOCATION AND DISTRIBUTIONS

The following articles of our articles of association govern profit allocation and distribution:

Article 43

43.6

The Board of Management shall be authorized to determine, with the approval of the Supervisory Board, what share of profit remaining after application of the provisions of the foregoing paragraphs shall be carried to reserves. The remaining profit shall be placed at the disposal of the Annual General Meeting of shareholders, with due observance of the provisions of paragraph 7, it being provided that no further dividends shall be paid on the preferred shares.

43.7

From the remaining profit, the following distributions shall, to the extent possible, be made as follows:

(a) To the holders of priority shares: 6% per share or the statutory interest referred to in paragraph 1 of article 13, whichever is lower, plus any accrued and unpaid dividends
(b) To the holders of common shares: a dividend of such an amount per share as the remaining profit, less the aforesaid dividends and less such amounts as the Annual General Meeting of shareholders may decide to carry to reserves, shall permit

43.8

Without prejudice to the provisions of paragraph 4 of this article and of paragraph 4 of article 20, the holders of common shares shall, to the exclusion of everyone else, be entitled to distributions made from reserves accrued by virtue of the provision of paragraph 7b of this article.

43.9

Without prejudice to the provisions of article 42 and paragraph 8 of this article, the Annual General Meeting of shareholders may decide on the utilization of reserves only on the proposal of the Board of Management approved by the Supervisory Board.

Article 44

44.7

Cash dividends by virtue of paragraph 4 of article 20, article 42, or article 43 that have not been collected within five years of the commencement of the second day on which they became due and payable shall revert to the company.

SPECIAL RIGHTS TO HOLDERS OF PRIORITY SHARES

The priority shares are held by “Stichting Akzo Nobel” (Foundation Akzo Nobel), whose board is composed of the members of the Supervisory Board who are not members of the Audit Committee. They each have one vote on the board of the Foundation.

The Meeting of Holders of Priority Shares has the right to draw up binding lists of nominees for appointment to the Supervisory Board and the Board of Management. Amendments to the Articles of Association are subject to the approval of this meeting.

INDEPENDENT AUDITOR'S REPORT

To: The Annual General Meeting and Supervisory Board of Akzo Nobel N.V.

Report on the Financial statements 2020

Our opinion

In our opinion:

- The Consolidated financial statements of Akzo Nobel N.V. together with its subsidiaries ("the Group") give a true and fair view of the financial position of the Group as at December 31, 2020 and of its result and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code
- The Company financial statements of Akzo Nobel N.V. ("the Company") give a true and fair view of the financial position of the Company as at December 31, 2020 and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code

What we have audited

We have audited the accompanying financial statements 2020 of Akzo Nobel N.V., Amsterdam, the Netherlands. The financial statements include the Consolidated financial statements of the Group and the Company financial statements.

The Consolidated financial statements comprise:

- The Consolidated balance sheet as at December 31, 2020
- The following statements for 2020: the Consolidated statement of income, the Consolidated statements of comprehensive income, of changes in equity and of cash flows
- The notes, comprising significant accounting policies and other explanatory information

The Company financial statements comprise:

- The balance sheet as at December 31, 2020
- The statement of income for the year then ended
- The notes, comprising the accounting policies applied and other explanatory information

The financial reporting framework applied in the preparation of the financial statements is EU-IFRS and the relevant provisions of Part 9 of Book 2 of the Dutch Civil Code for the Consolidated financial statements and Part 9 of Book 2 of the Dutch Civil Code for the Company financial statements.

The basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. We have further described our responsibilities under those standards in the section "Our responsibilities for the audit of the financial statements" of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of Akzo Nobel N.V. in accordance with the European Union "Regulation on specific requirements regarding statutory audit of public-interest entities", the "Wet toezicht accountantsorganisaties" (Wta, Audit firms supervision act), the "Verordening inzake de onafhankelijkheid van accountants bij assuranceopdrachten" (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence requirements in the Netherlands. Furthermore, we have complied with the "Verordening gedrags- en beroepsregels accountants" (VGBA, Dutch Code of Ethics).

Our audit approach

Overview and context

Akzo Nobel N.V. is a global paints and coatings company headquartered in the Netherlands and with operations in over 150 countries. Our group audit scope and approach are set out in the section "The scope of our group audit". In our audit we paid specific attention to the areas of focus driven by the operations of the Group, as set out below.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where the Board of Management made important judgments, for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. In Note 1 of the Consolidated financial statements, the Company describes areas of judgment in applying accounting policies and the key sources of estimation uncertainty. Given the significant estimation uncertainty and the related higher inherent risks of material misstatement in the valuation of the post-retirement benefit provisions and the accounting for and valuation of deferred tax assets and uncertain tax positions, we considered these matters as key audit matters as set out in the section "Key audit matters" of this report.

The Company continued the transformation programs under the "Winning together: 15 by 20" strategy, which include centralization of finance activities in global business service hubs and simplification of the information technology (IT) environment, impacting the company's systems, processes and controls. Inherently transformation processes have the potential to disrupt the organization, processes and culture. We therefore extended our audit procedures during the planning phase of our audit, in order to evaluate the impact of the transformation. Due to the significance of the transformation to the Company and the extended audit procedures, we included the transformation as a key audit matter, as set out in the section "Key audit matters" of this report.

The global COVID-19 pandemic and related government restriction measures affected the Company's production and distribution, caused changes in sales volumes and product mix, and required staff to work from home. We considered the impact of the pandemic on our audit approach, including our scoping, materiality, and risk assessment. We concluded this to be an area of focus, that is not considered as a key audit matter. In particular we assessed the impact on significant management accounting judgments, including future business and cash flow projections underpinning impairment assessments, deferred tax asset recoverability and the going concern assumption. We also considered the risk of fraud inherent to increased remote working. In terms of the execution of our audit, we considered the impact of the travel and other restrictions on our audit and on the review and supervision of our teams. Our teams globally largely worked remotely and digitally, supported by video-meetings and PwC's digital tooling. We increased the frequency of communication between the Group and component PwC teams, including additional joint meetings with Group and component management. While maintaining compliance with local health regulations, we performed sufficient physical checks of inventory and documents.

Other areas of focus, that were not considered as key audit matters, were related to the impairment testing of goodwill and other intangibles with indefinite useful lives, testing of valuation of the other provisions and information technology general controls (ITGCs). The ITGCs are the policies and procedures used by the Company to ensure IT operates as intended and provides reliable data for financial reporting purposes.

We ensured that the audit teams at both group and component level included the appropriate skills and competences which are needed for the audit of the Group. We therefore included in our team experts in the areas of pensions, share based payments and valuations and specialists in the areas of tax, IT and treasury.

Materiality

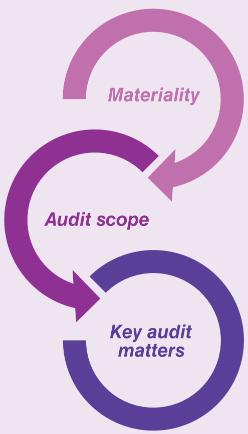
The scope of our audit is influenced by the application of materiality, which is further explained in the section "Our responsibilities for the audit of the financial statements".

Based on our professional judgment we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and to evaluate the effect of identified misstatements, both individually and in aggregate, on the financial statements as a whole and on our opinion.

We also take misstatements and/or possible misstatements into account that, in our judgment, are material for qualitative reasons.

We agreed with the Audit Committee and the Supervisory Board that we would report to them misstatements identified during our audit above €2 million (2019: €1.5 million) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

The outline of our audit approach was as follows:



Materiality

Overall materiality: €45 million (2019: €39 million).

Audit scope

- We conducted audit work at 50 components in 18 countries.
- Site reviews were virtually conducted to 9 countries (34 components).
- Audit coverage: 65% of consolidated revenue, 72% of consolidated total assets and 68% of consolidated profit before tax.

Key audit matters

- Transformation to deliver towards the "Winning together: 15 by 20" strategy
- Valuation of post-retirement benefit provisions
- Valuation of deferred tax assets and uncertain tax positions.

Materiality

Overall group materiality	€45 million (2019: €39 million).
Basis for determining materiality	We used our professional judgment to determine overall materiality. As a basis for our judgment we used 5% of total profit before tax
Rationale for benchmark applied	We used profit before tax as the primary benchmark, a generally accepted auditing practice, based on our analysis of the common information needs of users of the financial statements. On this basis, we believe that profit before tax is an important metric for the financial performance of the Company.
Component materiality	To each component in our audit scope, we, based on our judgment, allocate materiality that is less than our overall group materiality. The range of materiality allocated across components was between €7 million and €38 million.

The scope of our group audit

Akzo Nobel N.V. is the parent company of a group of entities managed by the Board of Management and Executive Committee. The financial information of this Group is included in the Consolidated financial statements of Akzo Nobel N.V.

We tailored the scope of our audit to ensure that we, in aggregate, provide sufficient coverage of the financial statements for us to be able to give an opinion on the financial statements as a whole, taking into account the management structure of the Group, the nature of operations of its components, the accounting processes and controls, and the markets in which the components of the Group operate. In establishing the overall group audit strategy and plan, we determined the type of work required to be performed at component level by the group engagement team and by each component auditor.

