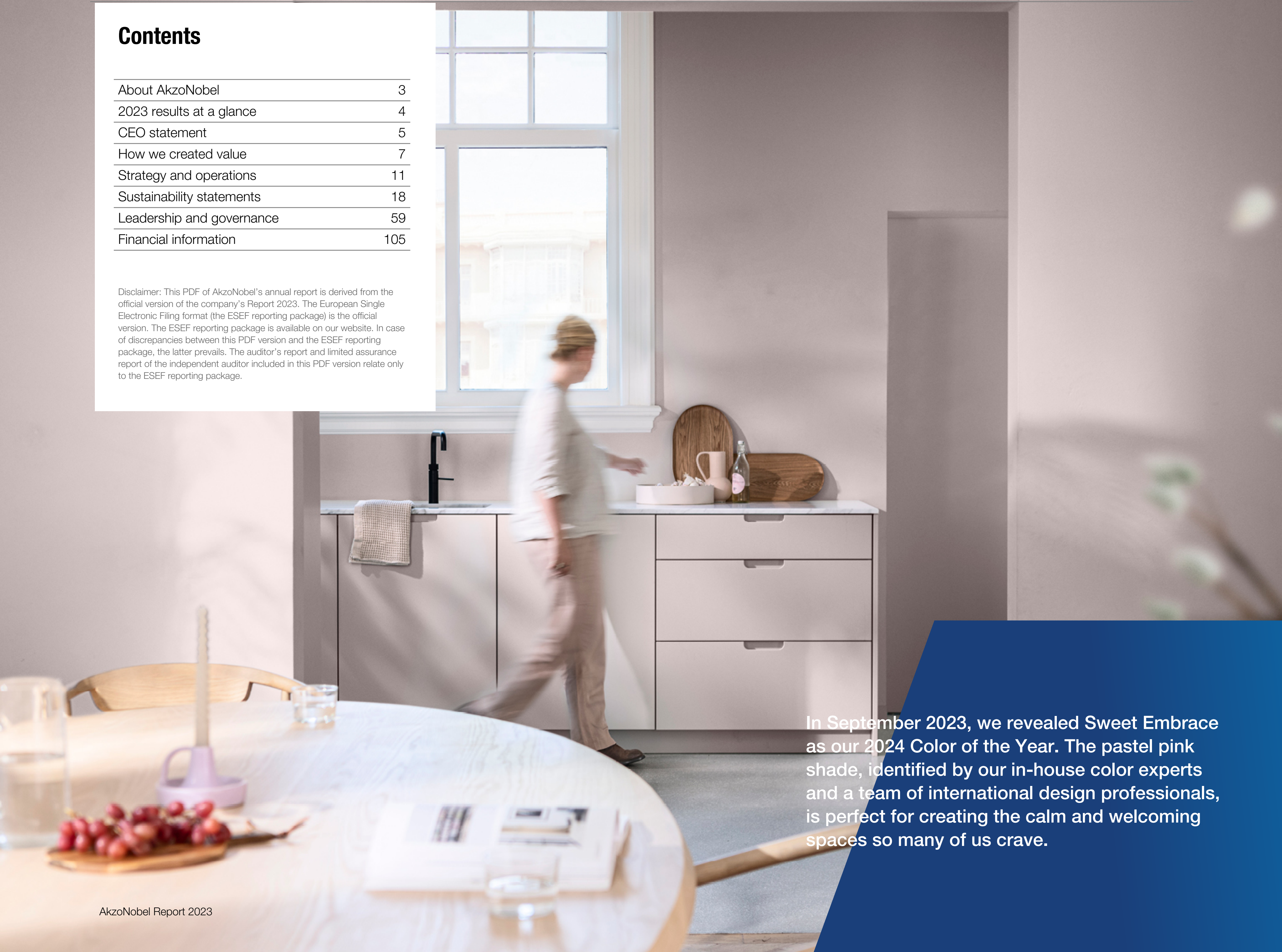
AkzoNobel

REPORT 2023

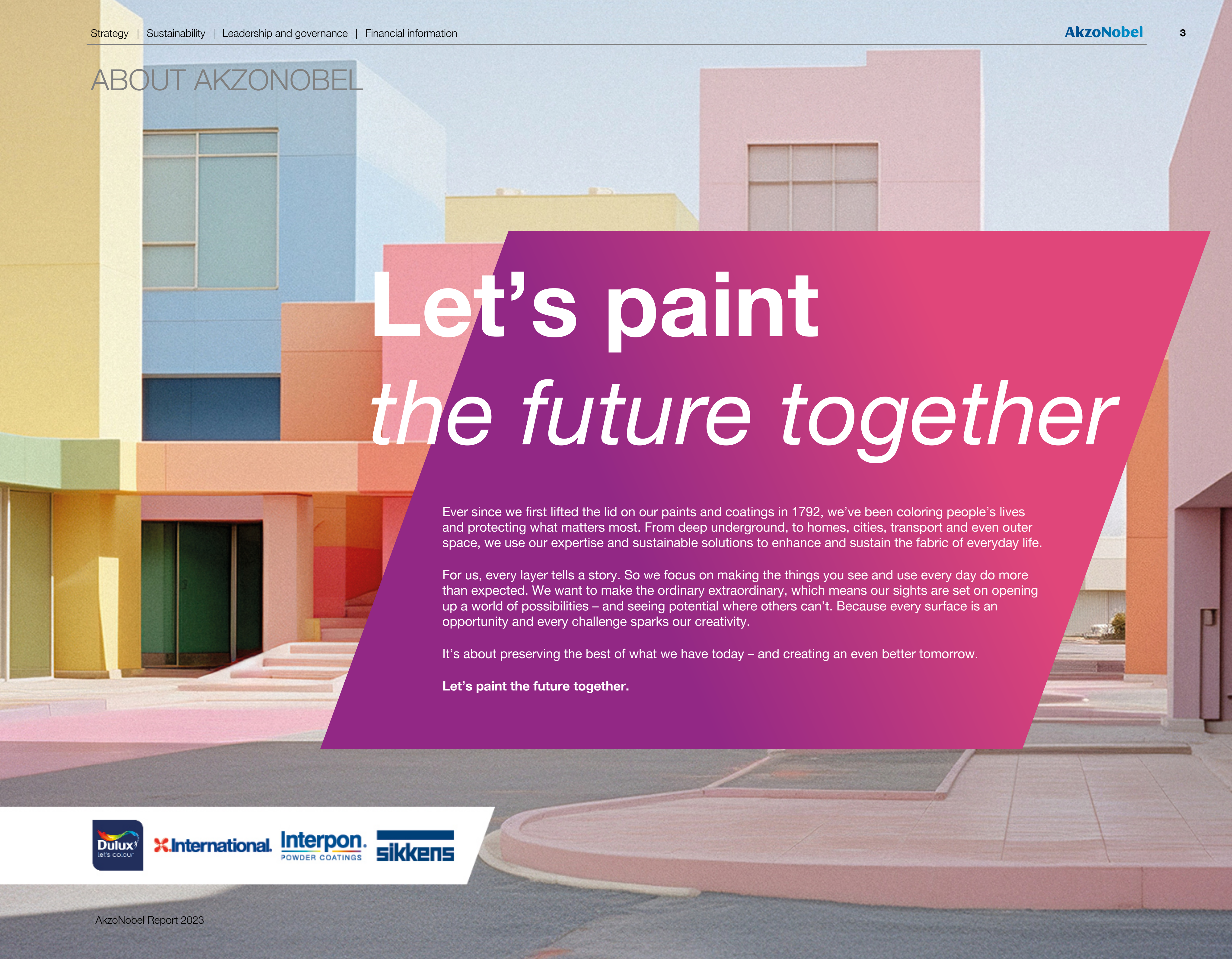
Contents

Disclaimer: This PDF of AkzoNobel's annual report is derived from the official version of the company's Report 2023. The European Single Electronic Filing format (the ESEF reporting package) is the official version. The ESEF reporting package is available on our website. In case of discrepancies between this PDF version and the ESEF reporting package, the latter prevails. The auditor's report and limited assurance report of the independent auditor included in this PDF version relate only to the ESEF reporting package.



In September 2023, we revealed Sweet Embrace as our 2024 Color of the Year. The pastel pink shade, identified by our in-house color experts and a team of international design professionals, is perfect for creating the calm and welcoming spaces so many of us crave.

ABOUT AKZONOBEL



Let's paint *the future together*

Ever since we first lifted the lid on our paints and coatings in 1792, we've been coloring people's lives and protecting what matters most. From deep underground, to homes, cities, transport and even outer space, we use our expertise and sustainable solutions to enhance and sustain the fabric of everyday life.

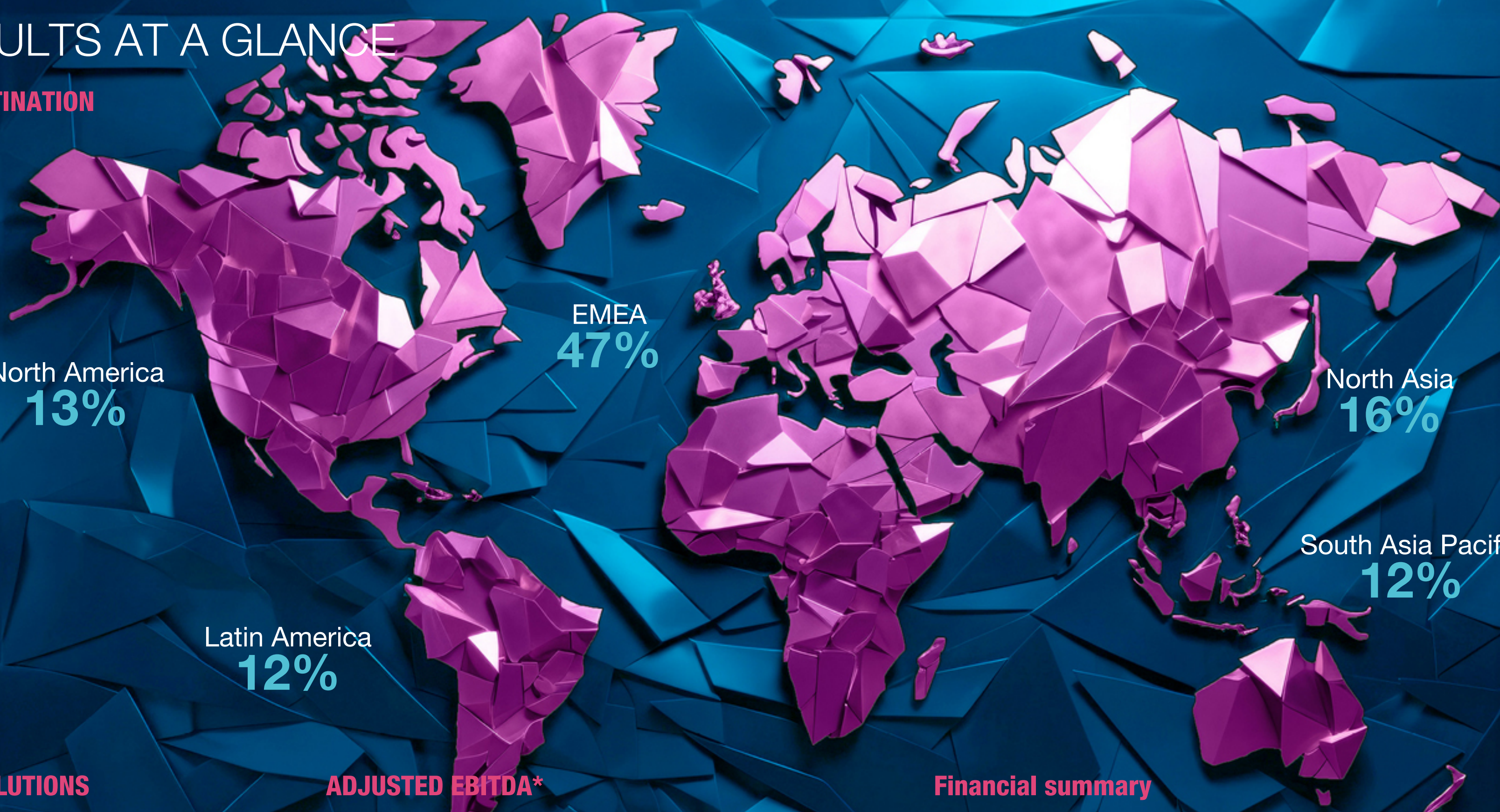
For us, every layer tells a story. So we focus on making the things you see and use every day do more than expected. We want to make the ordinary extraordinary, which means our sights are set on opening up a world of possibilities – and seeing potential where others can't. Because every surface is an opportunity and every challenge sparks our creativity.

It's about preserving the best of what we have today – and creating an even better tomorrow.

Let's paint the future together.

2023 RESULTS AT A GLANCE

REVENUE BY DESTINATION



SUSTAINABLE SOLUTIONS

39%

Sustainable solutions development in % of revenue

2022	2023	2030
39	39	>50

ADJUSTED EBITDA*

€1,429 mln

Adjusted EBITDA development* in € millions

2021	2022	2023
1,436	1,157	1,429

Financial summary

€10,668 mln revenue
€1,029 mln operating income
€1,074 mln adjusted operating income*
€2.59 earnings per share
35,200 employees

RETURN ON SALES (ROS)*

10.1%

Return on sales development* in %

2021	2022	2023
11.4	7.3	10.1

RETURN ON INVESTMENT (ROI)*

13.0%

Return on investment development* in %

2021	2022	2023
16.0	9.8	13.0

* Alternative Performance Measures (APMs). AkzoNobel uses APM adjustments to the IFRS measures to provide supplementary information on the reporting of the underlying developments of the business. APMs 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 Note 3 of the Consolidated financial statements.

CEO STATEMENT

2023 was a year in which AkzoNobel delivered a clear rebound in performance after a disappointing 2022. Our volumes stabilized – despite continuing volatility in some of our markets – our profits rebounded on resilient pricing and the first effects of raw material deflation, while our efforts to transform our company gathered pace. This allowed us to absorb persistent global inflation and unfavorable currency effects to beat the targets we'd set ourselves at the beginning of the year.

Most of our end markets seemed to bottom out in the second half of 2023, and some areas actually showed robust growth trends. This was true for our Powder Coatings business, which recovered well in the second half of the year from a construction-driven downturn. Results for Decorative Paints in EMEA (Europe, Middle East and Africa) reflected a stabilization in volumes and continuing pricing power, while Deco in China grew volumes in a more challenging pricing environment. Our Coatings businesses in China performed well throughout.

For our Industrial Coatings business, metal coatings markets (coil, packaging) stabilized globally after a tough start to the year, which left wood coatings as the main segment under continuing volume pressure. Finally, stalwarts such as Aerospace Coatings, Marine and Protective Coatings and Vehicle Refinishes – which benefit from strong macro trends – continued to perform well.

Progress on margin management was a key contributor to our performance, as we demonstrated discipline and stickiness with our pricing. Raw materials were a headwind in the first half of the year as we traded out expensive inventory, but this trend reversed in the second half and we expect it to continue until at least the first half of 2024. With regard to operating expenses, driving down costs in response to inflation was a key priority on which we delivered, in line with our target set at the beginning of 2023. This helped us absorb persistent global inflation and finished goods write-offs as we cleaned up our inventories, while delivering almost €300 million (+24%) more adjusted EBITDA than in 2022, despite close to €100 million of adverse currency effect.

We also demonstrated cash discipline, with strong collection and a firmer grip on our inventories as we continue to drive working capital back down towards normative levels of around 13% of revenue. The combination of higher profits, working capital management and the decision to not proceed with the Kansai Paints Africa transaction allowed us to be significantly ahead of our deleveraging targets by the end of 2023, at 2.7x net debt to EBITDA – well on our way to our normative level of around 2x which we intend to retain in the mid-term.

We also took decisive action to unlock the significant value we can gain by improving our industrial operations. An industrial excellence plan is underway, focused on reducing complexity, improving capacity utilization and investing in the modernization of our sites. We believe there's significant value to be gained, as indicated by our €250 million incremental profit ambition, and this plan is a key long-term strategic priority for us. You can read more about it in the Strategy pages.

In August, we completed the acquisition of the Huarun business in China. The renowned decorative paints brand has a long history and is well recognized. The transaction will further boost our position in the region, enable further market segmentation and reinforce our position outside of the premium segment.

Meanwhile, the integration of the Grupo Orbis activities we acquired last year continued to gather pace, with 2023 being the first year that the Colombia-based organization fully contributed to the results of our business in Latin America. As noted earlier, we opted not to proceed with the Kansai Paints Africa transaction, directing our efforts towards the integration of recent acquisitions and enhancing our balance sheet to regain capital allocation flexibility.

Sustainability and innovation remained high on the agenda, highlighted by the launch of several pioneering products designed to help our customers become more efficient and reduce their carbon emissions. These included Interpon D1036 Low-E – a low-energy architectural powder coating – and a new generation of fast-drying fillers for vehicle bodyshops introduced by our Sikkens and Lesonal brands.

We also showcased our digital capability, as illustrated by the Aerofleet Coatings Management system, which uses drones to help airlines and operators optimize their maintenance schedules. And we continued to invest to ensure we remain a paints and coatings industry sustainability leader. This was highlighted by the groundbreaking at our Vilafranca site in Spain, where we're building a new plant to produce coatings for the metal packaging industry that are free of intentionally added bisphenols.

2023 was a year in which companies who don't invest in their people suffered, as job markets around the world tightened, creating a real battle for talent. At AkzoNobel, we continued our efforts to be an employer of choice through the launch of our new employee engagement platform, Voices. Upon its introduction, Voices achieved a global participation rate of 89% and a level of engagement that far surpassed the industry norms. We're processing the flow of insights we gained to help us identify areas for improvement and empower employees and managers to create an even better work environment where everyone can thrive.

Looking ahead to 2024, we'll still be living in an inflationary world with some macro-economic uncertainty. However, we have good momentum and we expect to resume growing volumes while delivering further margin – and profit – expansion. We don't expect our industrial excellence plan to contribute significantly to this in 2024, as these structural actions involve a lot of up-front work, but it will boost our performance beyond 2024.

On behalf of the entire Executive Committee, I want to thank you, our shareholders, customers, partners and other stakeholders for your support throughout 2023. In particular, I want to thank the company's teams around the world for all their efforts. Our people continued to demonstrate their passion and commitment and I'm proud to work with them hand-in-hand as we take AkzoNobel to the next level.

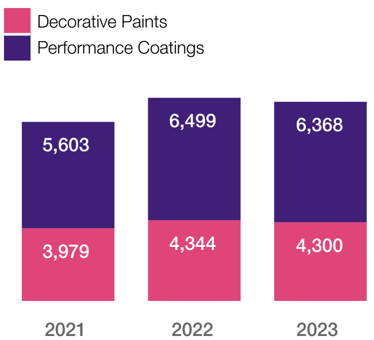
During a visit to the US in 2023, our CEO met Keddra Doss, a production operator at our manufacturing plant in Pontiac, Michigan. It was one of several site visits that were made during the year to meet colleagues and become more familiar with activities at our locations around the world.

HOW WE CREATED VALUE

We deliver profitable growth by developing innovative, high-performance and sustainable products that create value for our customers, shareholders, employees and society in general.

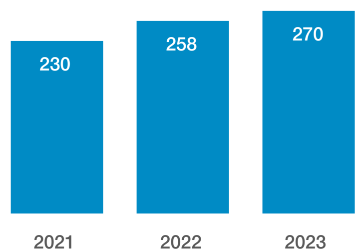
Revenue from third parties

in € millions



Innovation investment

Research and development expenses in € millions

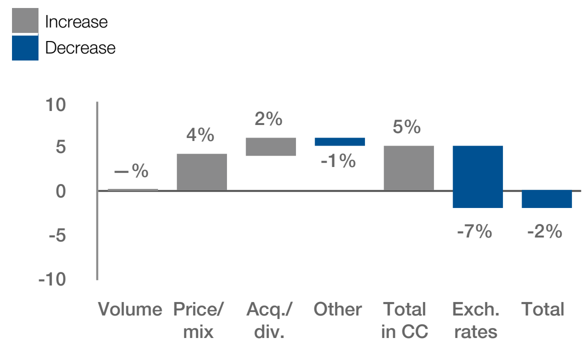


Summary of financial outcomes

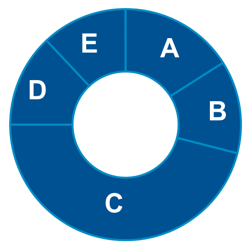
in € millions/%	2022	2023	Δ%
Revenue	10,846	10,668	(2%)
EBITDA*	1,076	1,386	29%
Adjusted EBITDA*	1,157	1,429	24%
Operating income	708	1,029	45%
Identified items*	(81)	(45)	
Adjusted operating income*	789	1,074	36%
OPI margin (%)*	6.5	9.6	
ROS (%)*	7.3	10.1	
Average invested capital*	8,062	8,233	2%
ROI (%)*	9.8	13.0	
Capital expenditures	292	286	
Net debt	4,089	3,785	
Leverage ratio (net debt/EBITDA)*	3.8	2.7	
Number of employees	35,200	35,200	
Net cash from operating activities	263	1,126	
Free cash flow*	(29)	840	
Net income attributable to shareholders	352	442	
Weighted average number of shares (in millions)	174.7	170.6	
Earnings per share from total operations (in €)	2.01	2.59	
Adjusted earnings per share from continuing operations (in €)*	2.45	3.07	

* Alternative Performance Measures: Please refer to reconciliation to the most directly comparable IFRS measures in Note 3 of the Consolidated financial statements.

Revenue development full-year 2023



Revenue by destination in %

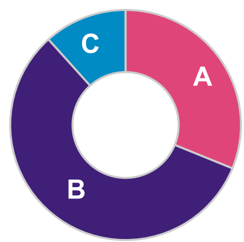


A	North Asia	16%
B	South Asia Pacific	12%
C	EMEA	47%
D	North America	13%
E	Latin America	12%

Based on full-year 2023.

Capital expenditures 2023:

Total €286 million



A	Decorative Paints	99
B	Performance Coatings	165
C	Corporate and other	22

Capital expenditures are guided to be €350 million for 2024.

Financial overview

Revenue was 5% higher in constant currencies (reported revenue -2%). Revenue growth in constant currencies was mainly due to pricing, with volumes flat for the year. Acquisitions added 2%, primarily related to Grupo Orbis. Other, which mainly relates to hyperinflation accounting, reduced revenue by 1%.

Operating income increased 45% to €1,029 million (2022: €708 million), with a rebound in gross margins more than offsetting operating cost inflation. Currency effects from translation were negative €77 million, mainly driven by the Argentinian peso and Turkish lira.

Operating income includes identified items of negative €45 million (2022: negative €81 million), mainly related to restructuring and acquisition-related costs, partially offset by gains on property divestments.

Adjusted operating income increased 36% to €1,074 million (2022: €789 million). ROS improved to 10.1% (2022: 7.3%).

For business results, refer to Strategy and operations.

Sustainability progress

We’re focused on ensuring that the pioneering paints and coatings we supply today can help safeguard our world far beyond tomorrow. We innovate with and for customers and play a progressive and collaborative role in energizing entire industries to advance towards a more sustainable future.

During 2023, we made further progress towards our 2030 key sustainability ambitions. This progress is highlighted in charts throughout this section and further detailed in the Sustainability statements.

Financing income and expenses

Financing income and expenses amounted to negative €272 million (2022: negative €124 million). The €148 million increase in net expenses largely results from an increase of net interest on net debt of €36 million, €36 million negative result on hedging contracts – related to the previously anticipated acquisition of Kansai Paints Africa, for which cash flow hedge accounting was applied before – and an increase of €49 million due to the combined impact of exchange rate differences and hyperinflation accounting.

Income tax

The effective tax rate was 37.8% (2022: 35.5%). The high effective tax rate in 2023 is mainly the result of the items below, which together increased the tax rate by 8.7%:

- The derecognition of deferred tax assets due to the re-assessment of technical tax limitations to deduct interest (increase of the effective tax rate by 5.5%)
- Hyperinflation accounting (increased the effective tax rate by 3.2%)

Shareholders' equity

Shareholders' equity amounted to €4.3 billion at December 31, 2023, compared with €4.3 billion at year-end 2022. Main movements relate to profit for the period of €442 million, dividend of €338 million and actuarial losses of €111 million (net of taxes).

ENVIRONMENTAL

38% 2023 — 50% 2030 ambition

Carbon emission reduction

Own operations (baseline 2018, absolute)

9% 2023 — 50% 2030 ambition

Carbon emission reduction value chain

Scope 3 emissions, selected Scope 3 upstream and downstream (baseline 2018, absolute)

62% 2023 — 100% 2030 ambition

Renewable electricity

Of total electricity used in own operations

7% 2023 — 30% 2030 ambition

Energy reduction

Baseline 2018 (of total energy used in own operations, relative)

55% 2023 — 100% 2030 ambition

Circular use of materials

The amount of materials (in own operations) reused by AkzoNobel and third parties

SOCIAL

70,000 — 2020-2023
100,000+ — 2030 ambition

People empowered
Members of local communities empowered with new skills (cumulative)

902 — 2020-2023
2,000+ — 2030 ambition

Community projects (cumulative)

25% — 2023
30% — 2025 ambition

Female executives

Dividend in €

2021	2022	2023[1]
1.98	1.98	1.98

[1] Proposed

Earnings per share from total operations in €

2021	2022	2023
4.48	2.01	2.59

Adjusted earnings per share from continuing operations* in €

2021	2022	2023
4.07	2.45	3.07

* Alternative Performance Measures: Please refer to reconciliation to the most directly comparable IFRS measures in Note 3 of the Consolidated financial statements.

Outstanding share capital

The outstanding share capital was 170.6 million common shares at the end of December 2023. The weighted average number of shares for 2023 was 170.6 million shares.

The weighted average number of shares excludes shares bought back in 2022, for as long as they were not cancelled, which was realized by the end of the first quarter. The weighted average number of shares is the basis for the calculation of earnings per share.

Cash flow and net debt

Net cash from operating activities was an inflow of €1,126 million (2022: inflow of €263 million). The increased cash flow was mainly driven by a decrease in working capital and increased operating income.

Net cash from investing activities was an outflow of €144 million (2022: outflow of €1,095 million); the 2022 outflow included an increase in short-term investments and the payment for the acquisition of Grupo Orbis.

Net cash from financing activities was an outflow of €827 million (2022: inflow of €309 million). The increase in outflow is mainly related to a higher outflow from changes from borrowings. In addition, 2022 included the impact from the share buyback.

At December 31, 2023, net debt was €3,785 million versus €4,089 million at year-end 2022, mainly due to net cash generated from operating activities (€1,126 million), offset by dividends paid (€368 million) and capital expenditures (€286 million). The net debt/EBITDA leverage ratio at December 31, 2023, was 2.7 (December 31, 2022: 3.8).

Dividend

The dividend policy remains unchanged and is to pay a stable to rising dividend. The final 2022 dividend of €1.54 per common share was approved at the AGM on April 21, 2023, which resulted in a total 2022 dividend of €1.98 per share (2021: €1.98).

In 2023, an interim dividend of €0.44 was paid (2022: €0.44). A final 2023 dividend of €1.54 (2022: €1.54) per common share is proposed.

Invested capital

Invested capital at year-end totaled €7.8 billion, down €0.3 billion from year-end 2022. This decrease was mainly caused by lower inventories, due to the combined impact of lower raw material prices, currency impact and lower volumes.

Operating working capital

Operating working capital (trade) was €1.5 billion at December 31, 2023 (December 31, 2022: €1.8 billion). Operating working capital (trade) as a percentage of revenue was 15.1% at year-end 2023, compared with 16.9% at year-end 2022, mainly due to lower inventories.

Pensions

The net balance sheet position (according to IAS19) of the pension plans at year-end 2023 was a surplus of €0.7 billion (year-end 2022: surplus of €0.7 billion). The development during 2023 was mainly the result of the net effect of lower discount rates in key countries, offset by demographic assumption gains in the UK.

Employees

At December 31, 2023, the number of employees was 35,200 (December 31, 2022: 35,200).

Impact from hyperinflation accounting (Türkiye and Argentina)

As from our Q2 2022 reporting, we have retrospectively applied IAS 29 hyperinflation accounting for Türkiye from January 1, 2022. For Argentina, hyperinflation accounting has been applied since January 1, 2018. In addition, and in line with IAS 21, foreign currency rates at the end of the reporting period are used to translate both the balance sheet and the statement of income into euros.

The impact from hyperinflation accounting and the use of end of period rates (together referred to as "the impact from hyperinflation accounting") is included in normal results; no identified item treatment is applied.

The net impact from hyperinflation accounting for the full-year 2023 was negative €64 million on revenues (2022: positive €5 million), negative €55 million on operating income (2022: €46 million negative) and negative €65 million on net income (2022: €63 million negative).

2024 Outlook[1]

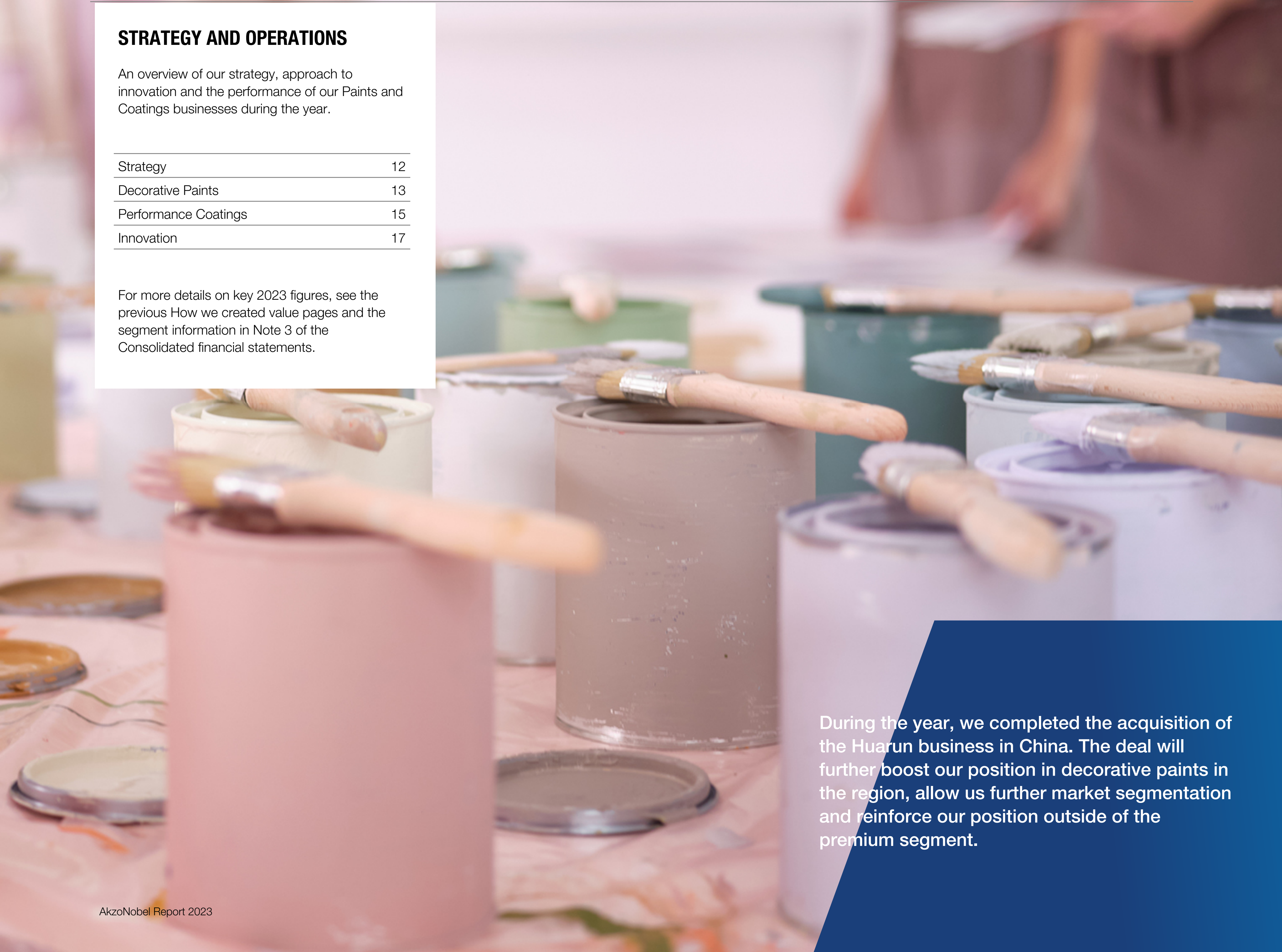
Based on current market conditions and constant currencies, AkzoNobel targets to deliver between €1.5 and €1.65 billion adjusted EBITDA in 2024.

For the mid-term, AkzoNobel aims to expand profitability to deliver an adjusted EBITDA margin of above 16% and a return on investment between 16% and 19%, underpinned by organic growth and industrial excellence.

The company aims to lower its leverage to around 2.3 times net debt/EBITDA by the end of 2024 and around 2 times in the mid-term, while remaining committed to retaining a strong investment grade credit rating.

As part of the ongoing integration of Grupo Orbis, the local Pintuco and Protecto brands in Central America have now adopted our "Flourish" identity. The launch celebrated the long and proud heritage of both decorative paints brands, while also looking ahead to new opportunities.

[1] Outlook is based on organic volumes and constant currencies, and assumes no significant market disruptions.



STRATEGY AND OPERATIONS

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

For more details on key 2023 figures, see the previous How we created value pages and the segment information in Note 3 of the Consolidated financial statements.

During the year, we completed the acquisition of the Huarun business in China. The deal will further boost our position in decorative paints in the region, allow us further market segmentation and reinforce our position outside of the premium segment.

STRATEGY

At AkzoNobel, we operate a global portfolio of Paints and Coatings businesses. Our strategic approach is therefore focused on the specific requirements of different markets and customers, which results in distinct and effective strategies to outperform in the areas where we're active.

We've established three overarching strategic pillars across our portfolio of businesses:

- Sustainability-driven innovation
- Growth in focus segments and markets
- Industrial excellence

These pillars will provide the foundation for our sustainable long-term value creation moving forward and are described in more detail below.

Sustainability-driven innovation

We're committed to capturing the opportunities that sustainability presents as a catalyst for innovation. We recognize that sustainability is driving changes in our industry and believe this aligns with our strengths in innovation and our leadership position in sustainability.

We'll continue to develop sustainable products that differentiate us from competitors, allowing us to gain market share and command higher margins. We'll also focus on accelerating our development efforts and reducing time to market.

Growth in focus segments and markets

Our growth strategy focuses on continued investment in growth markets and where we have differentiated positions, such as in powder, marine and protective and emerging decorative paints end markets.

As well as complementing our leading positions in premium, we also understand the importance of solid positions in our mid-market segments. This enables us to drive growth, increase scale, achieve higher absolute profit and protect the profitability of our premium offerings. Our approach is tailored to the uniqueness of each segment and focuses on existing AkzoNobel brands, while improving asset utilization of our integrated supply chain.

Industrial excellence

We know there's significant value to be gained through improving our operations. We have bottlenecks in business-critical supply chains, under-investment in key sites and low capacity utilization. To help address this challenge, we've launched an industrial excellence program and expect to see the full benefits by 2027. It's focused on reducing complexity, enhancing productivity and optimizing our network through the investment and modernization of our anchor sites. It aims to deliver cost reduction, enhanced efficiency, improved service levels and heightened overall competitiveness.

We also aim to create a seamless experience for both our customers and employees. To achieve this, we'll align the commercial and industrial sides of our business, simplify our operating model and decision-making processes, and foster a culture of end-to-end accountability and efficient execution.

Mid-term ambitions

ADJUSTED EBITDA MARGIN*

>16%

Adjusted EBITDA* growth
CAGR: **>6%**

Volume growth
CAGR: **+ Low single digit %**

RETURN ON INVESTMENT (ROI)*

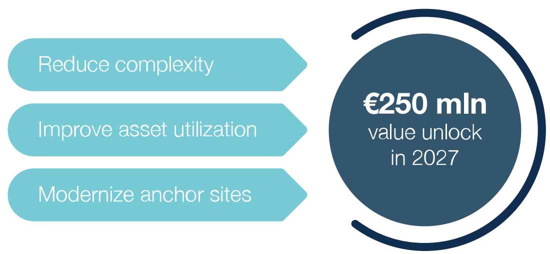
16-19%

Industrial efficiency benefit
€250 mln by 2027

Leverage
~2x, strong investment grade

Outlook is based on organic volumes and constant currencies, assumes no significant market disruptions. CAGR on 2023 baseline.
*Alternative Performance Measures: Please refer to reconciliation to the most directly comparable IFRS measures in Note 3 of the Consolidated financial statements.

Industrial excellence program



Annual savings vs baseline
Above and beyond recurring continuous improvement

DECORATIVE PAINTS

2023 OVERVIEW

Decorative Paints is comprised of businesses that focus on a full range of interior and exterior decoration and protection products for both the professional and do-it-yourself channels. These include paints, lacquers and varnishes, as well as products for surface preparation. We also offer services such as mixing machines, color concepts and advice, along with training courses for applicators. AkzoNobel operates its own sales distribution network in addition to selling through agents and distributors.

Our much-improved results reflected a stabilization in volumes following the turbulent macro-economic climate. Despite some demand headwinds, overall performance was better than we'd anticipated entering the year – a testament to the strength of our brands and market positioning. Across our three geographical regions, volumes in Asia began to rebound as painting activity in China increasingly benefited from the shift towards renovation – and away from new-build – changing the market mix to our advantage.

Decorative Paints revenue in constant currencies was up 6% on 2022, mainly due to pricing initiatives in response to continued inflation. Volumes were flat on the previous year. The acquisition of the Huarun business in China, completed in August 2023, contributed 2%. Unfavorable exchange rates were a considerable headwind, reducing revenue by 7%. Including the impact of currency effects, reported revenue was 1% lower.

Adjusted operating income of €500 million represented an increase of 27% on the previous year. Return on sales expanded by 260 basis points to 11.6%. Inflationary-driven pricing benefited profitability, while the procurement of lower priced raw materials began to benefit our Decorative Paints business in the second half of the year. The rebound in gross margin was partially offset by inflationary pressure on operating expenses. Operating income of €500 million was 29% higher than 2022.

Revenue in € millions

	2022[1]	2023	Δ%	Δ% CC[2]
Decorative Paints EMEA	2,405	2,413	—%	4%
Decorative Paints Latin America	767	780	2%	19%
Decorative Paints Asia	1,172	1,107	(6%)	2%
Total	**4,344**	**4,300**	**(1%)**	**6%**

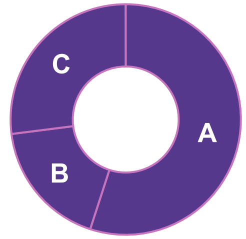
[1] Revenues for 2022 have been updated to reflect changes in the financial reporting structure.
[2] Change excluding currency impact.

Key financial figures

in € millions/%	2022	2023	Δ%
Adjusted EBITDA[3,4]	548	**645**	18%
Operating income[3]	388	**500**	29%
Adjusted operating income[3,4]	393	**500**	27%
OPI margin (%)[3,4]	8.9%	**11.6%**	
ROS (%)[3,4]	9.0%	**11.6%**	
Average invested capital[4]	3,677	**3,755**	2%
ROI (%)[3,4]	10.7%	**13.3%**	

[3] Operating income and adjusted operating income (and related measures) for 2022 have been updated to reflect changes in the financial reporting structure. More information is available on our website.
[4] Alternative Performance Measures. Please refer to reconciliation to the most directly comparable IFRS measures in Note 3 of the Consolidated financial statements.

Decorative Paints revenue by destination in %



A	EMEA	56%
B	Latin America	18%
C	Asia	26%

Key brands

DECORATIVE PAINTS

EMEA: An incremental recovery in consumer confidence helped market demand for our products stabilize during 2023, despite uncharacteristically wet weather in Western Europe during the first half. Volumes were slightly lower versus the previous year, although we expect a progressive rebound in market demand in Europe toward 2019 levels over the coming years. Overall, channel inventories in our key markets have normalized.

Latin America: Market challenges, including the impact of high inflation and exchange rate volatility, persisted into 2023. Demand patterns between quarters were driven by pricing distortions, while overall volumes were soft. This was the first year that Grupo Orbis fully contributed to our results, following completion of the acquisition part-way through 2022. During the course of the year, the Decorative Paints brands of Grupo Orbis adopted our distinctive Flourish identity, with the new brand image preserving the traditional names of Pintuco and Protecto, which have been established for more than 70 years.

Asia: We achieved mid-single digit volume growth following a rebound in our China activities. Demand trends in China were mixed, with strong sales at the beginning of the year tapering out as market demand softened. Dulux continued to expand its geographical presence, and the acquisition of the Huarun business in China is expected to provide further access to distribution channels in the country's tier three to tier five geographical areas. The Huarun brand has a long history, is well recognized in China and will reinforce our position outside of the premium segment, bringing further market segmentation to our portfolio. Trends in South East and South Asia were broadly positive, albeit with differences across countries, in line with broader macro-economic trends. Demand in India remained robust, while Vietnam experienced softer market conditions because of a financing and real-estate market contraction.

We launched a new project in EMEA designed to help us double the size of our eCommerce and digital business over the next three years. Focused on enabling eFulfilment capability, the project involves sending individual packages direct to the door of end-consumers. Many of our key retail customers have started operating these dropship models to enable them to sell a larger range – it's a way of selling products online without the need to keep them in stock. This is a key benefit for the retailer and enables AkzoNobel to sell wider ranges online, driving incremental sales revenue. The markets launched to date include the UK, France, Spain and Germany. The Benelux – which currently uses a local system – will be added to the scalable EMEA solution in 2024.

Our Dulux Professional Weathershield Express two-coat system for exteriors was specified for use on all new Housing and Development Board apartments built in Singapore. The product has been proven to increase productivity by up to 30% (compared with three-coat systems), resulting in time savings of up to 20% and material consumption reductions of up to 15%. An estimated 50,000 apartments will be created across 2024 and 2025.

PERFORMANCE COATINGS

2023 OVERVIEW

AkzoNobel is one of the world's leading manufacturers and suppliers of performance coatings. Our products are engineered to achieve functional properties such as corrosion control, fouling control, anti-scratch and passive fire protection, while delivering step changes in sustainability. Our Performance Coatings activities are organized into four main businesses: Automotive and Specialty; Industrial; Marine and Protective; and Powder Coatings. Key end markets include general industrials (agricultural and construction equipment, construction-related steel and metal fabrication, pipes, appliances and transportation), energy, packaging, infrastructure and shipbuilding and maintenance.

Our Performance Coatings activities benefited from a gradual recovery in many segments during 2023, leading to much improved financial performance. Volumes were flat on the previous year, with growth in a number of our lower volume end markets offset by continued weakness in some of our higher volume end markets. Overall, volumes remained below 2019 levels.

Revenue in constant currencies was up 4% on 2022, with a strong contribution from pricing discipline. We also benefited from an improving mix, with a return to growth in our aerospace, automotive and marine and protective end markets, while demand in our high-volume Industrial Coatings businesses remained soft. Unfavorable exchange rates were a considerable headwind, reducing revenue by 6%. Including the impact of currency effects from translation, reported revenue was 2% lower.

Powder Coatings started its rebound in the second half of the year, while Marine and Protective Coatings continued to benefit from strong customer order books. In Industrial Coatings, coil and packaging improved after a tough first half, while wood remained depressed.

Adjusted operating income of €685 million represented an increase of 38% on 2022. Return on sales expanded by 320 basis points to 10.8%. Profitability was driven by a combination of the purchase of lower priced raw materials – which began to generate benefits in Q2 – and pricing. The rebound in gross margin was partially offset by inflationary pressure on operating expenses. Operating income of €698 million was 56% higher than 2022.

Revenue in € millions

	2022[1]	2023	Δ%	Δ% CC[2]
Powder Coatings	1,385	1,377	(1%)	6%
Marine and Protective Coatings	1,389	1,482	7%	13%
Automotive and Specialty Coatings	1,407	1,422	1%	6%
Industrial Coatings	2,318	2,087	(10%)	(3%)
Total	**6,499**	**6,368**	**(2%)**	**4%**

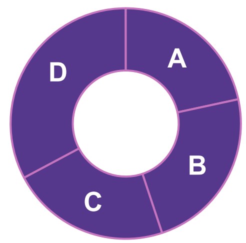
[1] Revenues for 2022 have been updated to reflect changes in the financial reporting structure.
[2] Change excluding currency impact.

Key financial figures

in € millions/%	2022	2023	Δ%
Adjusted EBITDA[3,4]	668	**854**	28%
Operating income[3]	448	**698**	56%
Adjusting operating income[3,4]	497	**685**	38%
OPI margin (%)[3,4]	6.9%	**11.0%**	
ROS (%)[3,4]	7.6%	**10.8%**	
Average invested capital[4]	3,895	**3,725**	(4%)
ROI (%)[3,4]	12.8%	**18.4%**	

[3] Operating income and adjusted operating income (and related measures) for 2022 have been updated to reflect changes in the financial reporting structure. More information is available on our website.
[4] Alternative Performance Measures. Please refer to reconciliation to the most directly comparable IFRS measures in Note 3 of the Consolidated financial statements.