The group audit included 24 components which were subjected to audits of their complete financial information, selected on the basis of the relative size of their operations. None of the components are individually significant to the group. We further subjected 13 components to specific risk-focused audit procedures as they include significant or higher risk areas. Additionally, we selected 13 components for audit procedures to achieve appropriate coverage on financial line items in the Consolidated financial statements.

In total, in performing these procedures, we achieved the following coverage on the financial line items:

	2020
Revenue	65%
Total assets	72%
Profit before tax	68%

None of the remaining components represented more than 2% of total group revenue, total group assets or profit before tax. For those remaining components we performed, among other things, analytical procedures to corroborate our assessment that there were no significant risks of material misstatement within those components.

For all components we used component auditors who are familiar with the local laws and regulations to perform the audit work. We collectively performed hard close audit procedures on the interim October balance sheet positions and results. These hard close audit procedures included substantive audit work on certain material balances and transactions. Roll-forward procedures and top-up testing were performed at year-end to cover the full year period.

Where component auditors performed the work, we determined the level of involvement we needed to have in their audit work to be able to conclude whether we had obtained sufficient and appropriate audit evidence as a basis for our opinion on the Consolidated financial statements as a whole.

We issued instructions to the component audit teams in our audit scope. These instructions included amongst others our risk analysis, materiality and scope of the work. We explained to the component audit teams the structure of the Group, the main developments that are relevant for the component auditors, the risks identified, the materiality levels to be applied and our global audit approach. We had individual calls with each of the in-scope component audit teams throughout the audit. During these calls, we discussed the significant accounting and audit matters identified by the component auditors, their reports, the findings of their procedures and other matters which could be of relevance for the Consolidated financial statements.

The group engagement team virtually attended site review meetings with a selection of the component teams and local management. During these meetings we discussed the strategy and financial performance of the local businesses, as well as the audit plan and execution, significant risks and other relevant audit topics. The most significant components are selected every year and other components are selected depending on specific considerations which include, amongst others audit observations, specific risks identified and other major events. In view of developing a broader understanding of the local impact of the pandemic we increased the number of components covered compared to prior year. In the current year components in the following countries were selected: United States, China, Germany, France, United Kingdom, Italy, South Korea, Turkey and the Netherlands.

The group engagement team performed the audit work on the group consolidation, financial statement disclosures and a number of complex items and processes controlled and monitored centrally by Akzo Nobel N.V. These include impairment testing of goodwill and other intangible assets with indefinite useful lives, share-based payments, treasury, ITGCs and the Akzo Nobel N.V. standalone entity.

The group engagement team also performed central procedures over controls performed by the business units and other central functions, where relevant for our audit. This included indirect entity level controls (e.g. to prevent and detect fraud), including the code of conduct, corporate directives, whistle-blower policy, internal representations, business partnering program and internal audits.

By performing the procedures above at components, combined with additional procedures at group level, we have been able to obtain sufficient and appropriate audit evidence on the Group's financial information, as a whole, to provide a basis for our opinion on the financial statements.

Our focus on the risk of fraud and non-compliance with laws and regulations

The primary responsibility for the prevention and detection of fraud and non-compliance with laws and regulations lies with the Board of Management with the oversight of the Supervisory Board.

As part of our process of identifying fraud risks, we evaluated fraud risk factors with respect to financial reporting fraud, misappropriation of assets and bribery and corruption. We, together with our forensics specialists, evaluated the risk of material misstatement due to fraud. We conducted interviews with both members of the Board of Management, and with members of the Executive Committee, the Supervisory board and of others within the company to obtain an understanding the Company's fraud risk assessment and of the processes for identifying and responding to the risks of fraud and the internal control that management has established to mitigate these risks.

In addition, we performed procedures to obtain an understanding of the legal and regulatory frameworks that are applicable for the Group. We identified provisions of those laws and regulations, generally recognized to have a direct effect on the determination of material amounts and disclosures in the financial statements such as the financial reporting framework and tax and pension laws and regulations.

As in all of our audits, we addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by management that may represent a risk of material misstatement due to fraud. The audit procedures to respond to the assessed risks include, amongst others, that we evaluated the design and the implementation of internal controls that mitigate fraud risks, retrospective review of prior year's estimates, procedures on unexpected journal entries with the support of data-analytics and we incorporated elements of unpredictability in our audit. In addition, we assessed matters reported on the Group's whistleblowing and complaints procedures and results of management's investigation of such matters if deemed applicable and discussed this with the Audit Committee.

We refer to the key audit matter "Transformation to deliver towards the Winning together: 15 by 20 strategy" for the impact of the transformation on the risk of management override of internal controls. We refer to the key audit matters "Valuation of post-retirement benefit provisions" and "Valuations of deferred tax assets and uncertain tax positions", that are examples of our approach related to areas of higher risk due to significant accounting estimates where management makes significant judgments.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements. We have communicated the key audit matters to the Supervisory Board. The key audit matters are not a comprehensive reflection of all matters identified by our audit and that we discussed. In this section, we described the key audit matters and included a summary of the audit procedures we performed on those matters.

We addressed the key audit matters in the context of our audit of the financial statements as a whole, and in forming our opinion thereon. We do not provide separate opinions on these matters or on specific elements of the financial statements. Any comment or observation we

Key audit matters

Key audit matter	Our audit work and observations
Transformation to deliver towards the "Winning together: 15 by 20 strategy" In line with 2018 and 2019, the group continued its focus on transforming the company as part of management's three-year strategy 'Winning together: 15 by 20'. The transformation programs include further steps in centralization of finance activities in global business service hubs and simplification of the IT environment, impacting the Company's systems, processes and controls. Inherently, transformation processes have the potential to lead to a disruption of the organization, processes and culture. The specific and ambitious external target of 15% ROS by 2020 inherently increases pressure on management to achieve such targets, and as such contributes to the risk of management override of internal controls risk, which is a presumed audit risk in our audit. This risk was partially mitigated by management's announcement in April 2020 of suspension of the financial target as a result of the uncertainty of the impact of the pandemic on AkzoNobel. The remuneration targets remained in place. In addition, the planned increase in profitability of the company is expected to be reflected in management estimates, such as the forecasts used in the valuation of deferred tax assets and goodwill impairment analysis.	We extended our audit procedures to evaluate the impact of the transformation on systems, processes and controls. During the planning phase of our audit we updated our understanding of the transformation programs, as well as our understanding of the project governance, detailed timeline, scope of entities and processes of the transition of finance activities to global business service hubs. We held discussions directly with the different business service hubs in Poland, India, China and United States, in order to understand the status of the transition, understand the processes and controls in place to address the changes in the internal controls and evaluate the maturity of the processes. In order to obtain further evidence of the effectiveness of the controls in place, we also performed walkthroughs on selected controls in the business service hub in India. We used this information as part of our risk assessment procedures, determination of the scope of our audit and communication to our component teams. For the simplification of the IT environment we involved our IT specialists. We obtained an understanding of the project governance and the validation approach and we tested the data migration. We used data analytics to identify unexpected journal entries. In addition, for the testing of management's estimates, such as forecasts used in the valuation of deferred tax assets and goodwill impairment analysis, we validated the planned increase in profitability supported by, amongst others, approved plans and incurred costs savings. From the procedures performed, we did not have material findings with respect to the balance sheet positions and results recorded and disclosed.
Valuation of post-retirement benefit provisions **Note 19** The post-retirement benefit provisions consist of defined benefit obligations (€14.2 billion) more than offset by plan assets (€15.0 billion). The largest pension plans are the ICI Pension Fund (ICIPF) and the AkzoNobel (CPS) Pension Scheme in the UK which together account for 86 percent of the defined benefit obligation (DBO) and 91 percent of the plan assets. We consider this to be a key audit matter because positions are significant to the company and the assessment process is complex and involves significant management judgment. The actuarial assumptions used include demographic assumptions (rates of employee turnover, disability, early retirement and mortality) and financial assumptions (discount rate, future salary, benefit increases/indexation and inflation), as disclosed in Note 19 of the Consolidated financial statements. Technical expertise is required to determine closing positions.	With the assistance of our actuarial experts, we evaluated management's actuarial assumptions, the valuation methodologies applied, and we assessed the objectivity and competence of the company's external pension experts used for the calculation of the post-retirement benefit positions. We have challenged management, primarily on their assumptions applied to which the post-retirement benefit provisions are the most sensitive, by performing independent testing over the assumptions and methodologies used and comparing to the published actuarial tables, amongst others, with support of our actuarial experts. We paid particular attention to the discount rate changes as described by the company in note 19, given the significance. We also tested the participant census data and the valuation of the plan assets through independent price testing (e.g. by reconciling to independently published market prices). Furthermore, we tested the transactions as described in note 19 and we verified the appropriate accounting. We also assessed the adequacy of the company's disclosure in note 19 to the Consolidated financial statements. Our procedures did not result in material findings with respect to the valuation and disclosure of post-retirement benefit provisions at December 31, 2020.
Valuation of deferred tax assets and uncertain tax positions **Note 9** The Group operates globally and is therefore subject to income taxes in various tax jurisdictions. The assessment of the valuation of deferred tax assets, resulting from net operating losses, tax credits and temporary differences, and provisions for uncertain tax positions is significant to our audit as the positions are significant to the company, calculations are complex and depend on high estimation uncertainty and judgmental assumptions. The key assumptions include long-term projected revenue growth, savings supported by the transformation plans and programs, margin development and local fiscal regulations. The company's disclosures concerning income taxes are included in note 9 to the Consolidated financial statements.	With respect to the valuation of deferred tax assets and uncertain tax positions we performed the following procedures with the assistance of our tax specialists: • We tested management's assessment of the recoverability of the deferred tax assets, by challenging their key assumptions. We specifically focused on the development of the budget compared to the actual results, the impact of COVID-19 on the country results, the impact of the structural nature of (transformation) savings and the completeness of the future cost included in the forecasts compared to the current cost base. • We obtained an understanding and assessed completeness of the tax exposures and uncertain tax positions recognised, through discussions with group and local management. We evaluated the probability of future cash outflows related to the uncertain tax positions identified by the company. • We also assessed the applicable local fiscal regulations and developments, in particular those related to changes in the statutory income tax rate and the statutes of limitation, since these are key assumptions underlying the valuation of the deferred tax assets and uncertain tax positions. We analysed the tax positions and evaluated the assumptions and methodologies used. • In addition, we assessed the adequacy of the company's disclosures on deferred tax assets and uncertain tax positions and assumptions used. Our procedures did not result in material findings with respect to the valuation of deferred tax assets, the uncertain tax positions recorded and related disclosures at December 31, 2020.

made on the results of our procedures should be read in this context.

Report on the other information included in the annual report

In addition to the financial statements and our auditor's report thereon, the annual report contains other information (the "Other information") that consists of:

- The Management report, as defined in Note 1 of the Consolidated financial statements
- The remuneration report
- The other information pursuant to Part 9 of Book 2 of the Dutch Civil Code
- Other parts of the annual report: Sustainability statements, Leadership and governance other than as part of the Management Report, and Financial summary

Based on the procedures performed as set out below, we conclude that the Other information:

- is consistent with the financial statements and does not contain material misstatements
- contains the information that is required by Part 9 of Book 2 and the sections 2:135b and 2:145 subsection 2 of the Dutch Civil Code

We have read the Other information. Based on our knowledge and understanding obtained in our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements. By performing our procedures, we comply with the requirements of Part 9 of Book 2 and section 2:135b subsection 7 of the Dutch Civil Code and the Dutch Standard 720. The scope of such procedures was substantially less than the scope of those performed in our audit of the financial statements.

The Board of Management is responsible for the preparation of the Other information, including the Management report (as defined in Note 1 of the Consolidated financial statements) and the other information in accordance with Part 9 of Book 2 of the Dutch Civil Code and the remuneration report in accordance with the sections 2:135b and 2:145 subsection 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements

Our appointment
We were appointed as auditors of Akzo Nobel N.V. on April 29, 2014 by the Supervisory Board following the passing of a resolution by the shareholders at the Annual Meeting held on April 29, 2014, and effective January 1, 2016. Our engagement has been renewed annually.

No prohibited non-audit services
To the best of our knowledge and belief, we have not provided prohibited non-audit services as referred to in Article 5(1) of the European Regulation on specific requirements regarding statutory audit of public-interest entities.

Services rendered
The services, in addition to the audit, that we have provided to the company and its controlled entities, for the period to which our statutory audit relates, are disclosed in note L to the financial statements.

Responsibilities for the financial statements and the audit

Responsibilities of the Board of Management and the Supervisory Board for the financial statements

The Board of Management is responsible for:

- The preparation and fair presentation of the financial statements in accordance with EU-IFRS and with Part 9 of Book 2 of the Dutch Civil Code
- Such internal control as the Board of Management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error

As part of the preparation of the financial statements, the Board of Management is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, the Board of Management should prepare the financial statements using the going-concern basis of accounting unless the Board of Management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so. The Board of Management should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

The Supervisory Board is responsible for overseeing the company's financial reporting process.

Our responsibilities for the audit of the financial statements
Our responsibility is to plan and perform an audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence to provide a basis for our opinion. Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an auditor's report that includes our opinion. Reasonable assurance is a high but not absolute level of assurance, which makes it possible that we may not detect all material misstatements. Misstatements may arise due to fraud or error. They are considered to be material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

A more detailed description of our responsibilities is set out in the appendix to our report.

Amsterdam, February 16, 2021
PricewaterhouseCoopers Accountants N.V.

Original has been signed by Fernand Izeboud RA

Appendix to our auditor's report on the financial statements 2020 of Akzo Nobel N.V.

In addition to what is included in our auditor's report, we have further set out in this appendix our responsibilities for the audit of the financial statements and explained what an audit involves.

The auditor's responsibilities for the audit of the financial statements

We have exercised professional judgment and have maintained professional scepticism throughout the audit in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit consisted, among other things of the following:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the intentional override of internal control.
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Management.
- Concluding on the appropriateness of the Board of Management's use of the going-concern basis of accounting, and based on the audit evidence obtained, concluding whether a material uncertainty exists related to events and/or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report and are made in the context of our opinion on the financial statements as a whole. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Considering our ultimate responsibility for the opinion on the Consolidated financial statements, we are responsible for the direction, supervision and performance of the group audit. In this context, we have determined the nature and extent of the audit procedures for components of the Group to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole. Determining factors are the geographic structure of the Group, the significance and/or risk profile of group entities or activities, the accounting processes and controls, and the industry in which the Group operates. On this basis, we selected group entities for which an audit or review of financial information or specific balances was considered necessary.

We communicate with the Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit. In this respect, we also issue an additional report to the audit committee in accordance with Article 11 of the EU Regulation on specific requirements regarding statutory audit of public-interest entities. The information included in this additional report is consistent with our audit opinion in this auditor's report.

We provide the Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Supervisory Board, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.

ASSURANCE REPORT OF THE INDEPENDENT AUDITOR

To: Supervisory Board and Board of Management of Akzo Nobel N.V.

Assurance report on the selected non-financial indicators in the annual report 2020

Our conclusion

We have reviewed the selected non-financial indicators in the annual report 2020 of Akzo Nobel N.V. Amsterdam ("AkzoNobel" or "the company"). Based on the procedures performed and evidence obtained, nothing has come to our attention that causes us to believe that the selected non-financial indicators in the annual report 2020 are not prepared, in all material respects, in accordance with AkzoNobel's reporting criteria.

What we have reviewed

The object of our assurance engagement concerns selected non-financial indicators for the year ended December 31, 2020. The selected indicators are marked with the symbol » (the "indicators") in the annual report 2020 of Akzo Nobel N.V. (the "annual report"), and are as follows:

- Organizational health score
- Female executives (in %)
- Fatalities employees (number)
- Fatalities contractors – temporary workers plus independent (number)
- Lost time injury rate employees/temporary workers (per 200,000 hours worked)
- Lost time injury rate contractors (per 200,000 hours worked)
- Regulatory actions – Level 4 (number)
- Total reportable injury rate employees/temporary workers (per 200,000 hours worked)
- Total reportable injury rate contractors (per 200,000 hours worked)
- Loss of primary containment – Level 1 (number)
- Loss of primary containment – Level 2 (number)
- Process safety event – Level 3 (number)
- Occupational illness rate employees (per 1,000,000 hours worked)
- Volatile organic compounds (in kilotons)
- Volatile organic compounds (kg per ton of production)
- Energy use (in 1000 TJ)
- Energy use (GJ per ton of production)
- Total waste (total kg per ton of production)
- Hazardous waste to landfill (in kilotons)
- Hazardous waste to landfill (total kg per ton of production)
- Renewable energy – own operations (in %)
- Renewable electricity – own operations (in %)
- Greenhouse gas emissions (kg CO2(e) per ton of production)
- Greenhouse gas emissions – direct CO2(e) emissions (Scope 1) (in million tons)
- Greenhouse gas emissions – indirect CO2(e) emissions (Scope 2) (in million tons)
- Greenhouse gas emissions – direct CO2(e) emissions (Scope 1) (total kg per ton of production)
- Greenhouse gas emissions – indirect CO2(e) emissions (Scope 2) (total kg per ton of production)
- Total waste – reusable (in kilotons)
- Total waste – non-reusable (in kilotons)
- Total non-reusable waste (total kg per ton of production)
- Fresh water use (in million M3)
- Fresh water use (M3 per ton of production)
- Scope 3 upstream (million tons)
- Scope 3 downstream (million tons)
- Cradle-to-grave carbon footprint (Scope 1, 2 and 3) (million tons)
- Suppliers in sustainability program – in line with our expectation (in %)
- Suppliers in sustainability program – under development (in %)
- Suppliers participating in CSR program (in % against baseline)
- Eco-premium solutions (in % of revenue)

The basis for our conclusion

We conducted our review in accordance with Dutch law, including the Dutch Standard 3000A "Assurance engagements, other than audits or reviews of historical financial information (attestation-engagements)". This engagement is aimed to provide limited assurance. Our responsibilities under this standard are further described in the section "Our responsibilities for the review" of our report.

We believe that the assurance information we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Independence and quality control

We are independent of Akzo Nobel N.V. in accordance with the "Verordening inzake de onafhankelijkheid van accountants bij assurance opdrachten" (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence requirements in the Netherlands. Furthermore, we have complied with the "Verordening gedrags- en beroepsregels accountants" (VGBA, Code of Ethics for Professional Accountants, a regulation with respect to rules of professional conduct).

We apply the "Nadere voorschriften kwaliteitssystemen" (NVKS, Regulations for quality systems) and accordingly maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and other applicable legal and regulatory requirements.