Performance Coatings revenue by business unit in %



A	Powder Coatings	22%
B	Marine and Protective Coatings	23%
C	Automotive and Specialty Coatings	22%
D	Industrial Coatings	33%

Key brands

Awlgrip, Chemcraft, Interlux, International, Interpon Powder Coatings, Resicoat Experts in Functional Powder Coatings, Sikkens, Wanda

Powder Coatings: Having been impacted by industry-wide challenges during 2022, the first half of the year saw a continuation of challenging conditions. Architectural end markets showed signs of a recovery in the second half of the year. Performance in our automotive end markets and electric vehicle-related applications were solid. Driven by its strong sustainability characteristics, liquid-to-powder conversion continued to gather pace across many end markets, with our technology leadership in lower temperature curing positioning us well for future growth. The December 2022 acquisition of the wheel liquid coatings business of Lankwitzer Lanckfabrick GmbH also delivered synergies.

Marine and Protective Coatings: In our Performance Coatings portfolio, Marine and Protective Coatings achieved the strongest growth, fueled by a multi-year recovery in markets driven by sustainability. The improvement was most prominent within our Protective Coatings activities. The continued rebound of our Marine Coatings business was also notable on the back of a strong brand proposition, technical expertise and a focus on sustainability. Meanwhile, we re-established our presence in the new-build marine market in Asia, focusing on technical ships, where our high-performance Intersleek systems provide true differentiation. Intersleek is a biocide-free foul release solution which delivers fuel and emissions savings for owners and operators and helps to support the industry's decarbonization ambitions. In Yacht, volumes normalized following a number of buoyant years of customer demand in the recreational boating segment.

Automotive and Specialty Coatings: We achieved good volume performance in our aerospace and automotive end markets as customers continued to work through elevated backlogs. Consumer electronics end markets, on the other hand, experienced continued weakness, although volumes sequentially improved throughout the year. Volume performance in our Vehicle Refinishes business was mixed between regions, with North America comparatively stronger than Europe. Overall, the Vehicle Refinishes business continued its revenue growth path, driven by pricing efforts and multiple wins at bodyshop level.

Industrial Coatings: Volumes declined during the year, with the Wood Coatings business in particular being impacted by lower activity in residential housing in North America and Europe. Coil Coatings rebounded in Europe after energy prices stabilized, while China returned to growth, driven by market activity and market share gains. In Packaging Coatings, the impact of destocking was largely contained to the first half of the year, with sequentially improving volumes during the full year indicating a normalization in customer inventories. During 2023, we launched Accelshield 700, our internal coating for beverage can ends that is free of intentionally added bisphenols. This product completes our full-can offering and will help customers meet the surge in demand for safer and more sustainable coatings, supporting our leading market position. The new product also integrates easily into customers' existing manufacturing processes, with limited disruption.

The eye-catching Tech Eagle livery on this Embraer E195-E2 jet was brought to life by MAAS Aviation. They used more than 14 different colors supplied by our Aerospace Coatings business. It's the sixth time we've worked on animal-themed livery with Embraer, having previously provided coatings for equally impressive eagle, tiger, shark, snow leopard and tech shark designs.

We supplied KIA Motors with its first ever bio-based interior coating, which is being used on its new EV9 electric SUV. Developed by our Automotive and Specialty Coatings business, it features two kinds of bio-rosin.

INNOVATION

Exploring new, more sustainable ways to meet our customers' needs

Our search for better never stops. We're driven to find innovative, more sustainable solutions for our customers, communities and the planet. We innovate to help make the world better, safer, more sustainable – and more colorful. From saving energy, absorbing heat and protecting and beautifying assets, to making ships go faster, lighting brighter and air cleaner, our world class reputation for pushing boundaries can be found in every layer of paint.

Transforming our generation

The paints and coatings industry can play an important role in decarbonizing industries globally. As an innovation leader, we're working on a 50% reduction in carbon emissions by 2030 for the whole value chain (baseline 2018, absolute) – a commitment that's been validated by the Science Based Targets initiative (SBTi). In 2023, our Scope 3 emissions reduced by 9% (baseline 2018).

The size and scale of this challenge requires the transformation of our generation. What's required in particular is a more collaborative approach, based on the realization that each contributor will need to innovate changes which will lead to carbon reduction at various points in the chain. A key enabler of transformation is our Paint the Future program, the largest collaborative innovation ecosystem in the industry. It's a bold initiative to accelerate, test, launch and scale ideas and sustainable solutions for the paints and coatings industry.

In addition to our ambitious carbon reduction targets, we support a circular economy and aim to provide our customers with competitive, sustainable solutions that are free from harmful substances. Our areas of innovation include the use of bio-based materials, water-based paints and the phasing out of hazardous materials (see Sustainable solutions in the Sustainability statements).

"In this era of rapid change in our industry, decarbonization is the core challenge. Collaboration is our strongest ally in creating a sustainable future."

Roger Jakeman Chief Technology Officer

During 2023, we continued to deliver on our innovation priorities. Our collaborative innovation network is underpinned by a number of initiatives and actions:

- The Advanced Research Center Chemical Building Blocks Consortium (ARC CBBC) envisions a greener, more sustainable chemical industry. We're proud to collaborate with industry, academia and government stakeholders to advance this mission
- We've partnered with the Universities of Manchester and Sheffield in the UK for a project that will fundamentally examine "how paint works". Sustainable Coatings by Rational Design (SusCoRD) will give us a clear understanding of how the performance of protective organic coatings arises
- The EU-funded VIPCOAT program is an open innovation platform which aims to help engineers develop coatings. We're among 12 partners from seven countries who have joined forces to make developing and producing corrosion protection technologies faster, increasingly sustainable and more economical
- Our latest Paint the Future Collaborative Sustainability Challenge was launched. It involves partners from across the vehicle repair value chain developing a shared approach to tackle carbon reduction

Optimal management of coatings systems can also help to achieve cost and energy savings, which is why we're supporting our customers with digital and sustainable solutions:

- Our Aerospace Coatings business developed a new digital system – Aerofleet Coatings Management. It enables airlines and operators to optimize the paint maintenance schedules for their entire fleets
- Bodyshops can now take advantage of a new generation of fillers from our Sikkens and Lesonal vehicle refinishes brands, which help to significantly improve productivity while lowering energy costs
- Launched an openly accessible online energy savings calculator for all powder coatings users

In this fast-paced era of the paints and coatings industry, the central challenge is decarbonization. To tackle this, collaboration is our best ally. We're joining forces by combining our expertise and innovative know-how to create a more sustainable future for the industry.

Innovation in numbers

~3,000 R&D professionals worldwide
€1.25 bln spent on R&D (last five years)
2,800+ patents/patent applications
70 laboratories worldwide

SUSTAINABILITY STATEMENTS

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

For additional information, visit: akzonobel.com

The indicators that fall within the scope of limited assurance of the external auditor for 2023 are marked with the following symbol: ▶. See page 184 for the limited assurance report of the independent auditor, which includes details on scoping and outcomes.

Real-world performance data compiled from ships applied with our Intersleek 1100SR product over the past ten years shows the biocide-free fouling control coating has slashed ship owners' fuel bills by $8 billion and reduced CO_2 emissions by 41 million tons.

OUR APPROACH TO SUSTAINABILITY

Pushing boundaries to ensure a sustainable future

At AkzoNobel, we're focused on ensuring that the pioneering paints and coatings we supply today can help safeguard our world far beyond tomorrow. We innovate with and for customers and play a progressive and collaborative role in energizing entire industries to advance towards a more sustainable future.

By using the power of paints and coatings – to harness energy, reflect heat, protect surfaces for longer, purify indoor air and reduce drag in ships, for example – we can help our customers cut their energy consumption, increase efficiency, lower waste and improve safety, while also being more cost-effective. It's about pushing boundaries and finding inventive ways to collectively make a positive contribution to our ever-changing world.

This will be vital if we're to realize our science-based target of halving carbon emissions in our value chain by 2030. It's one of several ambitions we have for 2030 (shown below), which stem from our three main areas of focus – climate change, circularity, and health and well-being:

50%	less carbon emissions in our own operations and across the value chain (baseline 2018)
100%	circular use of materials in own operations driven by reduce, reuse, recycle
50%	of revenue from sustainable solutions
100,000+	members of local communities empowered with new skills

Our Director of Sustainability, Wijnand Bruinsma, gave presentations in several countries during the year, when he outlined our approach and how we're working across the value chain to achieve our ambitions.

We put particular emphasis and investment into our sustainable solutions, so our game-changing portfolio of innovative products and technologies is always expanding. This is guided by five key drivers: reduced energy and carbon; less waste; reduce, reuse and renew; health and well-being; longer lasting.

By looking beyond the surface and radically rethinking paints and coatings, we can color people's lives and protect what matters for generations to come.

ESG ratings and benchmarks

We constantly monitor our progress to ensure we remain on the right track and work hard to maintain our high standards with leading rating agencies, such as Sustainalytics, EcoVadis and MSCI. This independent acknowledgement recognizes our ambitious targets and programs and our sustainability leadership in our industry. We annually review the benchmarks we actively participate in, taking into account stakeholder preference, such as investors, suppliers and customers. We prioritize active participation in those benchmarks that help drive continuous improvement and rely mostly on publicly available information. We're proud that we remained a frontrunner in the paints and coatings industry throughout 2023, based on the following ESG rating agencies and benchmarks.

ESG rating agency	Key achievements
EcoVadis	Our commitment has earned us our highest ever rating from EcoVadis – 82/100 – placing us in the top 1% of companies assessed across all industries around the world
MSCI	Maintained highest possible rating (AAA) for eight consecutive years
Sustainalytics	Maintained ESG top-rated assessment
FTSE4Good	We featured in the FTSE4Good Index Series for the 18th year running. The series measures performance across environmental, social and governance (ESG) practices

Key partnerships

CHANGE chemistry
WE SUPPORT UN GLOBAL COMPACT
Dutch Sustainable Growth Coalition
RESPONSIBLE MICA INITIATIVE
TOGETHER FOR SUSTAINABILITY
WORLD GREEN BUILDING COUNCIL
BAN LEAD PAINT
RE100 CLIMATE GROUP
CDP

SUSTAINABILITY HIGHLIGHTS

May – Supporting the beverage can industry transition

See p105

Oct – Dulux Weathershield specified in Singapore

See p14

See p31

Jan – 100% renewable electricity North America

See p45
Sep – Safety Day 2023

See p45

Sep – Safety Day 2023

Jun – Pioneering powder coating product launched

See p22

Oct – Voices platform goes live

See p43

Nov – Bio-based coating used by KIA Motors

See p16

GENERAL DISCLOSURES

BASIS FOR PREPARATION

We use our own reporting principles as the basis for 2023 reporting (see: [Reporting Principles Sustainability statements 2023]), in line with the previous year. This Report 2023 has also been prepared to align with the format and requirements of the upcoming CSRD. However, it's not yet fully compliant with the CSRD.

The Sustainability statements of Akzo Nobel N.V. are prepared on a consolidated basis. The scope of the consolidation is equal to the scope of consolidation for the Financial statements, with the exception of associates and recent acquisitions, as explained below.

In general, our aim is to report acquisitions and (de)mergers or other similar transactions from the date of transaction. However, as onboarding and training takes time, there is often a delay between closing of a transaction and integration into sustainability reporting. For 2023, the data related to the recent acquisition of the Huarun business in China, as well as the Lankwitzer business, is not included. The 2023 data includes the acquisition of Grupo Orbis, except for the KPI of Suppliers in sustainability program and SpeakUp! data. For the KPI Sustainable solutions, we extrapolated for the impact of Grupo Orbis, as well as the acquisition of the Huarun business in China. For more information, see [Sustainable solutions].

The material impacts, risks and opportunities connected to our value chain have been assessed as part of our double materiality assessment (see Impact, risk and opportunity management). For KPIs added in anticipation of CSRD, see Changes in preparation or presentation versus prior periods. A description of the double materiality process is included in Impact, risk and opportunity management.

The indicators that fall within the scope of limited assurance of the external auditor for 2023 are marked with ▶ The Limited assurance report of the independent auditor, which includes details on scoping and outcomes, is available on page [184]. In light of our preparation towards CSRD, we've added several disclosures for 2023 versus the previous year, which are not yet in scope of the assurance engagement.

Due to our alignment with the upcoming CSRD, we no longer claim GRI compliance for 2023 and aim to embed the TCFD framework in our climate change disclosure. For a detailed description of the reported KPIs, we refer to the [Reporting Principles Sustainability statements 2023].

Preparation of CSRD implementation

As we're preparing for implementation of the Corporate Sustainability Reporting Directive (CSRD), this year's Sustainability statements have been structured in the following order:

- General disclosures, including basis of preparation, governance, strategy and our approach to double materiality
- Environmental disclosures, including our approach to climate change, waste and water management and our sustainable product portfolio
- Social disclosures, including those related to the health and well-being of our own people, such as diversity and safety, as well as workers in our value chain
- Governance disclosures

Time horizons

The reporting period that is applicable to the Sustainability statements is equal to the reporting period for the financial statements, except for Scope 3 emissions for 2023. This reported KPI relates to the period from October 1, 2022, until September 30, 2023.

Sources of estimation and outcome uncertainty

The preparation of the Sustainability statements requires management to make judgments, estimates and assumptions that affect amounts reported. The estimates and assumptions are based on experience and various other factors that are believed to be reasonable under the circumstances. The estimates and underlying assumptions are reviewed on an ongoing basis. The KPIs Sustainable solutions and Scope 3 carbon footprint have a higher degree of judgement and complexity for which changes in the assumptions and estimates could result in different results than those recorded in the Sustainability statements in this Report 2023.

Value chain estimation

For the calculations of our Scope 3 emissions, we make use of estimations by means of industry averages. The database used to retrieve the industry averages are the CEPE (the European Council of the Paint, Printing Ink and Artist's Colours Industry) and Ecoinvent databases (see Climate change for more details). Replacing industry average data to calculate the Scope 3 emissions attributed to our suppliers with supplier specific carbon footprint data is a key driver to improve our data quality. For 2023, 5.5% of our total Scope 3 carbon footprint (which equates to 11.8% of our total upstream emissions) was calculated using supplier specific data.

Changes in preparation or presentation versus prior periods

For 2023, there were changes to the preparation and presentation compared with previous periods, as we changed the format of the Sustainability statements to align with the upcoming CSRD requirements. As a result, the Sustainability statements are aligned with the Environmental, Social and Governance presentation requirements of the CSRD. The content is matched to the CSRD standards to allow for a reporting foundation for preparation towards 2024 disclosures, as the first mandatory reporting year. Several metrics have been added versus the previous year to already disclose available metrics and targets required under CSRD.

Several metrics have been materially changed or eliminated compared with 2022:

- Organizational Health Index (OHI): During 2023, we implemented a new employee engagement tool, called Voices, which helps us better respond to the demands of the organization. This means OHI is no longer measured and reported
- Greenhouse gas emissions Scope 2: Definition and measurement changed to allow for market and location based reporting in preparation for CSRD (see Climate change)
- For Sustainable solutions, the 2022 percentage has been restated from 40% to 39% to change the reporting period from November 2021 - October 2022 to January 2022 to December 2022

Reporting adjustments related to prior periods

Reporting errors in prior periods, the methodology changes eligible for restatement and, where applicable, other changes, are restated in the current reporting period. Where this is the case, we indicate this through an explanatory footnote. For 2023, this was the case for the following KPIs:

- A notification of a fine imposed by the UK authorities in December 2022, in response to a process safety incident in 2020 at our Felling site, came in too late to include in the annual report for 2022. As a result, the RA4 number for 2022 is adjusted from 0 to 1
- We found waste reporting irregularities for 2022 at two of our manufacturing sites because of misinterpretations of waste stream definitions, leading to restatements for non-reusable waste (30 to 32 kilotons) and non-reusable waste per ton of production (9.68 to 10.25 kg/t) and hazardous waste non-reusable (17 to 18 kilotons) and hazardous waste non-reusable per ton of production (5.36 to 5.82 kg/t). The irregularities also impacted the following other waste KPIs: percentage circular use of materials; total waste; reusable waste; hazardous waste; non-hazardous waste; and their relative per ton of production figures. These impacts are also restated for 2022
- A baseline adjustment was made for the KPI Scope 3 carbon footprint. The inclusion of Grupo Orbis had a significant impact on our Scope 3 carbon footprint, for which we adjusted the baseline and the previous year. In addition to adjusting our Scope 3 carbon footprint for the Grupo Orbis acquisition, we also developed new key value chain models for Powder Coatings, as well as raw material model revisions. The new Powder Coatings model was developed with an external consultant and allowed us to future proof our customer use phase model to also cover our newly developed low-E product line. The 2018 and 2022 numbers have also been adjusted, since the new model uses a different approach compared with the previous model. For our raw material modeling, we've carefully assessed the assumptions used in our modeling of the materials we purchase, leading us to note that for some materials, more accurate matches could be found within the current models. We were able to trace these model changes back to 2018, allowing us to adjust the baseline for all years since. The model changes were thorough, giving us confidence that future model changes will not be material. The total effects of the Grupo Orbis acquisition, the Powder Coatings model revisions and the raw material model revisions on our 2018 baseline and 2022 comparative figures are included in the table below

Adjustments Scope 3 carbon emission reporting in million tons CO_2(e)

	Reported historically	Grupo Orbis adjustment	Powder Coatings model revisions	Raw material model revisions	Restated in 2023
2022	13.2	0.5	-0.3	0.1	13.5
2018 (baseline)	14.0	0.5	-0.2	0.2	14.5

Incorporation by reference

Some disclosures are incorporated by reference, for example for diversity in the Supervisory Board, the description of business and markets served and ESG in remuneration. Wherever we incorporate information by reference (to other parts of the management report), this is clearly indicated.

Our architectural powder coatings customers can now benefit from an industry-first product which cures at temperatures as low as 150°C. Interpon D1036 Low-E can also cure up to 25% faster than conventional powders, which cure at 180°C. Whatever option customers prefer, they can both cut energy consumption by as much as 20%.

GOVERNANCE

The role of the management and supervisory bodies

The composition of the management and supervisory bodies, including their access to expertise and skills with regard to sustainability matters, is described in the Report of the Supervisory Board and the Corporate governance statement. In addition, the oversight of impacts, risks and opportunities by the management and supervisory bodies is also included in that section.

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, as described in the Corporate governance statement. Given our focus on sustainability, overall ownership of sustainability is with the CEO. Sustainability is on the agenda for the Supervisory Board on a quarterly basis. Separately, the Audit Committee is kept up to date with sustainability reporting developments. More information, including on the topics discussed, can be found in the Report of the Supervisory Board and the Corporate governance statement.

Integration of sustainability-related performance in incentive schemes

Goals related to ESG aspects are included in the long-term incentive (LTI) performance targets for the Board of Management. A detailed breakdown of the targets, including the 2023 performance, is also included in the Remuneration report.

Statement on due diligence

We perform due diligence for sites that we acquire or divest. The outcomes of our due diligence processes with regard to sustainability matters inform us of our material impacts, risks and opportunities. The identification, prevention, mitigation and reporting of these actual and potential impacts is embedded in the way we conduct business.

Included below is a description of the specific due diligence processes in relation to human rights and environmental due diligence. For the due diligence process performed to determine our material impacts, risks and opportunities, see Impact, risk and opportunity management.

Human rights due diligence

As part of our core principles, we're committed to respecting internationally recognized human rights in all our operations and throughout our value chain. This commitment is in line with the United Nations Guiding Principles on Business and Human Rights (UNGPs) and the International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work. Embedding a continuous human rights due diligence process to determine a company's salient human rights issues is at the core of the UNGPs. In 2021, we finalized our second in-depth global salient human rights issues assessment (see results in table below). While we respect all human rights equally, we prioritized certain issues based on severity and likelihood. This has resulted in the previously mentioned salient human rights issues for us to focus on and conduct further due diligence, in line with our considerations as shared in our Report 2021. Results of our ongoing due diligence are used to update our global salient human rights issues assessment every year. Some of these issues – after those due diligence results – have also been identified as a material topic under the CSRD's double materiality assessment. For other topics, further due diligence in the future will determine their materiality.

In addition, we operate continuous topic-specific due diligence processes that help us identify (potential) human rights impacts, on which we both engage and communicate. For example, our Health, Safety, Environment and Security (HSE&S) audits assess the health and safety conditions at our manufacturing sites. Another example is our Supplier Sustainability Framework, which includes assessments, surveys and audits of our high-risk suppliers, and is designed to identify and assess sustainability practices, including human rights, in our supply chain.

Further information on our salient human rights issues, our related due diligence activities and mitigating and remediating measures (for example, related to conflict minerals) can be found in the relevant sections in the Social disclosures in the Sustainability statements.

Salient human rights assessment

	Upstream supply chain	Own operations	Logistics	Downstream (customers, end-users)
Health and safety	•	•	•	•
Working conditions	•	•	•	•
Discrimination and harassment		•		
Negative impact on local communities	•	•		
Modern slavery	•		•	

Environmental due diligence

Environmental due diligence is embedded in our HSE&S processes. We have environmental due diligence processes in place for both acquisitions and divestments.

These processes are usually carried out in collaboration with a third-party specialist in the form of:
- HSE&S due diligence for overarching Health, Safety, Environment and Security-related topics
- Phase 1 and 2 environmental site assessments for soil and groundwater-related topics. This process is generally carried out against (inter)national standards in place

An industry-first online energy savings calculator was launched by our Powder Coatings business in Europe. The openly available resource means that for the first time, all powder coatings users can instantly calculate the potential energy and carbon reductions that could be achieved with our Interpon products and related services.

Risk management and internal controls over sustainability reporting

For a general description of our risk and internal control processes, refer to the Risk management section.

Internal controls related to sustainability reporting are dependent on the area of reporting, as multiple internal functions contribute to our sustainability reporting, depending on the topic. The majority of reported KPIs are prepared by our HSE&S and HR functions. At consolidated level, control measures are in place to ensure accurate and complete reporting on ESG-related metrics as part of our annual report.

In 2023, we started to prepare a roadmap for the pathway towards reasonable assurance readiness for our sustainability KPIs, which includes the development of a CSRD compliant control framework as from 2024.

STRATEGY

Strategy, business model and value chain

Markets served
AkzoNobel produces paints and coatings, which is classified under NACE Code C20.3. This is a subset of C20 – Manufacture of chemicals and chemical products. AkzoNobel's operations are grouped into two main businesses: Paints and Coatings. For a description of our business model, strategy and key markets served, see Strategy and operations.

For a breakdown of headcount by geographical area, as well as revenue by destination, please refer to the Regional statistics in the Financial summary.

Interaction with strategy and goals related to product groups
The key elements of our strategy that relate to sustainability are: moving to 50% of revenue from sustainable solutions by 2030, and halving carbon emissions across our value chain by 2030 (baseline 2018). Both targets relate to how we formulate, market and sell our products and will impact the way we interact with our suppliers and customers over the coming years. As the majority of our emissions take place outside of our own operations, collaborating with our suppliers and customers is key to achieving our ambitions. More details can be found in Climate change and Sustainable solutions.

Interests and views of stakeholders
In line with the Dutch Corporate Governance Code 2022, we've published a Stakeholder Engagement Policy, which is available on our website. As detailed in the policy, our key stakeholders are customers, employees, governments and policy makers, industry associations and other partners, investors, suppliers and wider society.