Applicable criteria

The indicators need to be read and understood in conjunction with the reporting criteria. The Board of Management of AkzoNobel is solely responsible for selecting and applying these reporting criteria, taking into account applicable law and regulations related to reporting.

The reporting criteria used for the preparation of the Indicators are AkzoNobel's reporting criteria developed by the company, as disclosed in the "Managing sustainability" paragraph of the annual report and further elaborated in The Reporting Principles 2020 which were made available online* www.akzonobel.com/en/about-us/sustainability-/reporting-principles-. The absence of a significant body of established practice on which to draw, to evaluate and measure non-financial information allows for different, but acceptable, measurement techniques and can affect comparability between entities and over time.

* The maintenance and integrity of AkzoNobel's website is the responsibility of the Board of Management; the work carried out by us does not involve consideration of these matters and, accordingly, we accept no responsibility for any changes that may have occurred to the Reporting Principles 2020 when presented on AkzoNobel's website after the date of this assurance report.

Responsibilities for the indicators and the review thereof

Responsibilities of the Board of Management and Supervisory Board
The Board of Management of Akzo Nobel N.V. is responsible for the preparation of the indicators in accordance with AkzoNobel's reporting criteria, including the identification of the intended users and the criteria being applicable for the purpose of these users.

Furthermore, the Board of Management is responsible for such internal control as it determines is necessary to enable the preparation of the indicators that are free from material misstatement, whether due to fraud or error.

The Supervisory Board is responsible for overseeing the company's reporting process on the indicators.

Our responsibilities for the review
Our responsibility is to plan and perform our review in a manner that allows us to obtain sufficient and appropriate evidence to provide a basis for our conclusion.

Our conclusion aims to provide limited assurance. The procedures performed in this context consisted primarily of making inquiries with officers of the entity and determining the plausibility of the information included in the indicators. The level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

Misstatements may arise due to fraud or error. They are considered to be material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users taken on the basis of the Indicators. Materiality affects the nature, timing and extent of our assurance procedures and the evaluation of the effect of identified misstatements on our conclusion.

Procedures performed
We have exercised professional judgment and have maintained professional scepticism throughout the review in accordance with the Dutch Standard 3000A, ethical requirements and independence requirements.

Our review consisted, among other procedures, of the following:

- Evaluating the appropriateness of the reporting criteria used, their consistent application and related disclosures in the indicators. This includes the evaluation of the reasonableness of estimates made by the Board of Management
- Obtaining an understanding of internal control relevant to the review in order to design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing a conclusion on the effectiveness of the company's internal control
- Identifying areas with a higher risk of material misstatement within the indicators, whether due to fraud or error, designing and performing assurance procedures responsive to those risks, and obtaining evidence that is sufficient and appropriate to provide a basis for our conclusion. These procedures consisted, among others, of:
  - Interviewing management (and/or relevant staff) responsible for the sustainability strategy, policy and results
  - Interviewing relevant staff responsible for providing the information for, carrying out internal control procedures on, and consolidating the data in the indicators
  - Determining the nature and extent of the review procedures for the group components and locations. For this, the nature, extent and/or risk profile of these components are decisive. Based thereon we selected the components and locations to visit. We have performed remote review procedures in Turkey to validate our understanding of local processes. In addition, during our procedures in Turkey we also validated source data and evaluated the design and implementation of internal controls and validation procedures
  - Obtaining assurance evidence that the indicators reconcile with underlying records of the company
  - Reviewing, on a limited test basis, relevant internal and external documentation
  - Performing an analytical review of the data and trends in the information submitted for consolidation at corporate level

- Evaluating the consistency of the indicators with the information in the annual report, which is not included in the scope of our review
- To consider whether the indicators as a whole, including the disclosures, reflect the purpose of the reporting criteria used

We communicated with the Supervisory Board and Board of Management on the planned scope and timing of the engagement and on the significant findings that result from our engagement.

Amsterdam, February 16, 2021

PricewaterhouseCoopers Accountants N.V.

Original has been signed by Fernand Izeboud RA

FINANCIAL SUMMARY

Consolidated statement of income

In € millions	2011	2012	2013	2014	2015	2016[5 6]	2017	2018	2019[7]	2020
Revenue	14,604	15,390	14,590	14,296	14,859	9,434	9,612	9,256	9,276	8,530
Adjusted operating income[3]	1,154	972	897	1,072	1,462	928	905	798	991	1,099
Operating income	1,157	(1,198)	958	987	1,573	923	825	605	841	963
Financing income and expenses	(311)	(205)	(200)	(156)	(114)	(91)	(78)	(52)	(76)	(69)
Results from associates and joint ventures	24	13	14	21	17	18	17	20	20	25
Income tax	(241)	(203)	(111)	(252)	(416)	(234)	(253)	(118)	(230)	(241)
Profit for the period from continuing operations	**629**	**(1,593)**	**661**	**600**	**1,060**	**616**	**511**	**455**	**555**	**678**
Discontinued operations	(59)	(436)	131	18	6	436	393	6,274	22	(7)
Non-controlling interests	(64)	(63)	(68)	(72)	(87)	(82)	(72)	(55)	(38)	(41)
Net income, attributable to shareholders	**506**	**(2,092)**	**724**	**546**	**979**	**970**	**832**	**6,674**	**539**	**630**
Common shares, in millions at year-end	234.7	239.0	242.6	246.0	249.0	252.2	252.6	256.2	199.6	190.6
Dividend[2]	304	214	210	212	222	239	1,287	390	1,423	366
Number of employees at year-end	52,020	50,610	49,600	47,200	45,600	36,300	35,700	34,500	33,800	32,200
Average number of employees	51,100	52,200	50,200	48,200	46,100	36,200	36,200	34,900	34,200	33,000
Employee benefits	2,765	3,018	2,950	2,824	2,728	1,794	1,935	1,976	1,875	1,850
Average revenue per employee (in €1,000)	286	295	291	297	322	261	266	265	271	258
Average operating income per employee (in €1,000)	23	(23)	19	20	34	25	23	17	25	29
Ratios										
ROS	7.9	6.3	6.1	7.5	9.8	9.8	9.4	8.6	10.7	12.9
OPI margin	7.9	(7.8)	6.6	6.9	10.6	9.8	8.6	6.5	9.1	11.3
ROI[4]	10.0	8.2	9.0	10.9	14.0	14.4	13.9	12.6	14.1	16.1
Net income in % of shareholders' equity	5.6	–[1]	12.9	9.5	15.1	14.8	14.2	56.4	8.5	11.0
Employee benefits in % of revenue	18.9	19.6	20.2	19.8	18.4	19.0	20.1	21.3	20.2	21.7
Interest coverage	4.7	–[1]	5.1	8.6	16.2	13.2	12.3	8.0	14.3	18.5
Per share information										
Net income	2.04	(8.82)	3.00	2.23	3.95	3.87	3.31	26.19	2.53	3.29
Adjusted earnings per share	3.10	2.55	2.62	2.81	4.02	3.80	4.40	1.91	3.10	3.88
Shareholders' equity	39.25	24.12	23.06	23.53	26.04	25.99	23.22	46.19	32.33	30.26
Highest share price during the year	53.74	49.75	56.08	60.77	74.81	64.74	82.64	82.70	91.86	91.60
Lowest share price during the year	29.25	35.16	42.65	47.63	55.65	50.17	59.11	68.82	69.12	48.50
Year-end share price	37.36	49.75	55.71	57.65	61.68	59.39	73.02	70.40	90.69	87.86

[1] Not meaningful as operating income and net income were losses.
[2] Cash dividend paid to shareholders of AkzoNobel.
[3] Adjusted operating income = operating income excluding identified items.
[4] ROI% is calculated as adjusted operating income (operating income excluding identified items) of the last 12 months as a percentage of average invested capital of the last 12 months. Invested capital is calculated as total assets (excluding cash and cash equivalents, short-term investments, investments in associates, the receivable from pension funds in an asset position and assets held for sale) less current tax liabilities, deferred tax liabilities and trade and other payables. OPI is calculated as operating income as percentage of revenues from third parties.
[5] Represented to present the Specialty Chemicals business as discontinued operations.
[6] Represented to the new adjusted earnings per share definition, which no longer excludes post-tax amortization charges.
[7] 2019 includes the impact of the adoption of IFRS 16 "Leases".