The views of these stakeholders shape our strategic decision-making process. As part of our double materiality assessment, we also consulted with representatives from these key stakeholder groups on sustainability-related impacts, risks and opportunities.

IMPACT, RISK AND OPPORTUNITY MANAGEMENT

Material impacts, risks and opportunities and their interaction with strategy and business model

We assessed the impacts, risks and opportunities on environmental, social and governance matters and how these interact with our strategy and business model. This assessment is based on internal and external stakeholder engagement for both impact and financial materiality. It results in an overview of our material impacts, risks and opportunities throughout our value chain.

For details on the material risks, impacts and opportunities, we refer to the separate disclosures as included in the Environmental, Social and Governance chapters. Details on the process steps taken in the double materiality assessment are included in the next paragraph. A mapping from the material risks, impacts and opportunities to the associated European Sustainability Reporting Standards (ESRSs) disclosure requirements will be included in our Report 2024.

Description of the process to identify and assess material impacts, risks and opportunities

Our risk assessment process to identify and assess material impacts, risks and opportunities for ESG-related topics is structured in line with the requirements of CSRD.

In 2023, we performed a baseline of our assessment in preparation for CSRD. The outcomes serve as a basis for an updated double materiality assessment which is to be performed in 2024. Below we provide a description of the process steps taken to prepare the assessment.

In the first step of the double materiality assessment, we gathered and analyzed background research on potentially material topics to AkzoNobel. For this, we reviewed different sources:

- ESG raters, including their view on material topics for our broader sector and our specific sector, as well as our suppliers and their respective industries
- Sustainability reports of peers, as well as value chain partners, such as suppliers and customers
- The outcomes of our salient human rights issues due diligence process
- Previous years' impact materiality assessments

This input shaped our view on the landscape of potentially material environmental, social and governance impacts, risks and opportunities for AkzoNobel.

During the second phase, we organized several workshops with internal subject matter experts, with the aim of rating and calibrating the potential and actual impacts, risks and opportunities (IROs) for all topics included in the CSRD[1].

In the workshops, we rated the IROs on severity (scale, scope and irremediability) and likelihood. This assessment was split per value chain area (upstream, own operations

[1] Application Requirements (A11 of ESRS 1).

GENERAL DISCLOSURES

and downstream) and financial materiality was also analyzed per topic, based on the same materiality thresholds used for our Financial statements.

During the materiality assessment, we requested participants to address potential entity-specific topics not included in the topics provided in the CSRD.

In the third phase, we created a shortlist of material topics based on the outcome of the workshops. We validated the assessment with internal stakeholders (management teams of subject matter experts involved) and the CSRD Steering Committee. The Executive Committee validated our double materiality assessment during 2023 and the Audit Committee and Supervisory Board were informed about the process and outcome.

Subsequently, the shortlist of topics has been validated with our external stakeholders, both potentially impacted stakeholders, as well as users of the information.

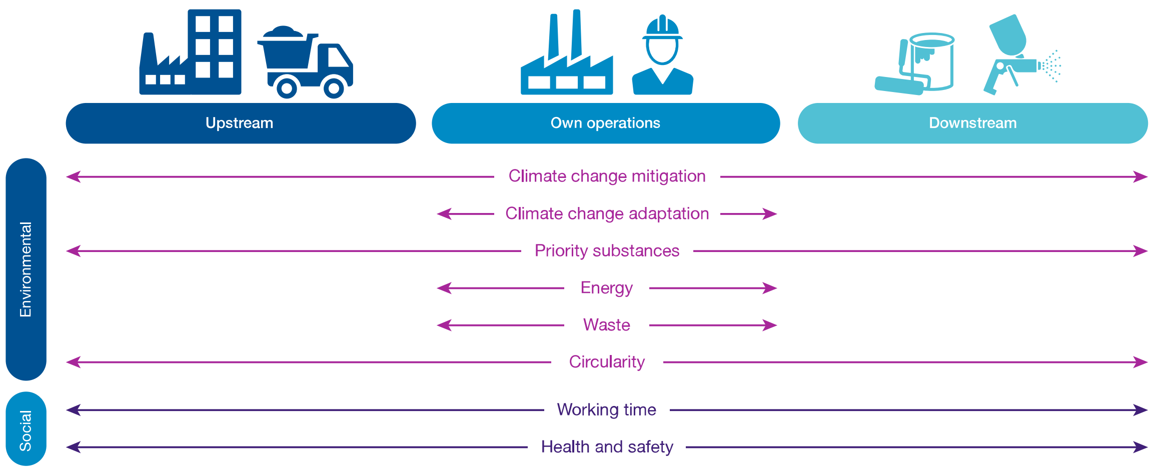
We will annually review the double materiality assessment and update our material impacts, risks and opportunities based on the outcomes of this review. Every three years, we aim to perform a thorough double materiality assessment, unless an event triggers an early reassessment, for example larger acquisitions or divestments.

The resulting material topics and the reference to the relevant section in the Sustainability statements are included in the table on the next page.

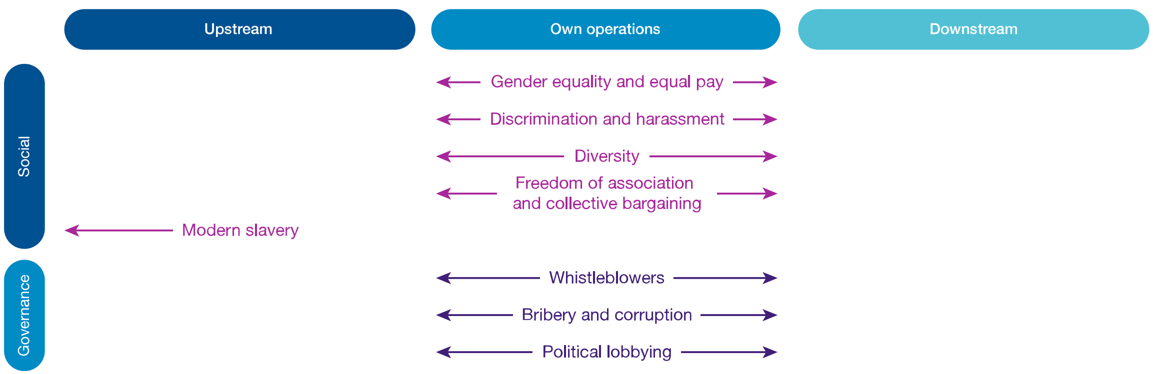
In addition to the material topics mentioned above, we've identified a number of topics related to either legal requirements or other relevant matters. The topics related to legal requirements mainly consist of reporting requirements on human rights due diligence and diversity and inclusion. Other relevant matters are those which we deem necessary to understand the organizational context AkzoNobel is operating in, and which we consider to be elementary for organizations with our size and impact.

Because these topics are not considered material as a result of the initial double materiality assessment for CSRD, the related disclosures will not necessarily comply with the related CSRD requirements when implementing CSRD. The related disclosures will primarily consist of our policies and procedures in place.

Double materiality assessment outcome 2023



Other relevant topics



GENERAL DISCLOSURES

The table below includes the material impacts, risks and opportunities, including the link to the related 2022 material topic, as well as a reference to where the related disclosures are included in the Sustainability statements.

Topic – Risks and opportunities	Boundary (value chain part)	Description of the main risk(s)	Description of the main impact(s)	Link to 2022 material topic	Reference to section in Sustainability statements
Climate change mitigation and Energy	Upstream	Inability of suppliers to take remediating actions to reduce carbon emissions and/or inability to reformulate to lower carbon feedstocks	Contributes to global warming and not able to contribute to the Paris Agreement	Emissions and energy (climate change mitigation)	Climate change
	Own operations	Inability to reduce our carbon footprint through energy efficiency improvements and renewable energy sources			
	Downstream	High-emitting customer segments not mitigating their climate impact			
Climate change adaptation	Own operations	Inadequate adaptation of supply chain and own operations to natural hazards occurring from climate change	Loss of assets and ceasing of operations due to natural hazards occurring	Climate change adaptation	Climate change
Priority substances	Upstream	Risk of spillage, accidental release and/or emissions	Environmental pollution and potential health impacts	Sustainable Product Portfolio Assessment	To be included in the section on Pollution as from 2024
	Own operations	The risk of accidental releases and/or discharges is under evaluation			
	Downstream	Inappropriate or unsafe handling of our products			
Circularity and Waste	Upstream	Risk of unavailability of critical raw materials	Resource use having a negative impact on climate and ecosystems	Materials and waste (for own operations)	Upstream and downstream to be included as from 2024, Own operations (waste) included in the section on Circular economy
	Own operations	Inefficient resource use, landfill and loss of potential heat recovery from incineration	Resource use having a negative impact on climate and ecosystems, potential environmental contamination		
	Downstream	Inefficient resource use due to non-recyclable components in our paints/coatings and related packaging	Resource use having a negative impact on climate and ecosystems		
Working time	Upstream, own operations and downstream	Excessive working hours for own workers and workers in the value chain	Negative impacts on the health and livelihoods of workers and the risk of modern slavery	Diverse, inclusive and healthy organization	To be included as from 2024 in the section on Own workforce (for own operations) and Workers in the value chain (for upstream and downstream workers)
Health and safety	Upstream	Risk of occupational health and safety incidents	Negative impact on the health and safety of people	Health and safety (in 2022 related to own operations and downstream operations only)	Own operations included in the section on Own workforce; Upstream included in the section on Workers in the value chain; Downstream to be included as from 2024
	Own operations	Risk of occupational health and safety incidents			
	Downstream	Inappropriate or unsafe handling of our products			
Opportunity: Product portfolio assessment	Downstream	Active collaboration with customers to ensure growing acceptance of sustainable solutions, thereby bringing tangible sustainability benefits to our customers	Bringing sustainability benefits to our customers, such as reducing carbon emissions	Sustainable Product Portfolio Assessment	Included in the section on Sustainable Product Portfolio Assessment as part of the Environmental section

ENVIRONMENTAL

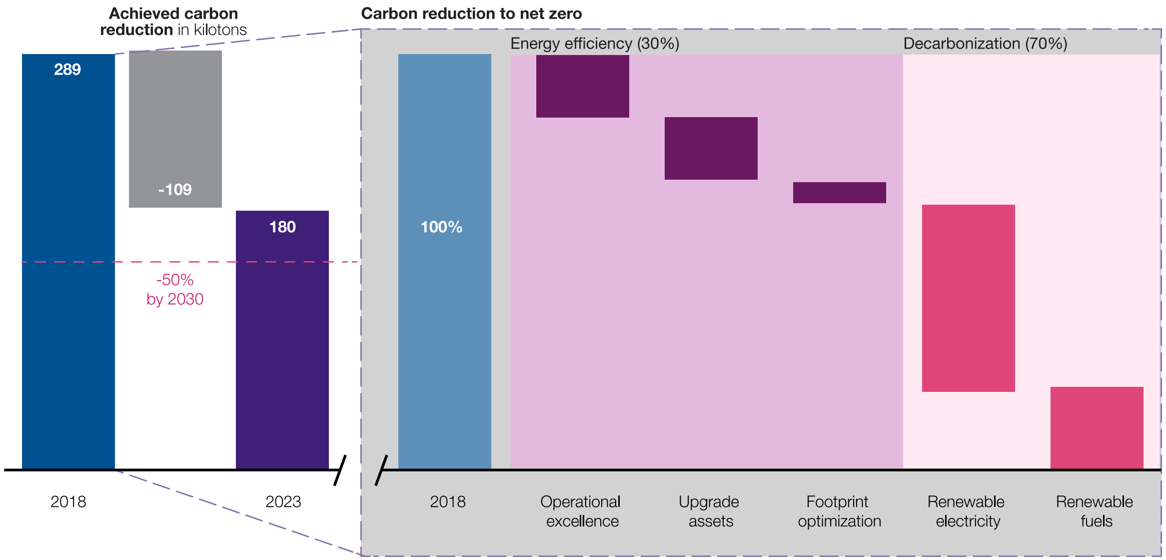
CLIMATE CHANGE

Materiality and governance

Materiality
Our approach to determining material impacts, risks and opportunities is described in General disclosures. Our assessment showed both Climate change mitigation, as well as adaptation, to be assessed as material topics for AkzoNobel – the former for our full value chain and the latter for our own operations.

Governance
Our carbon emission reduction ambition has been approved by our Board of Management and reviewed by our Supervisory Board. AkzoNobel is not excluded from the EU Paris-aligned Benchmarks.

Carbon emissions reduction Scope 1 and 2



For illustration purposes only, bars represent indicative percentage reduction.

Our approach to climate change mitigation

We've established that climate change could affect our supply chain, our customers and our operations. In 2021, we announced an ambition to reduce carbon emissions across our full value chain by 50% by 2030, taking 2018 as our baseline.

Our ambitions are aligned with the Paris Agreement, which aims to limit climate change and ensure the global temperature doesn't rise more than 1.5˚C above pre-industrial levels. Approved by the Science Based Targets initiative (SBTi), our ambitions will help to drive our innovation and collaboration with our value chain partners, including customers and suppliers.

Our commitment includes our own operations (Scope 1 and 2), as well as Scope 3 upstream and downstream. Scope 3 covers purchased goods and services (category 1 in the GHG protocol), application and use of our products (categories 10 and 11, including VOC emissions), and end-of-life (category 12). Our Scope 3 ambition covers around 95% of our total Scope 3 emissions.

Climate change mitigation in own operations

To achieve our ambition of reducing our carbon footprint in our own operations by 50% by 2030 (Scope 1 and 2, baseline 2018), we have a clear decarbonization strategy (see waterfall chart above). This strategy will be further developed in 2024.

First key lever Scope 1 and 2 emission reduction: Energy efficiency
The first key decarbonization lever for our Scope 1 and 2 emissions is reducing the amount of energy we consume. We're aiming to reduce our relative energy consumption by 30% by 2030 (baseline 2018) and plan to do so through an ambitious 5% year-on-year reduction objective.

We've identified several programs to help us achieve this:
- Operational excellence that will apply energy management to our daily operations and reduce our energy use in production, warehouses and offices
- Upgrading inefficient assets such as chillers, air compressors and furnaces to best-in-class and improve HVAC systems for our buildings and warehouses

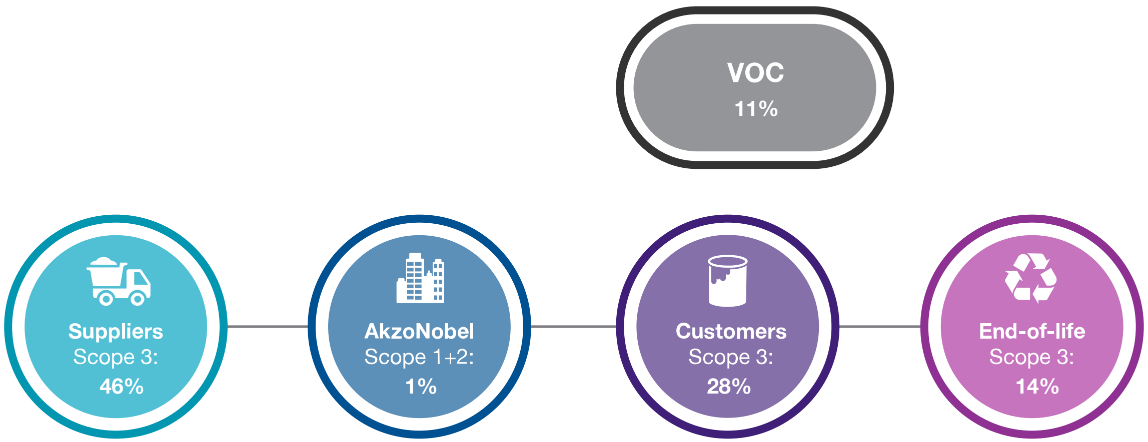
- Production footprint optimization by relocating production from less efficient sites to more efficient sites

Second key lever Scope 1 and 2 emission reduction: Renewable electricity purchase and production
Our second key lever is maximizing renewable electricity, with a priority to produce on-site with solar panels and with renewable purchasing agreements. We also have a renewable electricity target of 50% for 2025 and 100% for 2030. We purchase Renewable Electricity Certificates or Guarantees of Origin and actively look for off-site power purchasing agreements (PPAs) where possible.

Looking ahead to 2050, we'll start working on new reduction levers that will help us towards our carbon neutral targets. For example, by decarbonizing our fuels through electrification of thermal processes and by using biofuels in our boilers and furnaces.

The company's first solar energy plant in Brazil was inaugurated at our Recife plant. A total of 1,580 panels have been installed, which will supply nearly 30% of the location's electricity requirements. It marked another important step towards achieving our ambition of reducing carbon emissions in our own operations by 50% by 2030.

The carbon footprint in our value chain in % of contribution to overall carbon footprint



Upstream and downstream operations: Scope 3 emissions

For Scope 3, we're taking action by increasing our sustainable product offering, by innovating for the development of new sustainable solutions and by engaging with our suppliers and customers around the world to collectively find solutions towards our target of halving carbon emissions in our value chain by 2030. Collaboration with our value chain partners is key to collectively decarbonize.

During 2023, we continued to integrate sustainability and innovation into our daily business to work towards our ambitions.

Four key levers for Scope 3 reduction
When it comes to reducing carbon emissions across our value chain, we've identified four key levers that should help us achieve the 50% reduction. These levers are: Energy transition; Process efficiency; Reduced solvent emissions; and Circular solutions. Projects related to our Scope 3 reduction are grouped under these four key levers. Although we believe it's important to set strong Scope 3 ambitions, we've not yet disclosed detailed plans for 2030 to 2050. As we focus our efforts towards halving our emissions by 2030, the plans we've put in place to support our Scope 3 carbon emission reduction levers serve as a base for continued decarbonization post-2030.

Energy transition
Under this lever, we group all carbon reduction opportunities that result from energy transition in the paints and coatings value chain. Many of our suppliers and customers are setting targets for decarbonization themselves, moving to renewable electricity and cleaner sources of powering their processes. This is increasingly leading to growing availability of raw materials with a reduced carbon footprint. Through our projects and programs on energy transition, we aim to offer our customers lower carbon footprint solutions.

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Process efficiency
This lever focuses on providing our customers with the most efficient solution in terms of carbon footprint. Many of our coatings customers use gas to cure our products. By collaborating on developing coatings that require less energy to cure, we can offer our customers products that can help lower their carbon footprint and save energy costs. In our Automotive and Specialty Coatings business, demand for ambient and UV curing coatings – which don't require gas to cure – is rising. We're looking to collaborate with customers and advise them on carbon reduction strategies for their coating processes, thereby becoming the partner of choice for carbon conscious customers.

Reduced solvent emissions
Release of solvents from our products is a key part of our Scope 3 emissions, which means reduction of solvent emissions represents a key reduction lever. Projects in this area are focused on reducing the carbon footprint of customers who apply our products that contain VOCs. This can be done by switching to water-based products, flat reduction of solvents in our formulations and by thinking along with customers to capture and oxidize the solvents we supply to them, which can be a key area for the application of renewable solvents.

Circular solutions
This lever focuses on reducing the end-of-life impact of the fossil-based materials in our products. This can mainly be achieved by increasing the amount of renewable materials in our formulations, which can be done through applying bio-based, biomass balanced and recycled materials, among others.

We're actively running carbon reduction projects throughout the company in these key focus areas, and have set up a governance structure to ensure they're embedded in future plans, such as our R&D pipeline and supplier engagements.

Supplier engagement
We actively engage with our suppliers to share our ambitions and encourage these key stakeholders to do the same. Key impact areas for suppliers are: increasing process efficiency; moving to renewable energy; and reducing the use of fossil materials and fuels. We also see more intensive collaboration with suppliers on developing new innovative solutions as a key driver towards reducing our full value chain carbon footprint. We held in-depth discussions with more than ten key suppliers on how their plans can support our ambition and how we can collaborate to close any gaps. We're continuing to work together on joint programs with key suppliers to achieve further carbon reduction in our full value chain.

In 2023, Together for Sustainability (TfS) launched the Product Carbon Footprint (PCF) Guideline to ensure a consistent measure of carbon emissions along the value chain in the chemical industry and beyond. We fully support this new global guidance and encourage our suppliers to join us in using it as a way of identifying collaborative opportunities. To support the secure and trustworthy exchange of PCF data throughout the chemical supply chain, TfS is piloting a PCF data-sharing solution (using Siemens' "Sigreen" software). The PCF data-sharing solution allows chemical companies to request PCF information from their suppliers on purchased materials. We were involved in piloting the solution during 2023. If successful, this solution will be used to collect PCF information from our suppliers in an efficient way, on a larger scale.

During the year, we also increased the scope of suppliers participating in our Supplier Sustainability Balanced Scorecard (SSBS) program to almost 100 suppliers, representing 80% of our upstream carbon emissions. We request product carbon footprint, waste, energy and greenhouse gas emission information, to monitor progress versus our suppliers' sustainability goals. The SSBS helped us hold constructive meetings and discussions with our suppliers to better understand their plans and challenges. The results of these meetings serve as input for our strategy and decision-making processes. For more information on how we work with our suppliers, see Supplier management.

Progress year-end 2023: Scope 3
Our 2023 Scope 3 carbon footprint was down 3% from 2022 (from a rounded 13.5 million tons in 2022 to a rounded 13.1 million tons in 2023). This was driven by lower purchased volumes and improvements in our portfolio, such as more water-based solutions, as well as more specific carbon footprint data from suppliers. As the development of new solutions, investments in the value chain and market acceptance takes time, we expect the majority of the reduction of our Scope 3 carbon footprint towards the latter part of the decade.

Climate change adaptation
Potential climate change adaptation risks are included in our risk assessment processes, both in our own operations and in our value chain. During 2023, we performed a desktop study with the help of Zurich Insurance Group, assessing all our manufacturing sites (~130), as well as a selection of ~50 key supplier locations with regards to physical climate risks.

To determine criticality, the total insured value was used for own locations and total spend value for supplier locations. Our analysis focused on the high and very high hazard levels across our portfolio, under different climate scenarios and future time horizons. The climate scenarios used were SSP2-4.5 (middle road) and SSP5-8.5 (fossil fuel development) and the time horizons were 2030 (near term) and 2050 (mid-long term).

Locations were analyzed for multiple natural hazards related to climate change, some of which have a higher inherent physical risk to our operations than others. In scope were: precipitation, thunderstorms, wind, heat, flood, drought, wildfire, cold waves and hail. A multi-peril ranking was produced to identify the locations with the highest exposure to climate change as a whole. The outcome of this assessment will be used as a basis for further analysis around climate risk management with internal and external stakeholders (e.g. for future resilience planning and climate-related reporting). This detailed analysis and potential mitigating actions will commence in 2024.

We'll concentrate our water consumption reduction efforts at our water intensive sites in water scarce areas, in line with our double materiality assessment.