Consolidated balance sheet

In € millions	2011	2012	2013	2014	2015	2016	2017	2018	2019[3]	2020
Intangible assets	7,392	4,454	3,906	4,142	4,156	4,413	3,409	3,458	3,625	3,554
Property, plant and equipment	3,705	3,739	3,589	3,835	4,003	4,190	1,832	1,748	1,700	1,621
Right-of-use assets	–	–	–	–	–	–	–	–	374	324
Other non-current assets	2,664	2,628	2,219	2,148	2,125	1,736	1,894	1,965	2,541	2,614
Total non-current assets	**13,761**	**10,821**	**9,714**	**10,125**	**10,284**	**10,339**	**7,135**	**7,171**	**8,240**	**8,113**
Inventories	1,924	1,545	1,426	1,545	1,504	1,532	1,094	1,139	1,139	1,159
Receivables	3,035	2,789	2,622	2,831	2,810	2,846	2,026	2,215	2,196	2,049
Short-term investments	–	–	–	–	–	–	–	5,460	138	250
Cash and cash equivalents	1,635	1,752	2,098	1,732	1,365	1,479	1,322	2,799	1,271	1,606
Assets held for sale	–	921	203	66	–	–	4,601	–	–	–
Total current assets	**6,594**	**7,007**	**6,349**	**6,174**	**5,679**	**5,857**	**9,043**	**11,613**	**4,744**	**5,064**
Shareholders' equity	9,031	5,764	5,594	5,790	6,484	6,553	5,865	11,834	6,350	5,746
Non-controlling interests	529	464	427	477	496	481	442	204	218	204
Total equity	**9,560**	**6,228**	**6,021**	**6,267**	**6,980**	**7,034**	**6,307**	**12,038**	**6,568**	**5,950**
Provisions	2,392	2,677	1,938	2,143	1,865	1,938	964	899	981	896
Long-term borrowings	3,035	3,388	2,666	2,527	2,161	2,644	2,300	1,799	2,042	2,771
Other non-current liabilities	541	434	389	412	360	367	285	368	391	467
Total non-current liabilities	**5,968**	**6,499**	**4,993**	**5,082**	**4,386**	**4,949**	**3,549**	**3,066**	**3,414**	**4,134**
Short-term borrowings	494	662	961	811	430	87	973	599	169	119
Current liabilities	3,782	3,632	3,438	3,634	3,716	3,704	2,912	2,870	2,602	2,742
Current portion of provisions	551	455	601	494	451	422	241	211	231	232
Liabilities held for sale	–	352	49	11	–	–	2,196	–	–	–
Total current liabilities	**4,827**	**5,101**	**5,049**	**4,950**	**4,597**	**4,213**	**6,322**	**3,680**	**3,002**	**3,093**
Average invested capital[2]	11,537	11,817	10,007	9,871	10,475	6,422	6,494	6,340	7,026	6,834
Capital expenditures[5]	658	826	666	588	651	634	613	184	214	258
Depreciation[2]	419	463	472	477	487	206	202	181	293	297
OWC[4]	1,891	1,572	1,384	1,418	1,385	1,405	927	898	1,068	878
Net debt	1,894	2,298	1,529	1,606	1,226	1,252	1,951	(5,861)	802	1,034
Ratios										
Equity/non-current assets	0.69	0.58	0.62	0.62	0.68	0.68	0.88	1.68	0.80	0.73
Inventories and receivables/current liabilities	1.31	1.19	1.18	1.20	1.16	1.18	1.07	1.17	1.28	1.17
Operating working capital as % of revenue[1]	13.2	10.7	9.9	10.1	9.7	10.2	10.2	9.7	11.9	9.9

[1] Operating working capital is measured against four times fourth quarter revenue.
[2] 2016 is represented to present the Specialty Chemicals business as discontinued operations.
[3] 2019 includes the impact of the adoption of IFRS 16 "Leases".
[4] As from 2018 trade payables include certain other payables, which were previously classified as Other working capital. Trade payables, Operating working capital and Other working capital items have been represented for this change of definition for some €240 million.
[5] Capital expenditures include investments in intangible assets as from 2018.

Segment statistics

In € millions	2011[1]	2012	2013	2014	2015	2016	2017	2018	2019[4]	2020
Decorative Paints										
Revenue[2]	4,201	4,297	4,174	3,909	4,007	3,835	3,898	3,699	3,670	3,558
Adjusted operating income	237	108	199	248	345	357	351	346	418	573
Operating income	235	(2,012)	398	248	345	366	334	308	425	551
ROS[3]	5.6	2.5	4.8	6.3	8.6	9.3	9.0	9.4	11.4	16.1
OPI margin[3]	5.6	(46.8)	9.5	6.3	8.6	9.5	8.6	8.3	11.6	15.5
Average invested capital	5,032	4,701	2,896	2,824	2,959	2,783	2,803	2,798	3,106	2,799
ROI[3]	4.7	2.3	6.9	8.8	11.7	12.8	12.5	12.4	13.4	20.5
Capital expenditures	155	206	171	143	158	107	112	50	62	77
Average number of employees	17,100	17,200	16,800	15,500	15,100	14,800	14,700	14,100	12,900	12,100
Average revenue per employee (in €1,000)	246	250	248	252	265	259	265	262	284	294
Average operating income per employee (in €1,000)	14	(117)	24	16	23	25	23	22	33	46
Performance Coatings										
Revenue[2]	5,170	5,702	5,571	5,589	5,955	5,665	5,775	5,587	5,549	4,957
Adjusted operating income	456	542	525	545	792	759	669	629	688	700
Operating income	458	542	525	545	792	735	668	577	565	665
ROS[3]	8.8	9.5	9.4	9.8	13.3	13.4	11.6	11.3	12.4	14.1
OPI margin[3]	8.9	9.5	9.4	9.8	13.3	13.0	11.6	10.3	10.2	13.4
Average invested capital	2,267	2,499	2,463	2,480	2,692	2,586	2,860	3,066	3,325	3,388
ROI[3]	20.1	21.7	21.3	22.0	29.4	29.4	23.4	20.5	20.7	20.7
Capital expenditures	116	123	143	143	147	159	129	107	113	146
Average number of employees	21,300	21,700	21,300	21,000	19,700	19,300	19,800	19,200	18,000	17,500
Average revenue per employee (in €1,000)	243	263	262	266	302	294	292	291	308	283
Average operating income per employee (in €1,000)	22	25	25	26	40	38	34	30	31	38

[1] Restated to present Decorative Paints North America as a discontinued operation.
[2] The 2019 figures are restated to represent revenue from third parties instead of group revenue.
[3] ROS% is calculated as adjusted operating income (operating income excluding identified items) as a percentage of revenues from third parties (as from 2019, before 2019 this was based on group revenue). ROI% is calculated as adjusted operating income (operating income excluding identified items) of the last 12 months as a percentage of average invested capital of the last 12 months. Invested capital is calculated as total assets (excluding cash and cash equivalents, short-term investments, investments in associates, the receivable from pension funds in an asset position and assets held for sale) less current tax. OPI margin is calculated as operating income as a percentage of group revenue.
[4] 2019 includes the impact of the adoption of IFRS 16 "Leases".

Regional statistics

In € millions	2016[1]	2017	2018	2019[3]	2020
The Netherlands					
Revenue by destination	267	282	318	359	342
Revenue by origin	404	423	458	484	434
Capital expenditures	15	17	25	42	46
Average invested capital	1,497	1,528	1,560	1,622	1,713
Number of employees[2]	2,600	2,500	2,400	2,400	2,300
Germany					
Revenue by destination	399	460	443	409	372
Revenue by origin	470	598	561	502	467
Capital expenditures	12	10	12	11	7
Average invested capital	468	662	573	634	544
Number of employees[2]	1,400	1,500	1,500	1,400	1,200
Sweden					
Revenue by destination	164	162	146	141	140
Revenue by origin	389	408	372	366	349
Capital expenditures	9	9	7	5	3
Average invested capital	60	104	94	101	100
Number of employees[2]	1,200	1,100	1,000	900	900
UK					
Revenue by destination	808	777	818	838	838
Revenue by origin	972	891	918	951	975
Capital expenditures	43	39	29	16	15
Average invested capital	755	746	758	850	623
Number of employees[2]	3,300	3,200	3,200	3,200	3,000

In € millions	2016[1]	2017	2018	2019[3]	2020
Other European countries					
Revenue by destination	2,225	2,332	2,319	2,360	2,276
Revenue by origin	1,739	1,823	1,846	1,903	1,882
Capital expenditures	39	47	33	42	59
Average invested capital	675	700	732	918	1,081
Number of employees[2]	6,700	6,600	6,900	7,000	7,100
US and Canada					
Revenue by destination	1,213	1,189	1,134	1,139	1,019
Revenue by origin	1,298	1,257	1,200	1,210	1,065
Capital expenditures	27	23	18	29	41
Average invested capital	1,037	864	699	694	645
Number of employees[2]	3,000	2,900	2,800	2,800	2,700
South America					
Revenue by destination	850	900	815	815	697
Revenue by origin	791	840	781	742	649
Capital expenditures	20	23	13	15	13
Average invested capital	378	391	352	363	335
Number of employees[2]	3,100	2,900	2,800	2,600	2,600
China					
Revenue by destination	1,435	1,494	1,329	1,268	1,205
Revenue by origin	1,456	1,493	1,321	1,271	1,198
Capital expenditures	53	32	13	15	24
Average invested capital	897	787	732	908	852
Number of employees[2]	6,200	6,000	5,300	4,900	4,500

In € millions	2016[1]	2017	2018	2019[3]	2020
Other Asian countries					
Revenue by destination	1,521	1,443	1,375	1,388	1,139
Revenue by origin	1,442	1,392	1,323	1,334	1,067
Capital expenditures	53	41	22	29	39
Average invested capital	561	625	656	718	703
Number of employees[2]	6,600	6,800	6,600	6,400	5,800
Other regions					
Revenue by destination	552	573	559	559	502
Revenue by origin	473	487	476	513	444
Capital expenditures	7	9	12	10	11
Average invested capital	94	87	184	218	238
Number of employees[2]	2,200	2,200	2,000	2,200	2,100

[1] Represented to present the Specialty Chemicals business as discontinued operations.
[2] At year-end.
[3] 2019 includes the impact of the adoption of IFRS 16 "Leases".

GLOSSARY

Adjusted EBITDA
Adjusted EBITDA is operating income excluding depreciation, amortization and identified items.

AGM or EGM
Annual General Meeting of shareholders; Extraordinary General Meeting of shareholders.

BBS
Behavior-based safety. A global program run at all AkzoNobel locations.

Business Partner Code of Conduct
Explains what we stand for as a company, what we value and how we run our business. It brings our core values of safety, integrity and sustainability to life and shows what they mean in practice.

Capital expenditures
The total of investments in property, plant and equipment and investments in intangible assets.

Carbon footprint
The total amount of greenhouse gas (GHG) emissions caused during a defined period of a product's lifecycle. It is expressed in terms of the amount of carbon dioxide equivalents CO_2(e) emitted.

Circular economy
An economic system which is restorative and regenerative by design, and which aims to keep products, components and materials at their highest utility and value at all times, distinguishing between technical and biological cycles.

Code of Conduct
Defines our core principles and how we work. It incorporates fundamental principles on issues such as business integrity, labor relations, human rights, health, safety, environment and security and community involvement.

Comprehensive income
The change in equity during a period resulting from transactions and other events, other than those changes resulting from transactions with shareholders in their capacity as shareholders.

Constant currencies
Calculations exclude the impact of changes in foreign exchange rates.

Earnings per share
Net income attributable to shareholders divided by the weighted average number of common shares outstanding during the year. Adjusted earnings per share are the basic earnings per share, excluding identified items and taxes thereon.

EBITDA
Operating income excluding depreciation and amortization.

Eco-efficiency
Using fewer resources and creating less waste and pollution in the creation of goods and services.

Eco-premium solutions with downstream benefits
A measure of the eco-efficiency of our products. 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 and well-being), and not significantly worse in any other criteria. Downstream benefits include a tangible sustainability benefit for our customers.

EMEA
Europe, Middle East and Africa.

Emerging Europe
Central and Eastern Europe (excluding Austria), the Baltic States and Turkey.

Emissions and waste
We report emissions to air, land and water for those substances which may have an impact on people or the environment: CO_2, NOx and SOx, VOCs, chemical oxygen demand, hazardous and non-hazardous waste. Definitions are in the Sustainability statements.

Greenhouse gases
Greenhouse gases include CO_2, CO, CH_4, N_2O and HFCs, which have a global warming impact. We also include the impact of VOCs in our targets.

HSE&S
Health, safety, environment and security.

Identified items
Identified items are special charges and benefits, results on acquisitions and divestments, major restructuring and impairment charges and charges related to major legal, environmental and tax cases.

Invested capital
Total assets (excluding cash and cash equivalents, short-term investments, investments in associates, the receivable from pension funds in an asset position, assets held for sale) less current income tax payable, deferred tax liabilities and trade and other payables.

Lifecycle assessment
Lifecycle assessments are the basis of our value chain sustainability programs. Eco-efficiency analysis (EEA) is our standard assessment method.

Leverage ratio
Calculated as net debt divided by EBITDA, which is calculated as the total of the last 12 months.

Loss of primary containment
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.

Lost time injury rate (LTIR)
The number of lost time injuries per 200,000 hours worked. Full definitions are in the Sustainability statements.

Mature Europe
Comprised of Western, Northern and Southern Europe, including Austria.

Mature markets
Comprised of Mature Europe, the US, Canada, Japan and Oceania.

Natural resource use
We do not report specific natural resource use, except water. We do report our use of energy and raw materials.

Net debt
Defined as long-term borrowings plus short-term borrowings less cash, cash equivalents and short-term investments.

Operating income
Operating income is defined in accordance with IFRS and includes the relevant identified items. Adjusted operating income excludes identified items.

Operational cash flow
We use operational cash flow to monitor cash generation. It is defined as operating income excluding depreciation and amortization, adjusted for the change in operating working capital and capital expenditures.

OPI margin
Operating income as a percentage of revenue.

R&D
Research and development.

Regulatory action
We have defined four categories of regulatory action, from self-reported issues (Level 1) to formal legal notifications with fines above €100,000 (Level 4).

REI
Resource Efficiency Index is gross margin divided by cradle-to-grave carbon footprint. The index measures value created from use of raw materials and energy.

Relevant markets
Segments and regions of the paints and coatings industry from which AkzoNobel generates revenue.

ROI (return on investment)
ROI is adjusted operating income of the last 12 months as a percentage of average invested capital.
ROI excluding unallocated cost is adjusted operating income of the last 12 months as a percentage of average invested capital for Decorative Paints and Performance Coatings. It excludes unallocated corporate center cost and invested capital.

ROI% excluding unallocated cost

January 2020 - December 2020

in € millions	2019	2020
Average invested capital	7,026	6,834
Less: unallocated average invested capital	(595)	(647)
Average invested capital excluding unallocated capital	**6,431**	**6,187**
Adjusted operating income excluding unallocated cost	1,106	1,273
Total	**17.2**	**20.6**

ROS (return on sales)
ROS is adjusted operating income as a percentage of revenue.
ROS excluding unallocated cost is adjusted operating income as a percentage of revenue for Decorative Paints and Performance Coatings. It excludes unallocated corporate center cost.

ROS% excluding unallocated cost

January 2020 - December 2020

in € millions	2019	2020
Total revenue	9,276	8,530
Less: revenue unallocated	(57)	(15)
Revenue excluding unallocated revenue	**9,219**	**8,515**
Adjusted operating income excluding unallocated cost	**1,106**	**1,273**
ROS% excluding unallocated cost	**12.0**	**15.0**

Safety incident
We have defined three levels of safety incidents. The highest category – Level 3 – involves: any loss of life; more than five severe injuries; environmental, asset or business damage totaling more than €25 million; inability to maintain business; or serious reputational damage to AkzoNobel stakeholders.

Shareholders' equity per share
Akzo Nobel N.V. shareholders' equity divided by the number of common shares outstanding at year-end.

South America
Includes Central America.

Total reportable rate of injuries (TRR)
The number of injuries per 200,000 hours worked. Full definitions are in the Sustainability statements.

TSR (total shareholder return)
Compares the performance of different companies' stocks and shares over time. Combines share price appreciation and dividends paid to show the total return to shareholders. The relative TSR position reflects the market perception of overall performance relative to a reference group.

VOC
Volatile organic compounds.

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Appendix: List of affiliated legal entities and corporations

List at December 31, 2020, of affiliated legal entities and corporations in conformity with articles 379 and 414, Book 2 of the Dutch Civil Code belonging to Akzo Nobel N.V., Amsterdam