Transition risks: Carbon pricing

We have sustainability assessments in place for all material investment projects. For the last eight years, we've implemented an internal carbon price for these investment decisions, anticipating the impact of any future carbon pricing. Annually, we quantify the potential transitional risk impact of any global carbon taxation by multiplying our carbon footprint (Scopes 1 and 2) with the internal carbon price. To analyze different potential scenarios, we calculate the impact using a carbon price ranging from €50 to €150 (per ton), the latter being the suggested UN price on carbon. That range results in an impact well below 1% of 2023 revenues. Our suppliers and customers might be impacted by carbon pricing, which creates both risks and opportunities. For example, we can mitigate the carbon cost impact for our customers by offering sustainable solutions.

Transition risks: Long-term trends

We further analyzed potential transition risks during a long-term trends workshop held in 2023. As part of these long-term trends, environmental transition risks were considered, including, but not limited to, climate change.

The top five transition risks are included below:

- The lack of availability of (precious) raw (e.g. bio-based) materials slowing down the use of more sustainable raw materials and more sustainable products
- Infrastructure limitations (e.g. electricity network capacity) hindering us from reaching our sustainability objectives
- Changing legislation (sustainability-driven product or environmental legislation) impacting the company's ability to achieve strategic objectives and its ability to move production (different requirements in different countries/regions)
- Divergence between societal scrutiny and legislation, leading to shifting customer and investor expectations
- Risk of increased divergence in the trade-off between increased demand for recyclability and inherent long-lasting aspects of our products

GHG emission reduction targets: Scope and methodology

We have a target of 50% carbon emission reduction for Scope 1 and Scope 2 by 2030 (baseline 2018, absolute) and a target of 50% carbon emission reduction for Scope 3 by 2030 (baseline 2018, absolute). This is validated by the Science Based Targets initiative and is in line with a 1.5°C scenario.

Breakdown Scope 1 and 2

Our GHG emissions under Scope 1 are spread over the fuels we use at our sites, with natural gas being the largest contributor. The material emissions from Scope 2 are almost all related to our non-renewable electricity, with only some sites purchasing steam and hot water from external suppliers.

2023 Scope 1, 2 Energy and GHG footprint

Scope 1	Fuel equivalent (TJ)	GHG (kTCO_2eq/yr)
Natural gas	887.5	49.8
Fuel oil	90.9	6.7
LPG	43.7	2.7
Biomass	4.1	0.0
Total	**1026.2**	**59.2**
Scope 2	**Fuel equivalent (TJ)**	**GHG (kTCO_2eq/yr)**
Electricity renewable	2,959.2	0.0
Electricity non-renewable	1,845.7	116.3
Steam import	32.4	1.8
Hot water import	54.7	2.3
Total	**4,892.0**	**120.4**

Breakdown Scope 3

Our 50% (absolute) reduction ambition for 2030 encompasses the following categories, covering around 95% of our total Scope 3 emissions:

- Upstream: Category 1 (purchased goods and services, including packaging)
- Downstream: Category 10 and 11 (application and use of sold products), VOC emissions and Category 12 (end-of-life)

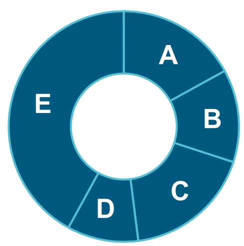
Energy consumption reduction and solar energy

For 2023, our absolute energy consumption (own operations) reduced 4% versus 2018 and our relative energy consumption reduced by 7% versus 2018. Compared with 2022, our absolute energy consumption remained stable (compensating for the Grupo Orbis acquisition), while our relative energy consumption was 6% down compared with 2022.

Many energy efficiency measures were taken at our sites in 2023, and we're now seeing the results of those initiatives. Another contributing factor for our improved energy efficiency was increased production volumes at some of our sites. The relatively mild winter in some regions may also have influenced our energy use.

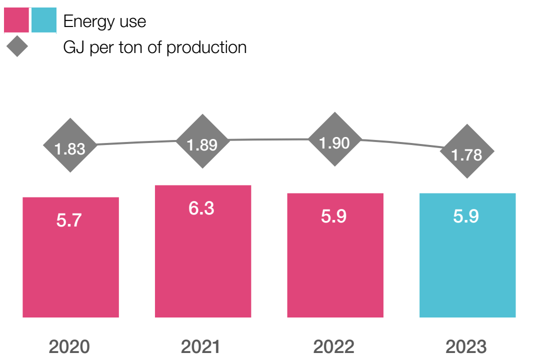
The graphs below and on the next page show our regional energy split and energy use, absolute and relative, in 1,000 TJ.

Regional split energy use in %



A	North America	17
B	Latin America	13
C	North Asia	18
D	South Asia Pacific	10
E	EMEA	42

Energy use in 1,000 TJ



During 2023, we continued to install solar panels at several sites and purchase renewable electricity with certificates of origin. The renewable electricity certificates were purchased in the Americas and Europe and equaled our electricity consumption during the year; no balance nor remaining obligation to purchase remained at year-end. This resulted in a total renewable electricity percentage of 62% at the end of 2023 (2022: 50%), well on track towards our target of 100% by 2030 and already achieving our 2025 interim target of 50%. We also transitioned to 100% renewable electricity at all our manufacturing sites in North America at the start of 2023. Currently, 3% of our consumed electricity is produced at our sites. Generating renewable electricity on-site alleviates pressure on the electricity grid and further reduces our carbon footprint. In total, 82 of our locations now use 100% renewable electricity and 31 locations are using solar panels as a supplementary source of energy. We've currently installed about 30% of our solar on-site potential, and have a healthy pipeline of projects for the coming years.

Gross Scopes 1, 2, 3 and total GHG emissions

Scope 1 and 2 emissions

Our combined Scope 1 and 2 emissions decreased by 38% versus our 2018 baseline (absolute). We've already achieved our 2025 interim ambition of reducing our carbon footprint for our own operations by 25% versus our 2018 baseline. Compared with 2022, we reduced carbon emissions by 13% in 2023 (absolute), mainly through purchasing renewable electricity for our North America and Latin America regions, and improved energy efficiency. The reported carbon emissions includes our acquisition of sites in Latin America in 2023 (as part of the Grupo Orbis acquisition). From a relative perspective, our Scope 1 has reduced 8% since 2018, while our Scope 2 carbon emissions reduced by 48%.

Direct CO_2 (Scope 1) in kilotons

2018	2019	2020	2021	2022	**2023**
62.9	58.3	57.2	64.5	60.1	**59.2**

For the reporting year 2023, we aligned our Scope 2 reporting with the CSRD reporting requirements and have started reporting location versus market-based. The delta between location and market-based shows our net carbon emission reduction results for purchased renewable electricity in Scope 2.

Indirect CO_2 (Scope 2) in kilotons

	2023
Scope 2 CO_2 - Location-based (kilotons)	195.3
Scope 2 CO_2 - Market-based (kilotons)	120.4

A breakdown of Scope 3 emissions, including targets and performance, is included in the relevant section and the Summary table.

GHG removals and projects financed through carbon credits

AkzoNobel does not make use of financed carbon credits outside our value chain. Currently, we don't perform or purchase any offsetting activities for our GHG emissions and we don't make use of carbon removals or storage in our own operations.

Potential financial effects from material physical and transition risks and potential climate-related opportunities

The potential effects on the financial statements of climate change have been assessed. This includes the impact of physical risks, such as those associated with water scarcity, flooding and weather events, as well as transitional risks that can lead to changes in technology, market dynamics and regulations. A desktop study was performed relating to these physical climate risks. Also considered were AkzoNobel's commitments to reduce carbon emissions, as approved by the Science Based Targets initiative (SBTi), and related estimates as to investments and the timing thereof. The resulting impact on the financial statements, including in the areas of fixed assets depreciation and recoverability assessments, was not deemed material to the company's financial position and results of operations as of and for the year ended December 31, 2023.

Further potential financial effects from material climate-related risks are currently being assessed and, where applicable, will be included in our annual report going forward.

POLLUTION

Materiality

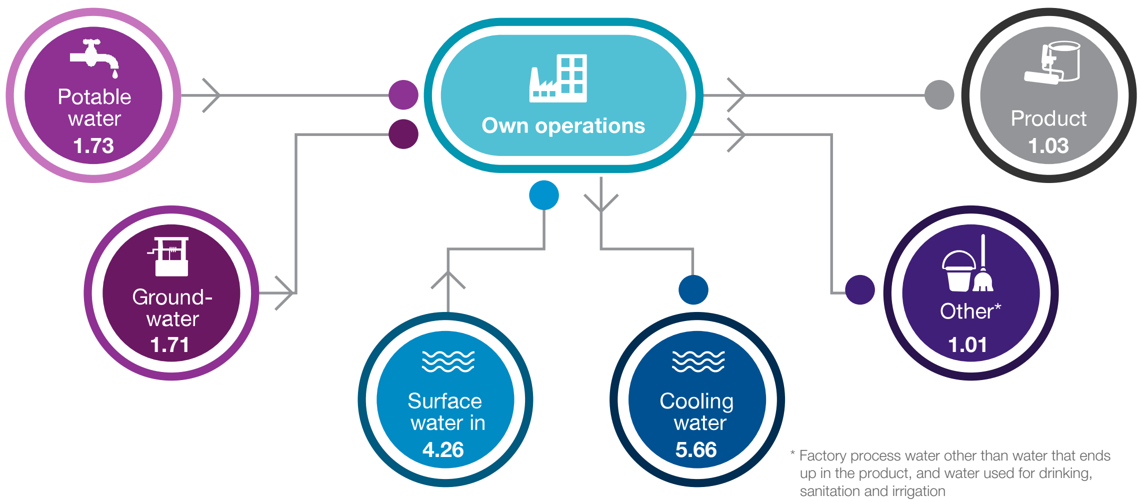
Our approach to determining our material impacts, risks and opportunities is described in General disclosures. For our approach to waste and circular use of materials, please see Circular economy. Our SOx and NOx emissions have been classified as not material for our operations. No continuous emitting processes are operated and emissions that occur are mostly related to gas consumption emissions. The material topic of priority substances will be included in this section for 2024.

Pollution of air

The production and use of solvent-based paints and coatings causes emissions of volatile organic compounds (VOCs). These emissions are included in our cradle-to-grave carbon footprint. Compared with 2022, our relative VOC emissions per ton of product remained stable for our own operations, and reduced by 45% versus the 2018 baseline.

We're reducing VOC emissions in a number of distinct ways. Firstly, we implement abatement technologies such as thermal oxidizers or activated carbon filters, for example at our Chilseo site in South Korea. Secondly, we reduce our footprint by concentrating solvent-based production in more efficient or automated factories, to reduce VOC emissions. For example, we transferred 800 tons of solvent-based paints out of our Montataire site in France, which now only produces water-based paint. In addition, we're actively working on transitioning from solvent-based to water-based solutions where possible.

Water flow in million m^3 (total for AkzoNobel)



* Factory process water other than water that ends up in the product, and water used for drinking, sanitation and irrigation

WATER AND MARINE RESOURCES

Materiality

Our approach to determining our material impacts, risks and opportunities is described in General disclosures. For water and marine resources, the material topics identified are Water consumption and Water withdrawals for our water intensive sites in water scarce areas. Both material topics only apply to our own operations.

Water use and consumption in own operations

We concentrate our water consumption reduction efforts at our water intensive sites in water scarce areas.

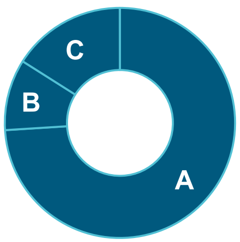
The bulk of our water use is for cooling (74% in 2023). Water is also used as a raw material in paints and coatings and for cleaning. We define a water intensive site as one that consumes more than 15,000m^3 per year. This excludes cooling water and includes water related to product. Water scarce areas are determined per the Aqueduct water risk atlas developed by the World Resources Institute, in line with previous years. Those sites that are located in water scarce areas and are water intensive are expected to meet our target of less than 250 liters of relative fresh water consumption per ton of product. As per our internal, best-in-class benchmark analysis, a site that consumes less than 250 liters per ton of product produced is considered to have water reuse measures in place.

ENVIRONMENTAL

Total fresh water use decreased compared with 2022, due to a relatively high volume decrease at water intensive sites versus sites with a relatively low water usage.

Our exposure to (future) water scarcity was included as part of the climate risk assessment performed during 2023 (see Climate change adaptation). For 2024 and beyond, we'll align this with the water scarce areas as identified in the Zurich climate risk assessment, as described in Climate change adaptation.

Water use in %

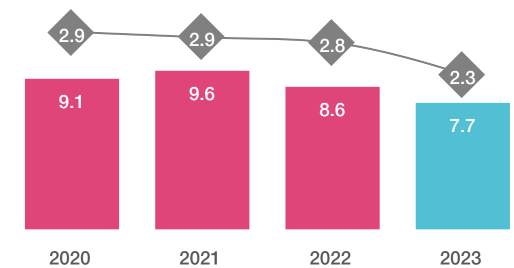


A	Cooling	74
B	Product	10
C	Other	16

Fresh water use in million m^3

Total fresh water use

m^3 per ton of production



Our Dulux Decorator Centre stores in the UK are aiming to triple the overall number of empty cans they recycle by the end of 2025. Having reached the one million milestone for recycling paint cans in 2022, there's now even greater ambition to help make the painting and decorating industry more sustainable. The free of charge recycling scheme, run in partnership with Veolia, makes it easy for tradespeople to dispose of empty Dulux Trade paint cans – and help reduce the impact on the planet.

CIRCULAR ECONOMY

Materiality

Our approach to determining our material impacts, risks and opportunities is described in General disclosures. For Circular economy, we identified Resource inflows and outflows (circularity) as a material topic throughout the value chain, as well as Waste for our own operations.

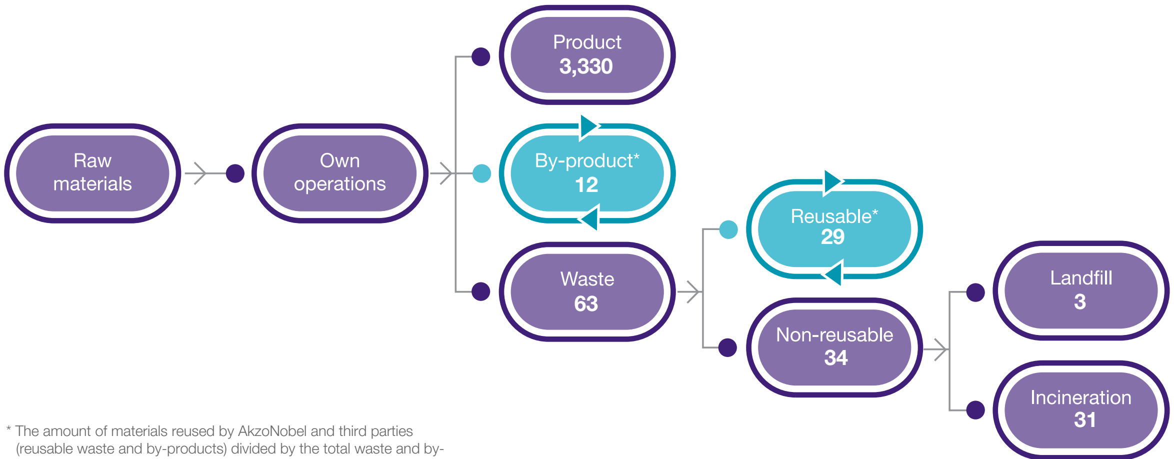
Policies, actions and resources related to resource use and circular economy

Own operations
We're on a journey towards achieving 100% circular use of materials in our own operations by 2030. To get there, we're focused on reducing the amount of waste and increasing the circular use of materials. In line with our strategy of reducing, reusing and recycling materials, our material optimization process focuses on diverting slow-moving and obsolete materials (SLOBs) from scrapping to internal reuse and third-party recyclers and outlets. We drive waste reduction through multi-disciplinary collaboration between our commercial teams, supply chain, manufacturing, HSE&S, our innovation teams and third parties.

Upstream
One of our goals in becoming more circular is to use at least 50% recycled content in the plastic packaging used by our Decorative Paints Europe business by 2025.

By collaborating with our packaging suppliers, we've been able to achieve up to 70% recycled content in our key packs, without increasing the packaging weight or reducing its performance. In 2022, we updated most packs in the UK – our largest European market – and have further worked towards the roll-out in mainland Europe. In 2023, 77% of the plastic packaging contained recycled content, which means we're on track to transform the remainder by our 2025 target.

Material flow in kilotons



* The amount of materials reused by AkzoNobel and third parties (reusable waste and by-products) divided by the total waste and by-products, provides the percentage of circular use of materials.

Downstream
Moving towards a circular economy means reducing waste and increasing circularity throughout our value chain. We're driven by reduce, reuse and renew, while our products seek to protect and make surfaces and materials last longer. In fact, three of the sustainability criteria used to assess our product portfolio are directly linked to circularity. See Sustainable solutions to learn more about our approach to building a sustainable product portfolio.

Key resource outflows

Waste management own operations
We continue to drive improvements in our own operations, with numerous waste reduction initiatives having been carried out in 2023. For example, we made further efforts to improve the efficiency, and increase the number of our solvent recovery units, which helps to increase the amount of recovered and reused solvents that would otherwise be disposed of as waste.

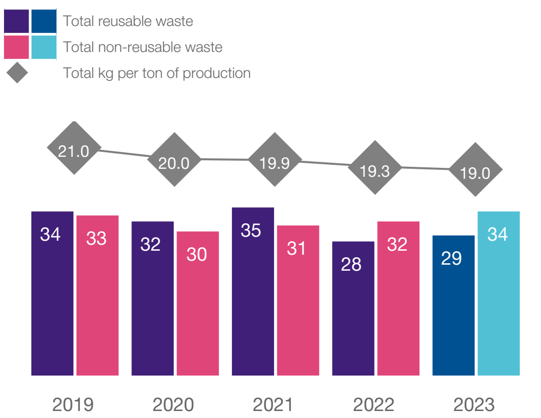
In addition, we further improved the management of SLOBs. This resulted in an increased amount of SLOBs sold to our preferred outlet partners, which otherwise would have been disposed of as waste.

We aim for 100% circular use of materials by 2030 for our manufacturing sites. In 2023, we achieved circular use of materials for 55% of our obsolete material and waste streams (2022: 54%[1]). The limited increase is explained by a steeper reduction in our reusable waste in relation to our non-reusable waste.

Our relative waste (kg per ton of material produced) reduced by 2% overall, not (yet) meeting our annual internal goal of 5%.

[1] Restated for 2022, refer to Basis of preparation for further details.

Total waste in kilotons[1]



[1] Several waste metrics were restated for 2022, refer to Basis of preparation for further details.

In 2023, despite the significant increase, we also continued to work on our ambition of zero waste to landfill, (defined as <1% of total waste), including at our Grupo Orbis acquired sites. In 2023, our waste to landfill increased by 157% (absolute) versus 2022 (1,500 tons). Waste to landfill was 2.3% excluding Grupo Orbis (2022: 2.2%) and 4.4% including Grupo Orbis locations. Overall, we've reduced waste to landfill by 48% (absolute) versus the 2018 baseline.

ENTITY SPECIFIC DISCLOSURES

Sustainable solutions

We identified our sustainable product portfolio as a key opportunity for AkzoNobel.

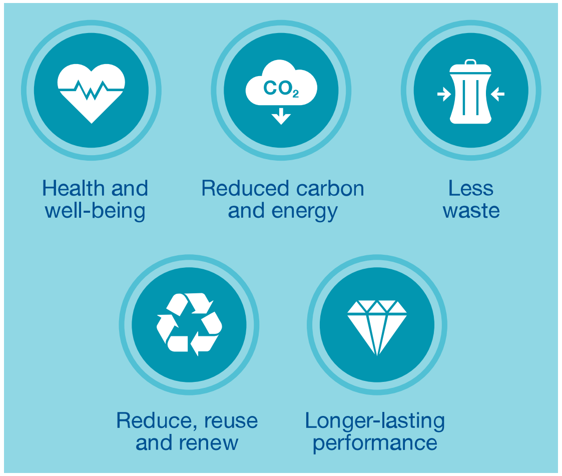
In 2020, we set an ambition to increase revenue from sustainable solutions to more than 50% by 2030. We consider sustainable solutions to be those that bring tangible sustainability benefits to our customers, and market demand for them is growing. By identifying the sustainable solutions in our portfolio, we can engage in a more collaborative way with our customers – many of whom have set their own sustainability targets.

By focusing on the sustainability benefits we offer, we continue to influence the growing acceptance of more sustainable solutions in our markets. We work closely with our suppliers and customers to deliver these products and services, while ensuring economic value at every stage.

We use the Sustainable Product Portfolio Assessment (SPPA) framework to identify the sustainability value we bring to our customers. The SPPA framework is based on the World Business Council for Sustainable Development's (WBCSD) Portfolio Sustainability Assessment, which we co-developed with other chemical companies. It's now the leading sustainable portfolio framework tool in the chemical industry. The SPPA gives a holistic view of the sustainability characteristics of our product portfolio. Together with our customer-focused product stewardship process, it helps us tailor value-selling strategies to specific customer needs. By taking this harmonized approach to our portfolio management, we're able to create a unique baseline for future portfolio ambitions.

Our products fall into one of three categories: Sustainable solutions, Performers or Transitioners. A sustainable solution is a product that brings one or more sustainability benefits to our customers, as defined by the sustainability criteria illustrated below, without having an adverse effect on the other criteria. In 2023, 39% (2022: 39%) of our revenue came from sustainable solutions. For 2022, the percentage of revenue that came from sustainable solutions has been restated to reflect the period from January 1, 2022, until December 31, 2022, instead of November 1, 2021, until October 31, 2022, as reported in our Report 2022. During the year, we launched new products with clear sustainability benefits and further reduced the use of certain priority substances, in line with our strategy.

In 2023, more product management teams were trained on the use of the SPPA, resulting in an increased understanding of the methodology and awareness of the potential sustainability benefits of our product portfolio. The SPPA for Grupo Orbis hasn't yet been finalized. This is due to a lack of data availability and incompleteness, as it takes a significant amount of time to complete the full portfolio analysis. The coverage of the SPPA remained stable compared with the previous year (~80% of revenue), with the remainder, including Grupo Orbis, extrapolated based on the sustainable solutions' revenue percentage of the relevant business unit. The reporting



period for sustainable solutions is from January 1, 2023, until December 31, 2023.

We continued our cross-functional Raw Material Sustainability Group (RMSG). The RMSG steers and provides governance to sustainability aspects concerning raw materials. Several subject matter experts are part of this group, for example in the area of product stewardship. Product stewardship is our approach to ensuring product safety and its sustainability aspects are considered throughout the value chain – from raw material extraction, R&D, manufacturing, transport, marketing and application, through to end-of-life. We monitor and drive continuous improvement with our Product Stewardship Continuous Improvement Tool. Our Priority Substance Program, which we use to identify and control the use of hazardous substances, is embedded in our processes to comply with regulations.