List of consolidated legal entities and corporations

		Ownership %[1]
Argentina		
Akzo Nobel Argentina S.A.	Buenos Aires	99.997
Australia		
Akzo Nobel Car Refinishes Australia Pty Ltd	Port Melbourne	100.000
Akzo Nobel Coatings (Holdings) Pty Limited	Sunshine	100.000
Akzo Nobel Pty. Limited	Sunshine	100.000
Austria		
Akzo Nobel Coatings GmbH	Salzburg	100.000
Akzo Nobel Holding Österreich GmbH	Vienna	100.000
Belgium		
Auto Body Services CV (ABS)	Vilvoorde	84.615
International Paint (Belgium) NV	Vilvoorde	100.000
Akzo Nobel Paints Belgium NV	Vilvoorde	100.000
Cleming BVBA	Vilvoorde	100.000
Bolivia		
Pinturas Coral De Bolívia Ltda	Santa Cruz de la Sierra	100.000
Botswana		
Dulux Botswana (Pty) Limited	Gaborone	100.000
Brazil		
Akzo Nobel Ltda	Barueri	100.000
Canada		
Akzo Nobel Coatings Ltd.	Ontario	100.000
Akzo Nobel Wood Coatings Ltd	Port Hope	100.000
Cayman Islands		
Ichem Reinsurance Company Limited	George Town	100.000
ICI International Investments	George Town	100.000
Chile		
International Paint (Akzo Nobel Chile) Ltda	Santiago	100.000
China		
Akzo Nobel (Shanghai) Co. Ltd.	Shanghai	100.000
Akzo Nobel Car Refinishes (Suzhou) Company Limited	Suzhou	100.000
Akzo Nobel Coatings (Dongguan) Co. Ltd.	Dongguan	100.000
Akzo Nobel Powder Coatings (Ningbo) Co., Ltd.	Ningbo	100.000
Akzo Nobel Coatings (Tianjin) Co., Ltd.	Tian Jin	100.000
Akzo Nobel Coatings (Jiaxing) Co. Ltd.	Jiashan	100.000
Akzo Nobel Powder Coatings (Langfang) Co. Ltd.	Langfang	100.000
Akzo Nobel (China) Investment Co., Ltd.	Shanghai	100.000
Akzo Nobel Decorative Coatings (Langfang) Co., Ltd.	Langfang	100.000
Akzo Nobel International Paint (Suzhou) Co. Ltd.	Suzhou	100.000
Akzo Nobel Industrial Finishes (Hong Kong) Limited	Hong Kong	100.000
Akzo Nobel Powder Coatings (Chengdu) Co., Ltd.	Chengdu	100.000
Akzo Nobel Powder Coatings (Wuhan) Co., Ltd	Wuhan	100.000
Akzo Nobel Performance Coatings (Shanghai) Co. Ltd.	Shanghai	100.000
Akzo Nobel Performance Coatings (Changzhou) Co., Ltd.	Changzhou	100.000
Akzo Nobel Paints (Chengdu) Co. Ltd.	Chengdu	100.000
International Paint (Hong Kong) Limited	Hong Kong	100.000
Akzo Nobel Chang Cheng Ltd	Hong Kong	100.000
International Paint (East Russia) Ltd	Hong Kong	51.000
Akzo Nobel Chang Cheng Coatings (Guangdong) Co., Ltd.	Shenzhen	100.000
International Paint of Shanghai Co Ltd	Shanghai	51.000
Akzo Nobel Paints (Guangzhou) Co. Ltd	Guangzhou	90.000
Akzo Nobel Paints (Shanghai) Co. Ltd	Shanghai	100.000
Shanghai ICI Research & Development & Management Co. Ltd	Shanghai	100.000
Akzo Nobel Paints Limited	Hong Kong	100.000
Akzo Nobel HK (Holdings) Limited	Hong Kong	100.000
Akzo Nobel Decorative Coatings (China) Ltd (in liquidation)	Guangzhou	100.000
Schramm Hong Kong Co., Limited	Hong Kong	100.000
Schramm SSCP (Tianjin) Ltd (in liquidation)	Beizhakou Town	100.000
Ultra Million Limited	Hong Kong	100.000
Uranus Limited	Hong Kong	100.000
Mapaero HK Ltd	Hong Kong	100.000
Colombia		
Interquim S.A.	Medellin	100.000
Czech Republic		
Akzo Nobel Coatings CZ, a.s.	Prague	100.000
Denmark		
International Farvefabrik A/S	Herlev	100.000
Akzo Nobel Deco A/S	Copenhagen	100.000
Ecuador		
Interquimec S.A.	Quito	100.000
Egypt		
Akzo Nobel Powder Coatings S.A.E.	Giza	100.000
Akzo Nobel Egypt LLC	6th of October City	100.000
Estonia		
Akzo Nobel Baltics AS	Tallinn	100.000
Finland		
Oy International Paint (Finland) AB	Vantaa	100.000
France		
Akzo Nobel Powder Coatings SAS	Dourdan	100.000
Akzo Nobel Car Refinishes SAS	Montataire	100.000
International Peinture SAS	Le Havre	100.000
Akzo Nobel Industrial Finishes S.A.S.	Etréchy	100.000
Akzo Nobel Distribution SAS	Corbas	99.991
DISATECH SAS	Limoges	100.000
SCI Boucher	Pamiers	100.000
Mapaero S.A.S.	Pamiers	100.000
Akzo Nobel Packaging Coatings S.A.S.	Montataire	100.000
Akzo Nobel Decorative Paints France S.A.	Thiverny	99.991
Akzo Nobel S.A.S.	Montataire	100.000
Germany		
Akzo Nobel GmbH	Cologne	100.000
Akzo Nobel Hilden GmbH	Hilden	100.000
Akzo Nobel Coatings GmbH	Stuttgart	100.000
Akzo Nobel Powder Coatings GmbH	Reutlingen	100.000
Akzo Nobel Deco GmbH	Wunstorf	100.000
Schramm Holding GmbH	Offenbach am Main	100.000
Schramm Coatings GmbH	Offenbach am Main	100.000
Mapaero GmbH	Norderstedt	100.000
International Farbenwerke GmbH	Börnsen	100.000
Greece		
Akzo Nobel Coatings S.A.	Athens	100.000
International Paint (Hellas) S.A.	Piraeus	100.000
Varnishes and Paints Industry Vivechrom Dr. Stefanos D. Pateras S.A.	Mandra Attica	79.184
Guernsey		
Impkemix Trustee Limited	St. Peter Port	100.000
Hungary		
Akzo Nobel Coatings Zrt	Budapest	100.000
India		
Akzo Nobel Global Business Services LLP	Pune	100.000
Akzo Nobel India Limited	Kolkata	74.756
ICI India Research & Technology Centre	Mumbai	25.000
Indonesia		
PT Akzo Nobel Car Refinishes Indonesia	Jakarta	100.000
PT Akzo Nobel Wood Finishes and Adhesives Indonesia	Jakarta	100.000
PT International Paint Indonesia	Jakarta	100.000
PT ICI Paints Indonesia	Jakarta	55.000
PT ICI Indonesia	Jakarta	100.000
Ireland		
Akzo Nobel Car Refinishes (Ireland) Ltd	Dublin	100.000
ICI Fertilisers (Ireland) Limited	Cork	100.000
ICI Ireland Limited	Cork	100.000
Dulux Paints Ireland Limited	Cork	100.000
Akzo Nobel (CR9) Limited	Dublin	100.000
Italy		
Akzo Nobel Coatings S.P.A.	Cesano Boscone (MI)	100.000
Japan		
Akzo Nobel Coatings K.K.	Tokyo	100.000
Kazakhstan		
Akzo Nobel Kazakhstan LLP	Almaty	100.000
Kenya		
Akzo Nobel Kenya Limited	Nairobi	100.000
Korea (South)		
Akzo Nobel Powder Coatings Korea Co., Limited	Ansan	100.000
Akzo Nobel Industrial Coatings Korea Ltd.	Ansan	100.000
International Paint (Korea) Ltd	Busan	60.000
International Paint (Research) Ltd	Geoje City	100.000
Kuwait		
International Warba Coatings Paint Mfg Co. W.L.L.	Kuwait	49.000
Latvia		
Akzo Nobel Baltics SIA	Riga	100.000
Lithuania		
Akzo Nobel Baltics, UAB	Vilnius	100.000
Mauritius		
Mauvilac Industries Limited	Port Louis	100.000
Malaysia		
Colourland Paints Sdn Bhd	Petaling Jaya	100.000
Akzo Nobel Paints Marketing Sdn Bhd	Petaling Jaya	100.000
International Paint Sdn Bhd	Johor Darul Takzim	70.000
Akzo Nobel Industrial Coatings Sdn Bhd	Kuala Lumpur	100.000
Akzo Nobel Paints (Malaysia) Sdn. Bhd.	Kuala Lumpur	59.949
Akzo Nobel Adhesives Sdn Bhd	Selangor	100.000
Akzo Nobel Coatings Sdn Bhd	Selangor	100.000

Mexico		
Akzo Nobel Automotive and Aerospace Coatings México S.A. de C.V.	Mexico City	100.000
Akzo Nobel Inda S.A. de C.V.	Monterrrey	100.000
Compania Mexicana de Pinturas International SA De CV	Mexico City	100.000
Morocco		
Akzo Nobel Coatings S.A. (Morocco)	Casablanca	59.569
Sadvel SA	Casablanca	99.655
Distral Maroc S.A.	Rabat	99.967
Akzo Nobel Performance Coatings Morocco S.A.R.L.	Casablanca	100.000
Myanmar		
Akzo Nobel (M) Co. Ltd.	Yangon	100.000
Netherlands		
Akzo Nobel Coatings Chile Holding I B.V.	Amsterdam	100.000
Akzo Nobel Coatings Chile Holding II B.V.	Amsterdam	100.000
* Syncoflex B.V.	Arnhem	100.000
* Akzo Nobel Nederland B.V.	Arnhem	100.000
* Akzo Nobel China B.V.	Arnhem	100.000
* Panter B.V.	Hoofddorp	100.000
* Akzo Nobel Sourcing B.V.	Arnhem	100.000
* Akzo Nobel Coatings B.V.	Sassenheim	100.000
* Akzo Nobel Decorative Coatings Turkey B.V.	Arnhem	100.000
Akzo Nobel Assurantie N.V.	Arnhem	100.000
* Akzo Nobel Management B.V.	Arnhem	100.000
* Akzo Nobel Insurance Management B.V.	Arnhem	100.000
* Carelaa B.V.	Arnhem	100.000
* Akzo Nobel Coatings International B.V.	Arnhem	100.000
* Remmert Holland B.V.	Arnhem	100.000
* Sikkens Verkoop Nederland B.V.	Weert	100.000
* Akzo Nobel Sino Coatings B.V.	Sassenheim	100.000
* Akzo Nobel Holding Duitsland B.V.	Arnhem	100.000
* Akzo Nobel Car Refinishes B.V.	Sassenheim	100.000
* Akzo Nobel Powder Coatings B.V.	Sassenheim	100.000
* Akzo Nobel Decorative Coatings B.V.	Sassenheim	100.000
* De Sikkens Grossier B.V.	Wormerveer	100.000
* Van Noordenne Verf B.V.	Hardinxveld-Giessendam	100.000
* International Paint (Nederland) B.V.	Rhoon	100.000
* Akzo Nobel (C) Holdings B.V.	Woerden	100.000
* ICI Omicron B.V.	Rotterdam	100.000
ICI Theta B.V.	Rotterdam	100.000
* B.V. Alabastine (Holland)	Ammerzoden	100.000
* Sikkens Verkoop B.V.	Sassenheim	100.000
New Zealand		
Akzo Nobel Coatings Ltd	Avondale	100.000
Norway		
Akzo Nobel Coatings AS	Oslo	100.000
Oman		
Akzo Nobel Oman SAOC	Muscat	50.000
Pakistan		
Akzo Nobel Pakistan Limited	Karachi	97.011
Panama		
International Paint (Panama) Inc.	Mercantil	100.000
Papua New Guinea		
Akzo Nobel Limited	Geheru	100.000
Peru		
Akzo Nobel Peru S.A.C.	Lima	100.000
Poland		
Akzo Nobel Car Refinishes Polska Sp. z o.o.	Warsaw	100.000
Akzo Nobel Industrial Coatings Sp. z o.o.	Kostrzyn Wlkp.	100.000
International Paint Sp. z o.o.	Gdansk	100.000
Akzo Nobel Decorative Paints Sp. z o.o.	Warsaw	100.000
Portugal		
Akzo Nobel Tintas para Automoveis Lda	Carregado	100.000
International Paint Ibéria, Lda	Setúbal	68.340
Qatar		
Akzo Nobel LLC	Doha	49.000
Romania		
Fabryo Corporation S.r.l.	Popesti Leordeni	100.000
Russian Federation		
"Akzo Nobel Dekor" CJSC	Moscow	100.000
OOO "Akzo Nobel Car Refinishes"	Moscow	100.000
OOO "Akzo Nobel Lakokraska"	Orehovo-Zuevo	100.000
OOO "Akzo Nobel Coatings"	Lipetsk	100.000
International Paint (East Russia) LLC	Vladivostok	100.000
Saudi Arabia		
Akzo Nobel Saudi Arabia Ltd	Dammam	60.000
Singapore		
Akzo Nobel Car Refinishes (Singapore) Pte Ltd	Singapore	100.000
International Paint Singapore Pte Ltd	Singapore	100.000
Akzo Nobel Paints (Singapore) Pte Ltd	Singapore	100.000
Akzo Nobel Adhesives Pte Ltd	Singapore	100.000
Slovenia		
Akzo Nobel Adhezivi d.o.o.	Ljubljana	100.000
South Africa		
Akzo Nobel Powder Coatings South Africa (Proprietary) Limited	Groterg	100.000
PJA (South Africa) (Proprietary) Limited	Alberton	100.000
Akzo Nobel South Africa (Pty) Ltd	Johannesburg	100.000
ICI Dulux (Pty) Limited	Johannesburg	100.000
Spain		
Akzo Nobel Coatings, S.L.	Barcelona	100.000
Akzo Nobel Industrial Paints, S.L.	Barcelona	100.000
Akzo Nobel Car Refinishes SL	Barcelona	100.000
Akzo Nobel Packaging Coatings S.A.	Vilafranca del Penedes	100.000
Sri Lanka		
Akzo Nobel Paints Lanka (Pvt) Ltd	Colombo	40.000
Swaziland		
Dulux Swaziland (Pty) Limited	Matsapha	100.000
Sweden		
Akzo Nobel Car Refinishes AB	Tyresoe	100.000
Akzo Nobel Sweden Finance AB	Göteborg	100.000
Akzo Nobel Industrial Finishes AB	Gamleby	100.000
International Färg AB	Göteborg	100.000
Akzo Nobel Adhesives AB	Stockholm	100.000
Akzo Nobel Industrial Coatings AB	Malmö	100.000
Akzo Nobel Decorative Coatings AB	Malmö	100.000
Switzerland		
Akzo Nobel Coatings AG	Neuenkirch	100.000
Akzo Nobel Car Refinishes AG	Bäretswil	100.000
Taiwan		
Akzo Nobel Chang Cheng (Taiwan) Ltd	Taipei	100.000
International Paint (Taiwan) Ltd	Kaoshiung	100.000
Akzo Nobel Paints Taiwan Limited	Chung Li	100.000
Thailand		
Akzo Nobel Coatings Ltd	Nakornprathom	100.000
Schramm SSCP (Thailand) Co., Ltd.	Rayong	100.000
Akzo Nobel Paints (Thailand) Limited	Amphur Pakkred	100.000
Tunisia		
Société Tunisienne de Peintures Astral S.A.	Megrine	60.000
Turkey		
Akzo Nobel Kemipol A.S.	Izmir	51.000
Marshall Boya Ve Vernik Sanayii A.S.	Gebze	92.974
Tekyar Teknik Yardim A.S.	Dilovasi	100.000
Akzo Nobel Boya Sanayi ve Ticaret A.S.	Izmir	100.000
Akzo Nobel Server Boya Sanayi ve Ticaret A.S.	Tuzla	55.000
International Paint Pazarlama Limited Sirketi	Istanbul	100.000
United States (US)		
Akzo Nobel Coatings Inc.	Delaware	100.000
Akzo Nobel Inc.	Delaware	100.000
Akzo Nobel Services Inc.	Delaware	100.000
Mapaero Inc.	Delaware	100.000
International Paint LLC	Delaware	100.000
Expert Management Inc	New Castle	100.000
ICI Americas Inc.	New Castle	100.000
New Nautical Coatings Inc.	Florida	100.000
Blue Water Marine Paint LLC	Delaware	100.000
Uganda		
Akzo Nobel Uganda Limited	Kampala	100.000
Ukraine		
LLC "Akzo Nobel Holding Ukraine"	Kiev	100.000
United Arab Emirates		
Akzo Nobel Decorative Paints L.L.C.	Dubai	49.000
Akzo Nobel ME Coatings FZE	Jebel Ali Free Zone	100.000
Akzo Nobel UAE Paints L.L.C.	Dubai	48.979
United Kingdom		
Akzo Nobel Powder Coatings Limited	Slough	100.000
Akzo Nobel Aerospace Coatings Limited	Slough	100.000
Akzo Nobel Coatings Limited	Slough	100.000
Akzo Nobel Limited	Slough	100.000
Akzo Nobel Coatings (BLD) Limited	Slough	100.000
Akzo Nobel ICI Holdings	Slough	100.000
Akzo Nobel Finance Limited	Slough	100.000
Mapaero UK Ltd	Crawley	100.000
Akzo Nobel UK Ltd	Slough	100.000
International Paints (Holdings) Limited	Slough	100.000
Akzo Nobel Industrial Finishes Limited	Slough	100.000
International Paint Limited	Slough	100.000
Imperial Chemical Industries Limited	Slough	100.000
Ergon Investments International Limited	Slough	100.000
Ergon Investments UK Limited	Slough	100.000
Hammerite Products Limited	Slough	100.000
Horseferry Investments Limited	Slough	100.000
ICI Chemicals & Polymers Limited	Slough	100.000
I C I Finance Limited	Slough	100.000
ICI International Limited	Slough	100.000
Akzo Nobel Packaging Coatings Limited	Slough	100.000
ICI Paints (Trade Contract) Limited	Slough	100.000
Intex Yarns (Manufacturing) Limited	Slough	100.000
Mortar Investments International Limited	Slough	100.000
Akzo Nobel (NASH) Limited	Slough	100.000
Akzo Nobel (NSC) Limited	Slough	99.902
Scottish Agricultural Industries Limited	Edinburgh	100.000
Stevenston Holdings Limited	Edinburgh	100.000
Dulux Limited	Slough	100.000
J.P. Mcdougall & Co. Limited	Slough	100.000
Sales Support Group Limited	Slough	100.000
Akzo Nobel Holdings Limited	Slough	100.000
Akzo Nobel Decorative Coatings Limited	Slough	100.000
Akzo Nobel Industrial Coatings Limited	Slough	100.000
Deeside Coatings Limited	Slough	100.000

Flexcrete Technologies Limited	Slough	100.000
Cambrian SW Limited	Slough	100.000
Cambrian Decorator Supplies (C.D.S) Limited	Slough	100.000
Akzo Nobel (CPS) Pension Trustee Limited	Slough	100.000
Akzo Nobel Finance (2) Limited	Slough	100.000
Akzo Nobel CIF Nominees Limited	Slough	100.000
Akzo Nobel Films (Holdings) Limited	Slough	100.000
Fothergill and Harvey Limited	Slough	100.000
Holywell-Halkyn Mining and Tunnel Company Limited	Slough	97.000
International Coatings Limited	Slough	100.000
Cuprinol Limited	Slough	100.000
ICI Limited	Slough	100.000
ICI North America Limited	Slough	100.000
Mortar Investments UK Limited	Slough	100.000
Polycell Products Limited	Slough	100.000
Resinous Chemicals Limited	Slough	100.000
Akzo Nobel Properties Limited	Slough	100.000
Akzo Nobel Coatings (Holdings) Limited	Slough	100.000
Uruguay		
Pinturas Inca S.A.	Montevideo	100.000
Vietnam		
Akzo Nobel Coatings Vietnam Limited	Bien Hoa	100.000
Akzo Nobel Powder Coatings (Vietnam) Co., Ltd.	Dong Nai	100.000
Schramm SSCP Hanoi Company Limited	Phuong Lieu Commune	100.000
Akzo Nobel Paints Vietnam Ltd	Binh Duong	100.000
Zambia		
Dulux Zambia (2005) Limited	Lusaka	100.000

List of non-consolidated legal entities and corporations

Italy		
Metlac S.p.A.	Alessandria	71.667
Metlac Holding S.r.l.	Alessandria	49.000
Netherlands		
ZRVCS Holding B.V.	Amsterdam	49.000

1 The ownership percentage represents the interest Akzo Nobel N.V. or one or more of its majority subsidiaries singly or jointly have in the issued share capital of the participation. The list does not include entities that are of insignificant relevance in respect of the insight required by law, such as dormant companies and companies in liquidation.

2 With respect to the Dutch legal entities marked *, Akzo Nobel N.V. has declared in writing that it accepts joint and several liability for contractual debts of the relevant companies, in conformity with article 403, Book 2, of the Netherlands Civil Code.