The development and implementation of more sustainable solutions in the built environment was a specific focus in 2022 and 2023. To enhance the capabilities of our technical and sales teams, we organized company-wide training on green building certifications and the customer benefits of our sustainable solutions in realizing more sustainable buildings.

Our products fall into one of these three categories:

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

EU TAXONOMY DISCLOSURE

EU TAXONOMY

The Taxonomy Regulation establishes the framework for the EU taxonomy by setting out four conditions that an economic activity must meet in order to qualify as environmentally sustainable.

A qualifying activity must:
1. Contribute substantially to one or more of six environmental objectives, being:
   - Climate change mitigation
   - Climate change adaptation
   - Sustainable use and protection of water and marine resources
   - Transition to a circular economy
   - Pollution prevention and control
   - Protection and restoration of biodiversity and ecosystems
2. Do no significant harm to any of the other environmental objectives
3. Be carried out in compliance with minimum (social) safeguards
4. Comply with technical screening criteria

The technical screening criteria specify the performance requirements for any economic activity that determine under what conditions that activity makes a substantial contribution to a given environmental objective and does not significantly harm the other objectives. For the financial year 2023, all six objectives listed above have been further detailed out and are applicable for reporting. Companies are required to report on the proportion of turnover (revenues), capital expenditures (CapEx) and operating expenditures (OpEx) that's associated with environmentally sustainable economic activities, and to what extent these activities are aligned (i.e. contributing to one or more environmental objectives).

The key performance indicators relevant under EU taxonomy are turnover, CapEx and OpEx. For the purpose of the calculation of eligible activities, the following financial information has been derived from AkzoNobel's Consolidated financial statements:
- Turnover under EU taxonomy is equal to consolidated external revenues as reported in our Consolidated statement of income, amounting to €10,668 million
- CapEx under EU taxonomy is the sum of additions in property, plant and equipment, intangible assets and right-of-use assets from both investments and acquisitions resulting from business combinations, amounting to €488 million. CapEx as included in the Consolidated financial statements under the Consolidated cash flow statement amounting to €286 million excludes the impact from additions to right-of-use assets of €109 million, as well as the impact from acquisitions resulting from business combinations of €93 million. Additions to right-of-use assets are included in the movement schedule on right-of-use assets, as included in Note 12 of the Consolidated financial statements. The impact from acquisitions is included in the movement schedules on Intangibles and Property, plant and equipment, as included in Note 10 and Note 11 respectively
- OpEx is calculated in accordance with the EU taxonomy as direct non-capitalized costs incurred for the day-to-day servicing of assets, consisting of research and development costs, short-term leases, maintenance and repair costs and other similar costs, amounting to €395 million. This definition differs from OpEx as included in our Consolidated statement of income

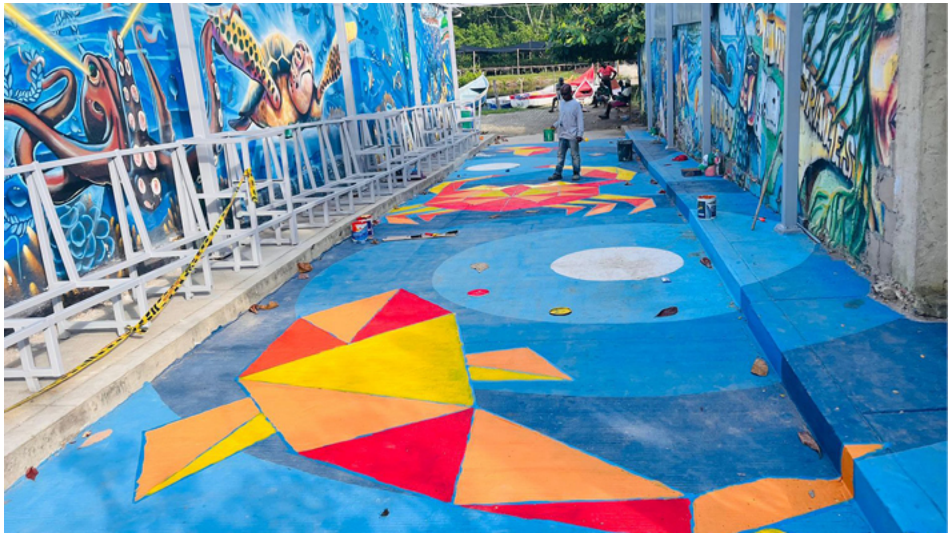
AkzoNobel's core activity, manufacturing paints and coatings (NACE Code C20.3), is currently not defined as an eligible activity for EU taxonomy, and hence no technical screening criteria have been developed to measure alignment to the environmental objectives. As a consequence, eligible activities were limited in 2023 and mainly related to supporting CapEx on sustainable solutions for production sites, consisting of investments in renewable electricity solutions, on-site waste water treatment systems and remediation of contaminated sites and areas. For the determination of eligible CapEx and OpEx, we've performed the following activities:
- Reviewed AkzoNobel's activities and pre-identified potential eligible activities
- Provided trainings to personnel involved in data-gathering, explaining key characteristics of the EU taxonomy guidelines and potential eligible activities
- Performed a detailed analysis of the individual taxonomy-eligible economic activities in cooperation with key Finance and Sustainability personnel
- Set up a multi-disciplinary team in charge of supporting and answering questions from personnel involved in data-gathering, as well as reviewing the reported data at a central level
- Consulted with external experts and peers to ensure a correct and consistent interpretation of the legal requirements

The outcomes of the EU taxonomy assessment for 2023 in relation to eligibility to the environmental objectives resulted in no eligible turnover and an insignificant amount for CapEx (and related OpEx) related to investments in waste water treatment systems, solar panels and remediation of contaminated sites and areas. The reported amount for CapEx related to investments in waste water treatment systems and solar panels is eligible in relation to the climate change mitigation objective. The reported amount for OpEx related to remediation of contaminated sites and areas is eligible in relation to the pollution prevention and control objective.

As the "does not significantly harm" and minimum safeguard requirements are not met for the eligible CapEx and OpEx – no aligned CapEx or Opex is reported. The template disclosure tables as per Annex II of the Environmental Delegated Act are included in the Appendix of this Report 2023. The non-eligibility of our activities is determined by the limited scope of the EU taxonomy for 2023. Despite this inherent non-eligibility, we continue to focus our efforts towards sustainable solutions and we've made progress towards our ambition of 50% carbon emission reduction by 2030.

EU taxonomy CapEx in € mln	**Note in FS**	**2022**	**2023**
Additions to property, plant and equipment from capital expenditures and acquisitions	11	387	271
Additions to intangible assets from capital expenditures and acquisitions	10	568	93
Additions to right-of-use assets from additions and acquisitions	12	98	124
Total		**1,053**	**488**

EU taxonomy OpEx in € mln	**2022**	**2023**
RD&I expenses	258	270
Short-term lease costs	11	14
Maintenance and repair costs	102	111
Total	**371**	**395**



(Pictured above): More than 40 music students and 500 children living in the Bello Oriente neighborhood of Medellin, Colombia, now have access to improved music and sports facilities. Thanks to our Pintuco brand's "Links of life" project, the area's music hall and multi-sport outdoor court received an extensive renovation, making it even more welcoming for the local community.

(Pictured left): As part of our global partnership, we helped to renovate the SOS Children's Village in El Jadida, Morocco. It involved creating vibrant living spaces for families, as well as providing workshops for young people to support them on their way to independent adulthood.

Eligible Turnover (A)

Description of activity	Taxonomy code	Related Turnover	% of total Turnover	Substantial contribution criteria	significantly harm (DNSH) criteria (Y/N)	Minimum social safeguards	Taxonomy aligned Turnover	Taxonomy non-aligned Turnover
Not applicable, no eligible Turnover identified	N/A	€nil	—%	N/A	N/A	N/A	N/A	N/A

Non-eligible Turnover (B)

Taxonomy non-eligible Turnover		€10,668 mln	100%					
Total (A+B)		**€10,668 mln**	**100%**					

Eligible CapEx (A)

Description of activity	Taxonomy code	Related CapEx	% of total CapEx	Substantial contribution criteria (%)*	significantly harm (DNSH) criteria (Y/N)*	Minimum social safeguards (Y/N)*	Taxonomy aligned CapEx*	Taxonomy non-aligned CapEx
Production of electricity from solar PV	4.1	€1 mln	<1%	—%	N	N	€nil	€1 mln
Water collection, treatment and supply	5.1	€1 mln	<1%	—%	N	N	€nil	€1 mln
Sub-total (A)		**€2 mln**	**<1%**				**€nil**	**€2 mln**

Non-eligible CapEx (B)

Taxonomy non-eligible CapEx		€486 mln	> 99%					
Total (A+B)		**€488 mln**	**100%**					

Eligible OpEx (A)

Description of activity	Taxonomy code	Related OpEx	% of total OpEx	Substantial contribution criteria	significantly harm (DNSH) criteria (Y/N)*	Minimum social safeguards	Taxonomy aligned OpEx*	Taxonomy non-aligned OpEx
Remediation of contaminated sites and areas	2.4	€11 mln	3%	—%	N	N	€nil	€11 mln
Sub-total (A)		**€11 mln**	**3%**					**€11 mln**

Non-eligible OpEx (B)

Taxonomy non-eligible OpEx		€384 mln	97%					
Total (A+B)		**€395 mln**	**100%**					

* No aligned CapEx or OpEx is reported. As a result, a condensed view of the substantial contribution criteria and DNSH criteria is shown, not separating out the six environmental objectives as included in the template disclosure of Annex II of the Environmental Delegated Act.

SOCIAL

OWN WORKFORCE

Materiality and governance

Our approach to determining material impacts, risks and opportunities is described in General disclosures. Our assessment showed two material topics: Working time and Health and safety. Both topics have been identified as material for our full value chain, including our own workforce.

We also provide additional disclosures on topics which are required by applicable laws or regulations, or whenever the disclosures serve the information requirement needs of our stakeholders. These topics are: gender equality and equal pay; discrimination and harassment (including violence); diversity; freedom of association and collective bargaining.

For 2023, no material people-related impacts from climate change transition plans have been identified.

The characteristics of our workforce can be found in the Summary table at the end of the Sustainability statements. For the headcount per country with more than 10% of our workforce, refer to the regional statistics in the Financial statements.[1]

Policies related to own workforce

For topical disclosures, a summary of the relevant policy is included in the dedicated sections.

Human rights
As part of our core values of safety, integrity and sustainability, we're committed to respecting internationally recognized human rights in all our operations. This commitment is in line with the United Nations Guiding Principles on Business and Human Rights (UNGPs) and the International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work. Further support is provided by our human rights framework, which includes policies, a governance structure, a focus on salient issues, due diligence processes to identify and mitigate risks, a grievance mechanism and reporting on risks and actions. Read more in our Human rights position paper.

Working time
As laid down in our Code of Conduct, our working hours and remuneration comply with laws and are fair and just. We introduced our own Global Working Hours standard in Europe, Middle East and Africa, Latin America and North Asia, and are continuing to roll them out in the remaining regions. By doing so, we can monitor that we're working a safe number of hours everywhere in the world, even if local laws allow people to work longer. We've conducted an impact analysis in all of our regions and started making region-specific implementation plans to make sure we don't unintentionally cause difficulties for our people and their livelihoods.

Discrimination and harassment
As laid down in our Code of Conduct, we treat people with dignity and respect, and we support diversity and inclusion. We don't harass or discriminate, whether through culture, nationality, race, religion, gender, disability, association, sexual orientation or age.

Processes for engaging with own workers and workers' representatives about impacts and raising concerns

Our approach to materiality, including the engagement on impacts, risks and opportunities, is described in Impact, risk and opportunity management.

As described in the Integrity and compliance management chapter, our SpeakUp! grievance mechanism offers employees a means to raise allegations regarding compliance with our Code of Conduct and violations of applicable laws and regulations. A dedicated investigation team follows an investigation protocol which adheres to strict principles of confidentiality, respect for anonymity, non-retaliation, objectivity and the right to be heard.

For other concerns that might fall outside the scope of our Code of Conduct, employees can use other formal and informal channels to raise their concerns. Examples of formal channels are the option to raise a formal complaint to works councils, trade unions, occupational health services or committees, trusted persons and harassment committees. The availability of these aforementioned channels can differ, depending on the region or country the employee works in. Examples of informal channels include raising concerns to the relevant line manager, HR or site manager, suggestion boxes at locations, or during town halls held at locations.

Diversity, equity and inclusion

During 2023, we launched our new Diversity, Equity and Inclusion (DE&I) strategy. It sets out our vision, principles and objectives for creating a respectful work environment where everyone can unleash their full potential.

[1] The total amount reported differs from the total for FTEs reported in the Financial statements, due to the unavailability of a granular breakdown of data for two companies. The difference is around 300 FTEs.

The three pillars driving our initiatives are diversity, equity and inclusion:

- Diversity means we strive for a workplace where our people are enthusiastic about building and sustaining diverse teams and are equipped with tools to do so
- Equity is about ensuring consistent application, treatment and support across the organization through our policies, ways of working and eliminating the impacts of bias
- Inclusion holds the key to unlocking individual potential. Every member of our team should feel a strong sense of belonging and a genuine desire to be their true selves

The full DE&I position paper can be found on our website. We've set targets related to female executives and employee engagement, both are explained below.

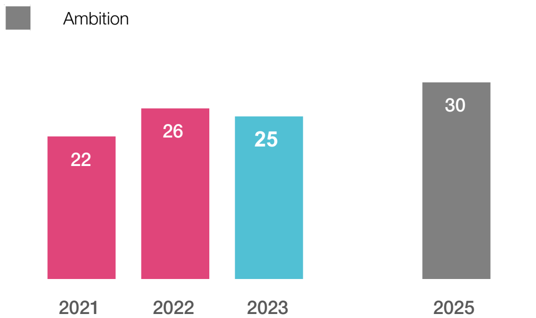
Female executives

Our target is to achieve at least 30% female representation at the executive level[2] by 2025. We're currently at 25%. We consider the promotion and mobilization of internal talent to be fundamental, which is why we've thoroughly assessed the pipeline leading to the executive level. Our next step is to provide growth opportunities to identified talents, alongside setting targets for the two levels below the executive level, for each of the business units and functions. Gender representation remains at the core of our diversity efforts and we're rigorously working towards increasing our representation through offering interesting and challenging prospects to our talent. During the year, 30% of newly hired executives were women and 27% of internal promotions to the executive level were women.

We also track female representation in our Supervisory Board, Board of Management and Executive Committee. Our plans for reaching our DE&I ambitions are further described in both the DE&I position paper and the DE&I Policy for the executive level, Board of Management and Supervisory Board, which are available on our website.

Further information on the targets applicable to the Board of Management and the Supervisory Board can be found in the Corporate governance statement.

Female executives in %



Percentage of women at executive level. Please refer to the Reporting principles for the full definition.

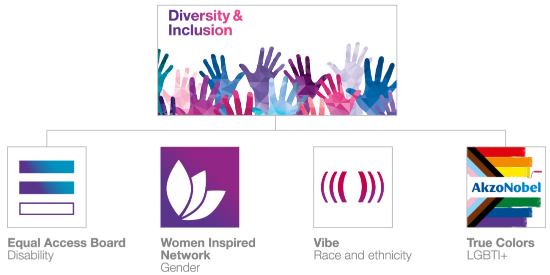
A group of 15 graduates successfully completed the second Women in Color training course set up by our Coral brand in Brazil. Established to help women in vulnerable situations earn a living as professional painters, the initiative – which is supported by several partners – involves more than 220 hours of training over 15 weeks. Out of the 14 graduates from the first training program, 12 are now employed as professional painters.

DE&I networks

During 2023, we also continued to roll out our DE&I workshops, delivered by our growing pool of DE&I Agents, of which we currently have 77 (64 new agents since December 2022). Close to 500 employees participated in our DE&I workshop focused on LGBTI+ inclusion.

Our DE&I networks organized internal events to cover relevant topics and increase awareness, such as events to address menopause, coming out as LGBTI+, disabilities in the workplace and intersectionality. Focus groups, coffee chats and networking sessions were also organized and successfully deployed.

Diversity and inclusion employee networks



Building an inclusive workplace

We upgraded our Talent Acquisition guidelines, requiring among other things, a diverse interview panel to address and help mitigate unconscious bias.

We continue to focus on our manufacturing and supply chain sites to ensure that our production population experiences a healthy and inclusive environment. For example, during 2023, we invested in improving facilities, such as women's bathrooms, showers and changing rooms. Funds have also been allocated to improving or creating facilities for women during 2024.

[2] Executive level includes all employees with an executive position grade at AkzoNobel and its subsidiaries, including the members of the Executive Committee who are not members of the Board of Management. Executive level further includes the members of the boards of management and supervisory boards of each of Akzo Nobel Nederland B.V., Akzo Nobel Decorative Coatings B.V., Akzo Nobel Car Refinishes B.V. and International Paint (Nederland) B.V. The company's executives are considered as AkzoNobel's sub-top, as referred to in the Dutch Gender Diversity Bill implemented in 2022.

Turnover rate
Overall employee turnover in 2023 was 13% (2022: 15%); voluntary turnover was 7% (2022: 9%). The turnover rate is declining, which is a general picture in the industry. Our overall voluntary turnover rate shows the same number as before the pandemic (below 8%).

Employee engagement
In 2023, we adopted a new employee engagement platform, called Voices, which allows us to listen more effectively to our employees, after the previous platform was phased out. The first new employee engagement survey was launched in October 2023 and was rolled out globally.

Voices allows people managers to see their team's feedback in real time, easily share specific data with team members and discuss and identify follow-up actions together, to help them create a better work environment. It means people managers can focus on those areas that matter most to their team, helping to create a shift in our employee engagement.

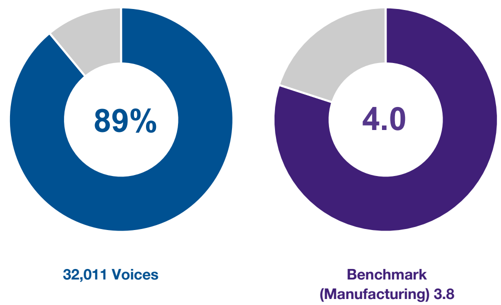
The engagement tool empowers employees to speak their mind, not only by answering the questions, but also by leaving comments at any stage.

The new insights will influence our HR strategies, showing us where we have gaps and where we need to focus first. It requires good analysis and further exploration to identify relevant and appropriate follow-up actions.

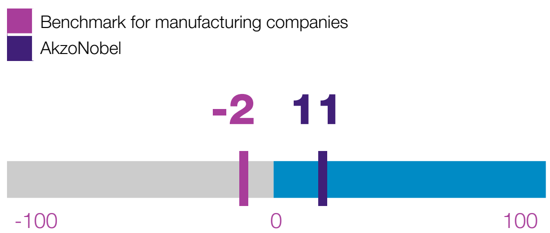
The target for the first Voices survey was a 75% participation rate – recommended as a solid initial launch rate. The fact that we reached a participation rate of 89% was exceptional.

We also measured the overall engagement index (4.0 out of 5) and eNPS (employee net promoter score), a global standard for organizations to measure employee satisfaction. For eNPS, 0-20 is regarded as good, 20-50 very good, while higher than 50 is excellent. The eNPS benchmark for manufacturing companies is -2. Our results are shown in the graph below. The results for DE&I engagement specifically show a 4.1 out of 5, among the highest scores company-wide.

Global participation rate | **Global engagement index**



Employee Net Promoter Score (eNPS)



Training and skills development indicators

Training and skills development was not determined to be a material topic, following our double materiality assessment. However, as we consider it good practice to provide this information, we include this topic.

Talent development
In 2023, we launched our new talent management framework. We believe in an experience-based talent management approach. This means that employees' careers are shaped around accumulated experiences, and they're motivated by staying future fit. We believe in a culture that stimulates and facilitates talent sharing, where internal opportunities are offered to our employees. This year, the framework was rolled out across all senior managers. For 2024, the framework will be extended to all manager roles in the organization. More insights on our new talent development approach will be shared in our Report 2024.

Training hours
We designed our learning and development framework according to our learning formula of 70:20:10. The most effective way to learn and develop a new skill or behavior is to apply and practice on the job and in real life situations. When applying the formula, 70% relates to experience and on-the-job learning – such as job shadowing and stretch projects – 20% relates to exposure (e.g. through mentoring and masterclasses) and 10% to formal education. Our total training hours provided relate to the 10% formal education. This only includes training hours for registered learning efforts and excludes compliance-based mandatory trainings. In 2023, we provided a total of 98,603 training hours to employees, equipping them with the skills and knowledge necessary to excel in their roles and contribute to the success of our organization. We believe that investing in our employees is crucial to our continued growth and success, and we're proud to offer comprehensive training and development opportunities to our teams. The average number of training hours was 2.5 (for women it was four, and for men two).

Performance reviews
The overall percentage of employees who participated in our regular performance review was 95% (women: 97%; men: 94%).

Collective bargaining coverage and social dialog

Policy on freedom of association and collective bargaining
As laid down in our Code of Conduct, we respect individual rights to freedom of opinion and association, and we respect the right to collective bargaining and co-determination.

AkzoNobel's current percentage of own employees covered by a collective bargaining agreement (CBA) is 48%.

Gender pay gap and total compensation

The gender pay gap was not determined to be a material topic, following our double materiality assessment. However, from a stakeholder information requirement perspective, we include this topic.

In 2022, we commissioned an external party specialized in data-driven analyses to explore the gender pay gap within AkzoNobel and evaluate our baseline on gender pay equality. The research found a 0.9% gap in favor of men, after correcting for background variables. For benchmark purposes, the gender pay gap in the EU shows an average pay difference in favor of men of 12.7% for 2021.

During 2023, we worked on the findings to prevent the gap from growing by, for example, enabling channels for employees to address salary discrepancies and increasing pay transparency, including reporting to external institutions such as local governments. Another, more in-depth, gender pay gap analysis by an external party will take place in the coming years to drive more insights. For further compensation indicators, such as pay ratios, please refer to the Remuneration report.

Incidents, complaints and severe human rights impacts

During 2023, no severe human rights impacts and incidents were reported in our own operations. For an overview of cases registered through our SpeakUp! mechanism, please see the Integrity and compliance management chapter.

Health and safety

Safety, as one of our core values, is embedded into everything we do. We care about the safety of our colleagues and everyone we work with.

Health and safety policy
Through our Health, Safety, Environment and Security (HSE&S) Policy, we acknowledge our responsibility for protecting the health and safety of our employees, contractors, customers and neighbors, while maintaining the security of our people and assets and protecting the environment. It's our vision to achieve zero injuries, waste and harm through operational excellence. The environmental aspects are covered in the Environmental section, while the health and safety elements are covered in this section.

Management programs in the areas of people safety and health, process safety and security help us live up to the highest standards in our activities and at our sites. Our commitment to running our operations safely is underpinned by our Life-Saving Rules and Golden Principle to stop work if conditions or behavior are unsafe.

Processes for engaging with workers
Our workforce at all locations help to establish and implement annual HSE&S plans through workers' representative groups, such as works councils and labor organizations. This ensures that we conform to regulatory requirements and/or the requirements from our ISO certified HSE&S management systems.

Targets related to health and safety
- Fatalities (employees, temporary workers, independent contractors): Zero
- Life-changing injuries: Zero
- Regulatory actions level 4 (fines above €100,000): Zero

For benchmarking purposes, we continue to monitor the following KPI:
- Total reportable injury rate for employees/temporary workers/contractors

Learning from high potential events
In addition to learning from actual injuries and incidents, we put special emphasis and processes in place to learn from high potential events (HPEs). A high potential event is an incident with a potential high impact, or a near miss (not causing loss or damage) that might have, under different circumstances, resulted in high, major or catastrophic impact.

People safety and health

In 2023, we continued our life-critical procedures and HSE&S roadmap program. We identified areas that need improvement in our own operations and put them on a roadmap with targeted plans and governance. We also continued to invest in functional excellence and the renewal of our HSE&S capability framework.

In 2023, we continued the implementation of our lift truck/pedestrian segregation program and continued with Behaviour Based Safety (BBS), focusing on increased quality through more coached observations and strengthening the capability in this area.

We launched company-wide monthly Safety Moments for safety awareness, which are used by people managers in their team meetings to keep colleagues in all functions and levels of our organization involved and aware of everyday safety hazards and safe behaviors.

We strengthened our Timeout for Gemba principles to encourage and engage people in daily dialog, to learn and improve the context in which work happens and validate that capabilities, systems and processes are in place.

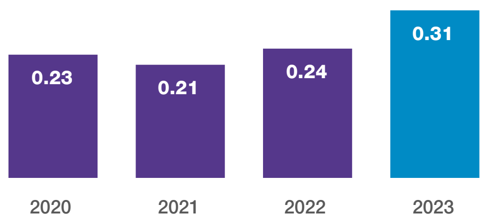
We continued our industrial hygiene and ergonomic programs and actively managed occupational illness-related absenteeism. To meet EU compliance requirements, we launched Diisocyanate training in all applicable European languages.

During 2023, we included the Grupo Orbis acquisition in Latin America in our statistics, adding eight manufacturing locations and 7% to the hours worked. The total reportable rate (TRR) for employees and temporary workers increased to 0.31 (2022: 0.24). Although this is still at industry-leading levels, the main contributors of the increase were the Grupo Orbis sites, responsible for 19% of our reportable incidents. We're continuing to integrate these sites to AkzoNobel standards.

In total, 63% of our manufacturing sites have been reportable injury-free for over a year (2022: 66%).

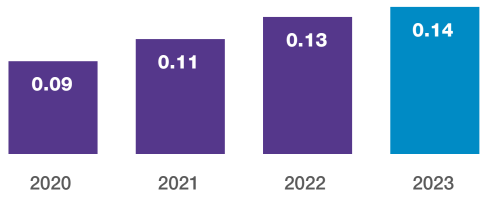
The lost time injury rate (LTIR) for employees and temporary workers remained stable at 0.14 (2022: 0.13). The severity of injuries remained low. The most common causes of injuries were manual handling/lifting, slip/trip/falls and cuts. The most frequent injuries were cuts/lacerations, fractures and sprain/strains.

▶ **Total reportable injury rate** employees including temporary workers (per 200,000 hours)



The total reportable injury rate (TRR) is the number of injuries resulting in a medical treatment case, restricted work case and 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 carried out by AkzoNobel. For TRR contractors, please see our Summary table.

▶ **Lost time injury rate** employees including temporary workers (per 200,000 hours)



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 carried out by AkzoNobel. For lost time injury rate contractors, please see our Summary table.

One life-changing injury occurred in Jakarta, Indonesia – a partial finger amputation caused by the internals of a block valve. There were no further life-changing injuries or fatalities in 2023.

During 2023, the number of contractor recordable injuries was 14 (2022: 10).

Safety Day 2023

Our annual Safety Day is the moment for us to celebrate safety and reflect on how we're doing. This year's theme was "Make safety a habit today". The theme encouraged colleagues to reflect on their own behavior and become safety leaders by embedding good safety habits into their daily routines – both at work and during private time. This theme further built on our "Be human, Be safe" program, which took a human performance principles approach.

Regulatory compliance

During 2023, we received two fines in the category Regulatory Actions level 4 – fines above €100,000 (2022: one).

- In January, we received a £650,000 fine related to the Newton Ferrers (UK) environmental incident in 2015
- In April, our Birmingham site in the UK received a £600,000 fine as result of a forklift truck incident which occurred in 2018
- As mentioned in Basis for preparation, a notification of a fine imposed by the UK authorities in December 2022, in response to a process safety incident in 2020 at our Felling site, came in too late to include in the annual report for 2022. As a result, the RA4 number for 2022 has been adjusted from 0 to 1

Process safety

We systematically assess, manage and communicate the operational risks of injuries or harm that may result from the work we do.

In 2023, we continued our dedicated Process Safety Management (PSM) improvement project, designed to strengthen our processes and achieve leading standards in process safety.

To ensure our people, sites and environments stay as safe as possible, we continued the deployment of our Process Safety Fundamentals for front-line workers, establishing operational practices that help prevent incidents.

During 2023, we continued the deployment of our Basis of Safety standards, with a focus on resins, aluminum bonding and high-speed dispersers. The standards define company expectations for these higher risk activities. Various engineering standards have been adopted: for grounding and bonding; flexible hose management; and maintenance of solvent storage tanks. Our locations continue to implement equipment modifications via a risk-based approach.

In 2023, we included the Grupo Orbis acquisition in Latin America in our statistics. In total, we recorded 87 losses of primary containment (LoPCs) in 2023 (2022: 53), of which 19 were contributed by the Grupo Orbis sites, which continue on an integration path to AkzoNobel standards.

The main causes identified were operational discipline (60%) and asset integrity (32%). In total, 70% of our manufacturing locations had zero LoPCs at the end of 2023, demonstrating our vision of zero spills is achievable. However, 11% of our locations caused 66% of the spills in 2023. We continue to focus on these locations, ensuring improvement plans to act on the underlying root causes.

Process safety events

	2022	2023
LoPC level 1 and 2	53	87
LoPC level 1 and 2 (excl. Grupo Orbis)	53	68

A loss of primary containment is an unplanned release of material product, raw material or energy to the environment. They're divided into categories, dependent on severity, from small, on-site spills up to level 1.

Security

Our security program protects people, information, assets and critical business processes, both on and off-site. During 2023, one level 3 (most severe events) incident occurred (2022: zero), related to theft of raw materials. A deep-dive analysis was carried out to identify root causes and the corresponding action plans were put in place. Theft and vandalism at our stores continued to represent the highest incident sub-type, which is similar to wider society.

HSE&S management foundation

Our company-wide HSE&S management system is globally certified against ISO 14001 and ISO 45001 standards. The management system consists of policies, procedures, templates and best practices to promote learning across the organization and covers the activities of all employees and temporary workers.

HSE&S audits are performed in three-year (for high hazard sites) to five-year (other sites) cycles. During 2023, we conducted 33 audits in total. Compliance assurance is a key HSE&S priority because it ensures our license to operate and our business continuity in a fast-changing regulatory environment.

Our company-wide HSE&S compliance assurance process is proactive and digitally supported by tools from a leading third-party supplier.

Our annual Safety Day was celebrated in style by colleagues at the Songjiang Decorative Paints site in China. Various activities were held based on the theme of “Make safety a habit today”, including a town hall meeting, firefighting practice competition and safe driving contest. Employees from six departments also shared their safety habits.

WORKERS IN OUR VALUE CHAIN

Materiality

Our approach to determining our material impacts, risks and opportunities is described in General disclosures. For workers in our value chain, our assessment showed two material topics: Working time and Health and safety. We also provide additional disclosures on modern slavery, which serves an information requirement of our stakeholders. For 2023, downstream workers are not yet covered in our disclosures.

Policies related to value chain workers

Human rights

As part of our core values, we're committed to respecting internationally recognized human rights in all our operations and throughout our value chain. This commitment is in line with the United Nations Guiding Principles on Business and Human Rights (UNGPs) and the International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work. Read more in our Human rights position statement.

Business Partner CoC

Our business partners are expected to follow our company's core values of safety, integrity and sustainability. These are set out in our Business Partner Code of Conduct (BP CoC). This code sets out the ethical behavior we expect from anyone we do business with, including our suppliers, distributors and agents. All new business partners are expected to apply the principles laid down in the BP CoC, or apply equivalent principles. These principles include, among other things, respect for human rights, people, process and product safety, fair and just working hours and remuneration, and grievance mechanisms for their employees and other interested parties. Non-compliance with the BP CoC may lead to measures being taken, including termination of the business relationship.

Modern slavery statement

We're aware that multiple risks come with a complex and long supply chain, including the risk that modern slavery may exist in these supply chains. Our Modern slavery statement sets out our commitment to do our utmost to prevent modern slavery in our business and supply chain.

Conflict minerals and mica minerals

We have separate position statements on conflict and mica minerals. In these statements, we describe our commitment to responsible sourcing, as an important part of AkzoNobel's supplier sustainability strategy. We do our best to ensure our suppliers' products and components do not contribute to adverse impacts on human rights. We do that by conducting due diligence together with our suppliers into the conflict minerals and mica minerals supply chains, and take appropriate action when necessary.

Processes for engaging with value chain workers about impacts

General

We perform third party, on-site sustainability audits on selected direct raw material suppliers in high-risk areas. We do this through our membership of Together for Sustainability (TfS). A full description of how we manage supplier relationships is included in Supplier management in the Governance section of these Sustainability statements. The Labor and human rights section of these audits include questions on child labor, forced and compulsory labor, working hours, minimum wages, freedom of association, discrimination and harassment, special work contracts and facilities and dormitories. The third-party auditors (approved by TfS) are requested to verify document reviews and conduct individual and group interviews. Candidates for these interviews are randomly selected by the auditor, without interference from management. In 2023, we identified two improvement opportunities on child or forced labor governance at suppliers in China that we're working on to address. The first requires the supplier to develop a child labor remediation plan in case of any sign of child labor. The second improvement opportunity is focused on ensuring that the supplier obtains timely signatures on labor contracts.

For suppliers who deliver raw materials that contain products as described in Taking action on material impacts, risks and opportunities – and who fall under our human rights due diligence program for materials which have high risks of negative impacts on human rights occurring in their supply chain – we provided a webinar for our suppliers to explain AkzoNobel's efforts in this area and what we expect from our suppliers. More than 100 individuals attended one of the two webinar sessions across the globe.

Mica minerals

We're a founding member of the Responsible Mica Initiative (RMI), whose mission it is to establish a fair, responsible and sustainable mica supply chain in India, that's free of child labor by 2030. Via this initiative, much engagement takes place with workers in the supply chain, for example through the Supply Chain Mapping and Workplace Standards program and the Community Empowerment program.

Processes to remediate negative impacts and channels for value chain workers to raise concerns

As described in the Integrity and compliance management chapter, our SpeakUp! grievance mechanism offers employees and third parties a means to raise allegations relating to compliance with our BP CoC and violations of applicable laws and regulations. A dedicated investigation team follows an investigation protocol which adheres to strict principles of confidentially, respect for anonymity, non-retaliation, objectivity and the right to be heard. Our partners should provide their employees and other interested parties with a mechanism to raise concerns about violation or potential violation of laws and the values provided in this Code of Conduct. These concerns must be addressed in a fair and transparent way. Our business partners protect confidentiality and prohibit retaliation against those raising the concern.

In addition to the above, and as mentioned in Supplier management, we perform EcoVadis assessments as part of our TfS membership on high-risk and high-spend direct suppliers. In this assessment, we also ask whether these suppliers have implemented a formal grievance mechanism which encourages employees and external stakeholders to report potential violations of the partner's external stakeholder human rights policies.

In the Responsible Mica Initiative (as previously mentioned), a grievance mechanism was also launched this year with the aim of a fair, timely and objective resolution of grievances relating to the implementation of its mission and operations. The form to file a complaint is available in English, French, Hindi and Malagasy.

Taking action on material impacts, risks and opportunities

With regard to addressing potential modern slavery in our supply chain, we're focusing on both our direct and indirect suppliers. For our direct suppliers, we identify our high-risk suppliers in our Sustainability Supplier Framework and assess and audit them. More details about this program and our membership of TfS can be found in our Governance chapter. For our indirect suppliers – where we have to look further in the supply chain due to certain risks – we've conducted in-depth research into our raw materials portfolio and prioritized high-risk supply chains, based on publicly available information by NGOs and government agencies. This resulted in a focus on our barytes, calcium carbonate, cobalt, copper, fluorspar, mica minerals, talcum and tin supply chains. In 2023, based on further investigations, we concluded that we couldn't indicate any modern slavery risks in our barytes supply chain and have therefore removed it from our high-risk supply chains list. Read more about the results of this due diligence in the last paragraph of this chapter.

We participated in the TfS program "Jointly addressing child labor, forced labor and human trafficking" by requesting suppliers with room for improvement in that area (as per their EcoVadis scorecard) to utilize the human rights training courses on the TfS academy.

In addition, through our RMI membership, we delivered positive impact for workers in the mica value chain in India. The Community Empowerment program is transforming communities in the mica region with initiatives that provide long-term and self-sustainable remedies to the underlying causes of child labor and poor working conditions. Launched in 2018, more than 180 villages and 16,000 households are now benefiting from programs, including better schools and healthcare delivery, access to more diverse sources of livelihood and receipt of government services.

Targets related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities

EcoVadis assessments
As mentioned in Supplier management, we perform EcoVadis assessments as part of our TfS membership on high-risk and high-spend direct suppliers. In addition to the total assessment score, we also expect a minimum score of 50 in the labor and human rights section of these assessments. Through our Sustainability Supplier Program, we track how many suppliers meet this requirement. For 2023, 63% of our suppliers met this requirement (2022: 52%).

While we saw continuous improvement on this KPI versus 2022, we realize small and medium suppliers in risk regions have more difficulties reaching these minimum requirements. All suppliers have access to the TfS and EcoVadis academy with dedicated courses in multiple languages. For 2024, we plan to measure the number of suppliers who completed trainings in these two academies.

Together for Sustainability (TfS) audits
For TfS on-site audits, we measured completion of corrective actions on major and critical findings and achieved an improvement rate of 86%.

Human rights due diligence
As part of our due diligence program regarding materials with potential human rights impacts, we measure the percentage of responses received to our surveys. For tin and cobalt, we also measure the percentage of smelters that are either listed as active or conformant smelters in the Responsible Minerals Assurance Process.

In 2023, we sent out 356 surveys on the minerals mentioned in Taking action on material impacts, risks and opportunities, to which 80% responded (2022: 85%). The reason for the slightly lower response rate, compared with 2022, is that we increased new suppliers in the surveys by about 20%.

Of the 115 suppliers who confirmed using tin and/or cobalt necessary for the functionality of the product, 79% disclosed their smelters. In total, 86% of these smelters were either listed as active or conformant smelters in the Responsible Minerals Assurance Process.

For mica, there are currently no conformant mica processors listed on the Responsible Mineral Initiative platform. However, through our RMI membership, we – together with many stakeholders and peer companies – commit to:

- Having 100% of processors compliant with the RMI Global Workplace standard
- Establishing a fair and responsible mica supply chain (including fair living income) in the Indian states of Jharkhand and Bihar
- Eliminating unacceptable working conditions and eradicating child labor in India's mica supply chains by 2030

For all other minerals subjected to the survey (calcium carbonate, copper, fluorspar and talcum), some suppliers confirmed that these materials are sourced from known risk countries associated with forced or child labor. We'll take action on these in 2024, such as asking our suppliers about the controls they have in place. If no controls exist, we'll request that these controls be put in place (e.g. by means of social audits or visits).

AFFECTED COMMUNITIES

Materiality

Our approach to determining our material impacts, risks and opportunities is described in General disclosures. We did not identify any material impacts for affected communities. We did identify the social programs under the AkzoNobel Cares umbrella as an opportunity, which is included in this section. In addition, we detail the processes we have in place to remediate potential negative impacts and channels available to raise concerns.

Policies related to affected communities

As set out in our Code of Conduct, we fully understand our role and responsibilities when it comes to society and contributing to the communities we operate in. Whenever possible, we make a positive difference to the world around us, engaging with people and organizations to help bring the AkzoNobel brand to life, while supporting deserving and sustainable projects and causes, using our products when appropriate. We encourage all employees to get involved in community activities, as long as it doesn't lead to a conflict of interest.

In our Business Partner Code of Conduct, we state that our suppliers should care about the communities they operate in, and listen to their concerns.

Processes for engaging with affected communities about impacts

As part of our HSE&S processes (for more information, see the chapter on our Own workforce) we require every location to have a procedure in place that covers processes for stakeholder outreach and external complaints. Communities are included as important stakeholders of our locations – the aim is to engage, listen to any concerns and actively support community projects.

Processes to remediate negative impacts and channels for affected communities to raise concerns

As described in the Integrity and compliance management chapter, our SpeakUp! grievance mechanism offers third parties, including members of an affected community, a means to raise allegations regarding compliance with our Code of Conduct and violations of applicable laws and regulations. A dedicated investigation team follows an investigation protocol which adheres to strict principles of confidentiality, respect for anonymity, non-retaliation, objectivity and the right to be heard.

Members of an affected community can also file a complaint directly to the site manager of the relevant location.

Pursuing material opportunities related to affected communities

AkzoNobel Cares

For many years, our various social programs have been demonstrating to the world that AkzoNobel cares. People and communities all around the globe benefit from the initiatives and programs under our AkzoNobel Cares umbrella, including "Let's Colour", the Pintuco Foundation, SOS Children's Villages and the Education Fund. Local volunteers from AkzoNobel work closely with partners to transform communities and make a positive impact. As part of our key sustainability ambitions, the aim is to empower more than 100,000 community members with new skills between 2020 and 2030, through more than 2,000 projects.

Our main social programs focus on inspiring, uplifting and renovating communities through our global "Let's Colour" initiative. We also educate, mentor and train future generations, unlocking possibilities for people who need them most. In 2023, we staged 311 projects and trained around 32,000 people in painting, entrepreneurship, professional skills and soft skills.

"Let's Colour"

We believe in the power of paint to transform lives by uplifting communities and making living spaces more fun, liveable and enjoyable. Our global "Let's Colour" initiative is all about adding color to people's lives. With our passion for paint, we aim to provide opportunities for people who want to learn, grow and flourish. During 2023, we donated more than 212,000 liters of paint to renovate community living spaces in 37 countries, with 1,892 employees volunteering their time. A great example was the vibrant makeover of Suryatmajan in Yogyakarta, Indonesia. The village became a visual spectacle and gained recognition as a tourist destination (see image and caption on the right).

Our Nordsjö brand has been working with ARTSCAPE in Sweden since 2014. This year, nine walls were transformed as part of the 2023 Street Art Festival in Vänersborg, including this mural created by street artist Charlie Granberg.

SOS Children's Villages

In 2023, we continued to be a strategic partner of SOS Children's Villages. As a member of the Global YouthCan! platform, we work together to support young people at risk on their journey to self-reliance. Through our painter academies and by offering soft skills training, entrepreneurship programs, mentoring and traineeships, we empowered 2,948 young people with new skills in 2023. We also used our paint to refresh living spaces for children growing up in family-like care. During 2023, Colombia joined the partnership, bringing the total to 25 countries involved so far.

Our Dulux brand turned Suryatmajan Village in Yogyakarta, Indonesia, into a visual spectacle as part of a "Let's Colour" project. Beyond creating vibrant murals and colorful walls, it also helped to attract tourists to the area, symbolizing both economic growth and community empowerment.

Education Fund

Through our joint Education Fund, established in 1994, we continued to support Plan International. In 2022, Plan International started the Saksham Plus project in collaboration with the AkzoNobel Paint Academy in Delhi, India. This economic empowerment initiative targets marginalized young people, particularly women, addressing the gap between high market demand for skilled employees and the insufficient number of qualified individuals. So far, the project has equipped 29 vulnerable young people with market-driven skills, fostering sustained employment in the painting sector.

Local AkzoNobel Cares programs

Our societal initiatives in India benefited more than 50,000 people in 2023. Parivartan, our flagship education project, helped more than 7,000 children gain better access to education, while vocational skills training empowered 3,500 underprivileged and disadvantaged youth. More than 25,000 teleconsultations were also provided under our community healthcare program in villages across the country. A key highlight was Project Indradhanush, which aims to improve the livelihoods of women in rural India. In 2023, the initiative raised awareness among more than 34,000 women about opportunities in the paint sector, providing paint application training and empowering women with the necessary skills to become independent paint retailers.

The Pintuco Foundation also contributes to AkzoNobel Cares. The Colombia-based non-profit entity, part of the Grupo Orbis acquisition, is similar to our existing "Let's Colour" program. It transforms lives with color and offers social sustainability projects that also provide (skills) training opportunities for people in local communities. The social projects are developed through alliances with public and private organizations.

GOVERNANCE

BUSINESS CONDUCT

Corporate culture and business conduct policies

We're committed to leading with integrity in our industry. The Integrity and compliance management chapter sets out in more detail how we establish, develop and promote a corporate culture.

Our Code of Conduct
Our core principles define the culture and behaviors that we're committed to embedding throughout AkzoNobel. We have three core principles – safety, integrity and sustainability. Our Code of Conduct, which is available in 32 languages, defines the way we live our core principles every day. It covers various topics, including anti-bribery and anti-corruption, honest business conduct, conflicts of interest, health and safety and human rights. We carry out Code of Conduct training for all our employees every other year (both online and face-to-face, and tailored to white and blue collar colleagues), as well as specific training on key risks to targeted audiences. Our completion rate for the Code of Conduct training for online employees is more than 90%. The progress on training is reported to our Executive Committee and Audit Committee on a quarterly basis. This is also supported by a communication program, which focuses on having a strong tone at the top, raising greater awareness and driving improvement.

Culture of integrity
The regional Integrity and Compliance Managers contribute to further strengthening the culture of integrity. This includes identifying and addressing local risks and cooperating with the business and functional teams to tailor the program to local risks and follow up on internal audit findings and SpeakUp! cases.

SpeakUp!
Our SpeakUp! grievance mechanism offers employees and third parties a means to raise concerns relating to compliance with our Code of Conduct. Our dedicated investigation team follows an investigation protocol which adheres to strict principles of confidentiality, respect for anonymity, non-retaliation, objectivity and the right to be heard. Anyone who believes they've been retaliated against for making a good faith concern can also report such retaliation, which will be investigated as a potential Code of Conduct violation. As set out in the Integrity and compliance management chapter, our Integrity and Compliance SpeakUp! Committee reviews these investigations and also decides on discipline and control improvement actions, as well as monitoring and responding to any trends identified in investigations. The number of reports and the status are reported quarterly to the Executive Committee and Audit Committee.

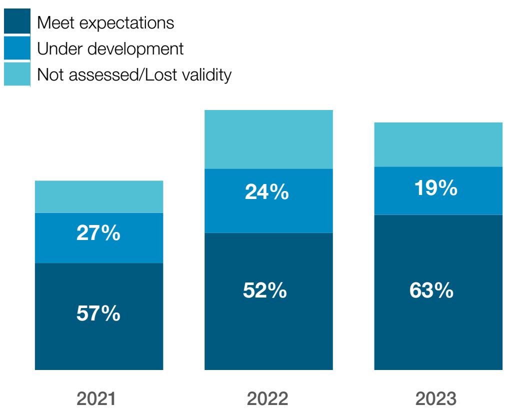
Management of relationships with suppliers

We work with our suppliers to create value and continuously improve our sustainability and theirs. We have dedicated programs in place to engage with suppliers on the various subjects.

With regard to social and environmental risks, all direct suppliers with an annual spend of more than €1,000 are requested to sign our Business Partner Code of Conduct. This is a core part of our commercial agreement with our suppliers and enables us to do business based on our core values of safety, integrity and sustainability. Signatories cover 99% (2022: 99%) of the product related spend and 93% (2022: 93%, excluding logistics) of the non-product related spend, including logistics. In 2023, we implemented an IT solution to automate the collection and filing of the Code of Conduct signatories.

For direct suppliers with an annual spend of €250,000, we perform an annual risk analysis, reviewing the country and industry risks our suppliers are exposed to. The threshold has been set to ensure it also covers small and medium-sized companies. Any suppliers that are identified as high-risk through this annual approach are selected for the Together for Sustainability (TfS) Assessment and Audit program. In 2023, the total number of suppliers in scope amounted to 1,347 suppliers, covering 83% of our global spend and 93% of our upstream carbon emissions. TfS (of which we've been a member since 2013), is a procurement-driven initiative that improves the sustainability performance of chemical companies and their suppliers. The program is based on the UN Global Compact and Responsible Care® principles. The sustainability assessments are performed by EcoVadis, a partner of both TfS and AkzoNobel and covers topics in the areas of environment, labor and human rights, ethics and sustainable procurement, based on international standards.

Suppliers in sustainability program bar size indicates total number of suppliers



Suppliers in this sustainability program are requested to achieve a total score of 45 and a labor and human rights score of 50 through an annual assessment. Suppliers not yet meeting these thresholds are shown as “under development” in the graph. Complementary to the assessment, we perform third-party TfS audits on selected supplier sites in risk regions. In 2023, a total of 22 TfS site audits were performed on our suppliers.

Through the EcoVadis and TfS academy, we provide trainings to our suppliers on sustainability topics. In addition, we perform annual onboarding webinars, which were attended by 95 supplier individuals in 2023.

We continued to reduce our supply base quite significantly during 2023. This helped us manage our sustainability program through consolidated suppliers with a good sustainability performance. This contributed to a reduced number of suppliers in the sustainability program (85 fewer versus 2022).

Looking at carbon emission mitigation, because 46% of our carbon emissions come from our upstream activities, this is an area where we can make a big impact through collaboration and innovation with our suppliers. More details can be found under Climate change mitigation.

For indirect suppliers, the TfS program already addresses sustainable procurement activities at our suppliers (our Tier 2 suppliers). In addition, we have a human rights due diligence program to address potential impacts on human rights further up in our value chain. More information can be found in Workers in our value chain.

As part of our approach to managing our relationship with suppliers, we provide various sustainability trainings to our buyers. These trainings are available via our learning academy “Success Factors”. We also offer live webinars. For 2023, our buyers’ training focused on upcoming legislation requirements, particularly human rights due diligence. A total of 74 buyers attended these webinars. For more information about our approach to human rights in our upstream value chain, see Workers in our value chain.

Prevention and detection of corruption or bribery

At AkzoNobel, we’re committed to conducting our business fairly, transparently and with integrity, while applying the highest ethical and legal standards. We don’t make, offer or authorize bribes or conduct any other form of unethical business practice. We believe in competing on the merits of our products.

Our rules and procedures related to anti-corruption or anti-bribery can be found on our Policy Portal, which is accessible to our employees. The regional Integrity and Compliance Managers provide support for identifying and addressing local risks, and cooperating with the business and functional teams to tailor the program to local risks and follow up on internal audit findings and SpeakUp! cases.

Mandatory training on anti-corruption/anti-bribery is delivered digitally to all new online colleagues. Classroom trainings are also given for specific teams and on specific risks that result from SpeakUp! cases, audit findings or general preventive measures. As covered in the Integrity and compliance management chapter, during 2023, we launched a new online gifts and hospitality training. To help our employees act in line with our anti-bribery and anti-corruption rules and procedures, we launched new and improved gift and conflict of interest tools (including a pre-approval workflow).

In 2023, we successfully launched a pilot program for Third-Party Risk Management, targeting sales-side high-risk third parties, screening them on corruption and bribery risks. With regard to our suppliers, our EcoVadis assessments also cover corruption and bribery.

Any alleged violation of our anti-corruption or anti-bribery rules and procedures can be reported through our SpeakUp! process (as previously described) and is then investigated by an independent team.

Political influence and lobbying activities

As a leading paints and coatings company, we participate in the public debate about various topics within our industry. Collaborating with stakeholders is fundamental to what we want to achieve. Our lobbying activities, and broader stakeholder engagement, are guided by our company strategy and governance and are based on material impacts, including our approach to sustainability. AkzoNobel representatives engage directly and indirectly – via trade and industry associations, as well as dedicated sustainability coalitions – with stakeholders globally.

AkzoNobel has a global policy in place around Donations and Sponsorships Rules and Procedures. It states that we should not promise, offer, give or authorize anything of value, directly or through others, with the intent to improperly influence or reward a business decision. The policy adds that all employees have a responsibility to make decisions in the company’s best interest and to ensure that our dealings with (business) partners are objective and not influenced by donations or sponsorships. We do not provide donations and/or sponsorships to organizations owned, controlled by, associated with, or at the behest of government officials[1].

Our main topics are:
- Relationships with (local) governments and communities where the company has operations. This includes identifying trends, obligations and expectations in relation to our license to operate, as well as sharing views in support of a competitive company and industry
- Contribute to the green transition, for example by sharing expertise about value chain carbon footprint reduction and how our products enable others to become more sustainable
- Chemicals and environmental regulation, including sharing our view on risk-based substance management as relevant for paints and coatings products and manufacturing
- Innovation and R&D, in support of an innovation-friendly environment
- International corporate social responsibility, promoting sustainable business practices and policies

For more information, see our position statements: www.akzonobel.com/en/about-us/position-statements

Akzo Nobel N.V. is registered in the EU Transparency register: ID number: 365563511941-15. Examples of collaborations can also be found on our website: www.akzonobel.com/en/about-us/collaborations-

To help bodyshops accelerate repair performance, our Sikkens and Lesonal vehicle refinishes brands launched a new generation of fast-drying fillers. Known as Sikkens Autosurfacer Optima and Lesonal 2K Ultimate Filler, they can significantly improve productivity while lowering energy costs and consumption – without compromising on quality.

[1] "Government officials" are:
- An officer or employee of any government, department, agency, bureau, authority, or state-owned or state-controlled entity
- Acting in an official capacity for, or on behalf of, any government, department, agency, bureau, authority, or state-owned or state-controlled entity
- An official, employee, or person acting on behalf of a government-sponsored or public international organization, such as the European Union, the United Nations or the World Bank
- Holding a legislative, administrative, executive, or judicial position, whether appointed or elected; a political candidate
- An officer or employee of a political party; a member of a royal family; or a family member of, or otherwise closely associated (whether family or personal), with any of the foregoing

Some examples of government officials are public servants, public officials, administrators, police officers, military, judges, public prosecutors, tax or customs officials, employees in state companies, local politicians, political parties, political officials or candidates for political office, members of the royal family, mayors and city council members.

SUMMARY TABLE

SUSTAINABILITY PERFORMANCE SUMMARY

The indicators that fall within the scope of limited assurance of the external auditor for 2023 are marked with the following symbol: ▶

Our reporting principles are available on www.akzonobel.com/en/about-us/sustainability-/reporting-principles

ENVIRONMENTAL

Energy use and emissions	Unit	2019	2020	2021	2022	2023	Ambition 2030
▶ Total energy use	1000TJ	6.02	5.69	6.33	5.91	5.92	
– per ton of production	GJ/ton	1.88	1.83	1.89	1.90	1.78	30% less[3]
Regional split energy use[1]							
North America	%					17	
Latin America	%					13	
North Asia	%					18	
South Asia Pacific	%					10	
EMEA	%					42	
▶ Renewable energy (own operations)	%	31	33	37	41	50	
▶ Renewable electricity (own operations)	%	37	40	45	50	62	100
▶ Greenhouse gas emissions – Direct CO_2(e) emissions (Scope 1)	kilotons	58.3	57.2	64.5	60.1	59.2	
– per ton of production	kg/ton	18.18	18.42	19.27	19.35	17.79	
▶ Greenhouse gas emissions – Indirect CO_2(e) emissions (Scope 2)	kilotons	183.1	168.2	172.1	147.5	120.4	
– per ton of production	kg/ton	57.13	54.22	51.41	47.45	36.17	
▶ Total Greenhouse gas emissions – Scope 1 and Scope 2 combined CO_2(e) emissions – Market-based[2]	kilotons	241.4	225.4	236.6	207.6	179.6	50% less[3]
– per ton of production	kg/ton	75.31	72.64	70.68	66.80	53.95	
Total Greenhouse gas emissions – Scope 1 and Scope 2 combined CO_2(e) emissions – Location-based[1]	kilotons					254.5	
– per ton of production	kg/ton					76.46	
Scope 2 Market-based[2]	kilotons	183.1	168.2	172.1	147.5	120.4	
Scope 2 Location-based[1]	kilotons					195.3	

[1] Reported as from 2023. For energy use, the 2018 baseline is 1.91GJ/ton. For Scope 1 and 2 combined CO_2(e) emissions, the 2018 baseline is 288.9 kilotons.
[2] In 2023, we started to centrally manage renewable electricity following the market-based methodology using certificates. For 2019-2022, our sites provided the % Renewable electricity.
[3] Baseline 2018.

SUMMARY TABLE

Scope 1 breakdown[1]	Unit	2019	2020	2021	2022	2023	Ambition 2030
Natural gas	kilotons					49.8	
Fuel oil	kilotons					6.7	
LPG	kilotons					2.7	
Scope 2 breakdown[1]							
Electricity non-renewable	kilotons					116.3	
Steam import	kilotons					1.8	
Hot water import	kilotons					2.3	
▶ Volatile organic compounds (VOC)	kilotons	1.19	0.95	0.96	0.83	0.91	
– per ton of production	kg/ton	0.37	0.31	0.29	0.27	0.27	
NOx emissions	kilotons	0.07	0.07	0.07	0.07	0.07	
– per ton of production	kg/ton	0.02	0.02	0.02	0.02	0.02	
SOx emissions	kilotons	0.04	0.03	0.03	0.03	0.03	
– per ton of production	kg/ton	0.01	0.01	0.01	0.01	0.01	
Resource efficiency[2]							
▶ Total waste	kilotons	67	62	67	60	63	
– per ton of production	kg/ton	21.00	19.96	19.87	19.26	18.95	
▶ Circular use of materials	%	55	57	58	54	55	100
▶ Total reusable waste	kilotons	34	32	35	28	29	
– per ton of production	kg/ton	10.73	10.39	10.48	9.01	8.79	
▶ Total non-reusable waste	kilotons	33	30	31	32	34	
– per ton of production	kg/ton	10.28	9.57	9.39	10.25	10.16	
▶ Hazardous waste total	kilotons	29	28	31	29	30	
– per ton of production	kg/ton	9.07	8.93	9.19	9.17	9.09	
Non-hazardous waste total	kilotons	38	34	36	31	33	
▶ Hazardous waste non-reusable	kilotons	14	15	17	18	20	
– per ton of production	kg/ton	4.46	4.70	4.95	5.82	5.98	
Total Hazardous waste reusable	% of hazardous waste	52	46	45	38	33	
▶ Hazardous waste to landfill	kilotons	0.45	0.23	0.11	0.14	0.36	
– per ton of production	kg/ton	0.14	0.07	0.03	0.05	0.11	
▶ Non-hazardous waste to landfill	kilotons	9.40	6.22	1.39	1.12	2.41	
▶ Total waste to landfill	kilotons	9.84	6.45	1.50	1.27	2.77	Zero (<1% of total waste)

[1] Reported as from 2023.
[2] Several waste metrics have been restated for 2022, refer to Basis of preparation for further details.

SUMMARY TABLE

Resource efficiency (continued)	Unit	2019	2020	2021	2022	2023	Ambition 2030
▶ Total freshwater use	million m^3	8.05	9.12	9.56	8.63	7.70	
– per ton of production	m^3/ton	2.51	2.94	2.86	2.78	2.31	
▶ Total fresh water consumption (excluding water related to product)	million m^3			1.27	1.14	1.24	
– per ton of production	m^3/ton			0.38	0.37	0.37	
Supplier management							
PR suppliers signed Business Partner CoC	% of spend	98	98	99	99	99	
NPR suppliers signed Business Partner CoC	% of spend	84	89	89	93	93	
▶ Suppliers participating in sustainability program	% against baseline	65	75	84	77	82	
▶ Suppliers in sustainability program – under development	% against baseline	18	24	27	24	19	
▶ Suppliers in sustainability program – in line with our expectation	% against baseline	47	51	57	52	63	
Survey response rate (materials with potential human rights impact)	% of surveyed suppliers	81	86	85	85	80	
Third-party on-site sustainability audits (including TfS shared audits, cumulative)	number	263	315	313	298	305	
Sustainable product portfolio and product safety							
▶ Sustainable solutions[1]	% of revenue			39	39	39	>50
Value chain emissions[2]							
▶ Cradle-to-grave carbon footprint (Scope 1, 2 and 3)	million tons	13.6	12.7	14.6	13.7	13.3	
Cradle-to-grave with selected Scope 3 as part of total cradle-to-grave carbon footprint	% of total carbon footprint	96	96	97	95	95	
▶ Scope 3 upstream selected categories	million tons	6.2	5.8	6.8	6.4	6.1	
▶ Scope 3 downstream selected categories	million tons	7.2	6.7	7.6	7.1	7.0	
▶ Scope 3 – upstream and downstream combined	million tons	13.4	12.5	14.4	13.5	13.1	50% less[3]
Scope 3, category 1. Purchased goods and services	million tons CO_2(e) (estimated)	6.2	5.8	6.8	6.4	6.1	
Scope 3, category 10. Processing of sold products	million tons CO_2(e) (estimated)	(included in use)	(included in use)	(included in use)	5.3	5.2	
Scope 3, category 11. Use of sold products	million tons CO_2(e) (estimated)	5.5	5.0	5.7	(included in processing)	(included in processing)	
Scope 3, category 12. End-of-life treatment of sold products	million tons CO_2(e) (estimated)	1.7	1.7	1.9	1.8	1.8	

[1] The 2022 percentage has been restated to change the reporting period from Nov '21-Oct '22, to Jan '22-Dec '22. For 2021, the reporting period was Nov '20-Oct '21.
[2] Value chain emissions for the periods before 2023 have been adjusted to reflect an updated key value chain model for Powder Coatings, raw material model revisions and the impact of restating for the Grupo Orbis acquisition. See Basis of preparation for an overview of reporting adjustments related to prior periods.
[3] Baseline 2018. For Scope 3 – upstream and downstream combined – the restated 2018 baseline is 14.5 million tons.

SOCIAL

People and process safety	Unit	2019	2020	2021	2022	2023	Ambition 2030
▶ Fatalities employees	number	2	0	1	0	0	
▶ Total reportable injury rate employees/temporary workers	/200,000 hours	0.24	0.23	0.21	0.24	0.31	
▶ Lost time injury rate employees/temporary workers	/200,000 hours	0.08	0.09	0.11	0.13	0.14	
▶ Occupational illness rate employees	/200,000 hours	0.003	0.010	0.003	0.003	0.000	
Occupational illness frequency rate (OIFR)	/1,000,000 hours	0.03	0.04	0.01	0.01	0.00	
Total illness absence rate employees	%	2.17	2.59	2.66	3.24	3.14	
▶ Fatalities contractors (temporary workers plus independent)	number	0	0	0	0	0	
▶ Total reportable injury rate contractors	/200,000 hours	0.19	0.17	0.12	0.21	0.27	
▶ Lost time injury rate contractors	/200,000 hours	0.09	0.11	0.08	0.06	0.23	
▶ Life-changing injuries	number	3	2	2	1	1	
Distribution incidents	number	26	15	14	12	21	
▶ Loss of primary containment – Level 1	number	3	6	5	2	4	
▶ Loss of primary containment – Level 2	number	64	52	67	51	83	
Regulatory actions – Level 3	number	3	0	2	1	0	
▶ Regulatory actions – Level 4[1]	number	0	0	0	1	2	
▶ Security incidents Level 3	number	0	0	4	0	1	

HSE management							
Safety incidents (Level 3)	number	2	0	2	0	0	
Safety incidents (Levels 1, 2, 3)	number	3	2	5	1	1	
Management audits plus reassurance audits	number	32	28	29	33	33	
Environmental certification ISO 14001	% of manufacturing sites	75	76	80	78	81	
Health and Safety Management certification – ISO 45001	% of manufacturing sites	53	53	57	55	57	

AkzoNobel Cares							Ambition 2020-2030
Members of local communities empowered with new skills	number	4,078	2,669	11,193	24,225	32,035	100,000+
AkzoNobel Cares projects	number	225	170	182	239	311	2,000+

[1] A notification of a fine imposed by the UK authorities in December 2022, in response to a process safety incident in 2020 at our Felling site, came in too late to include in the annual report for 2022. As a result, the RA4 number for 2022 is adjusted from 0 to 1.

SUMMARY TABLE

Employees	Unit	2019	2020	2021	2022	2023	Ambition 2025
▶ Female executives	%	18	21	22	26	25	30
Executive Committee female representation	%	33	40	43	50	11	
Supervisory Board female representation	%	33	38	33	38	38	
Total employee turnover rate	%	14	13	14	15	13	
Total employee turnover in headcount[1]	number					4,657	
Voluntary employee turnover rate	%	7	5	8	9	7	
Training hours per employee[1]	number					2.5	
Percentage of employees who participated in regular performance reviews[1]	%					95	
Voices – Overall employee engagement index[1]	number					4.0	
Voices – Employee net promoter score (eNPS)[1]	number					11	
Voices – Participation rate[1]	%					89	
Employees covered by an independent trade union or collective bargaining agreements	%	56	59	49	45	48	

[1] Reported as of 2023.

Age distribution of our employees

Age group	Number of employees	Percentage
Under 30 years old	3,958	11
30-50 years old	22,127	62
Over 50 years old	9,487	27
Total	**35,572**	**100**

Characteristics of own workforce

Gender	Number of employees	Percentage
Female	9,662	27
Male	25,901	73
Other	9	–
Total	**35,572**	**100**

Characteristics of own workforce

	Female	Male	Other
Number of permanent employees (headcount)	8,741	24,138	7
Number of temporary employees	921	1,763	2
Number of full-time employees	8,752	25,204	9
Number of part-time employees	910	697	–

Characteristics of own workforce

	EMEA	Latin America	North America	North Asia	South APAC
Number of permanent employees (headcount)	15,764	5,021	3,097	4,024	4,980
Number of temporary employees	534	252	0	1,460	440
Number of full-time employees	14,817	5,173	3,086	5,482	5,407
Number of part-time employees	1,481	100	11	2	13

LEADERSHIP AND GOVERNANCE

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

Our Aerospace Coatings business is helping airlines and operators take aircraft paint maintenance to new heights of efficiency – thanks to the launch of the Aerofleet Coatings Management service. It uses data gathered over several years and makes it easier and more accurate to determine when an aircraft needs to be repainted.

OUR BOARD OF MANAGEMENT AND EXECUTIVE COMMITTEE

1. Grégoire (Greg) Poux-Guillaume • CEO and Chair of the Board of Management and Executive Committee (1970, FR) • Greg joined AkzoNobel in November 2022 as CEO and Chair of the Board of Management, bringing with him 30 years of experience in various industrial businesses and private equity. He was previously CEO of Sulzer (2015 to 2022) and before that, CEO of GE Grid Solutions. Greg is also a non-executive member of the Board of Directors of medmix Ltd., a publicly listed MedTech company.

2. Maarten de Vries • CFO and member of the Board of Management and Executive Committee (1962, NL) • 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. From 2011 to 2014, Maarten was CEO of TP Vision, and prior to this, held senior positions at Royal Philips Electronics, including Chief Information Officer and Chief Purchasing Officer at Group Management Committee level.

3. Karen-Marie Katholm • Chief Integrated Supply Chain Officer and member of the Executive Committee (1967, DK) • Karen-Marie joined AkzoNobel in September 2021, having held various global leadership roles across sourcing, supply chain and operations. She was previously Integrated Operations Leader for DuPont Nutrition & Biosciences – having joined Danisco A/S (later DuPont) in 2009. Karen-Marie has over 20 years' experience working at various food manufacturers, such as Orkla, United Biscuits and Arla Foods. She's also a non-executive member of the Boards of Directors of NTG Nordic Transport Group A/S and Chr. Augustinus Fabrikker.

4. Charlotte van Meer • General Counsel and member of the Executive Committee* (1979, NL) • Charlotte rejoined AkzoNobel in January 2024, having previously worked for the company for over ten years, when she held various roles in the Legal function, including Head of Legal EMEA, Director Legal Corporate and Corporate Secretary. Before rejoining AkzoNobel, she was Chief Legal Officer of metal packaging company Trivium for four years.

*Officially appointed as of January 1, 2024, succeeding Dr. Hilka Schneider

5. Armand Sohet • Chief Human Resources Officer and member of the Executive Committee (1965, FR) • Armand joined AkzoNobel in July 2023 (succeeding Joëlle Boxus) and has extensive experience heading the HR function of publicly traded companies. He has led transformations in industrial businesses with complex manufacturing operations, but also as the HR partner of multi-channel commercial organizations. Armand was previously CHRO and Chief Sustainability Officer of Sulzer for seven years.

6. Simon Parker • Member of the Executive Committee (1966, UK) • Simon has 33 years of experience in multi-national businesses and more than 25 years of experience within Coatings, having been responsible for many business transformations and restructurings in the operating units of AkzoNobel. He joined the company in 1997 and held various business leadership positions before taking over as Business Unit Director for Marine and Protective Coatings in April 2022.

7. Jan-Piet van Kesteren • Member of the Executive Committee (1972, NL) • Jan-Piet joined AkzoNobel in March 2010. In 2017, he was appointed Business Unit Director for Decorative Paints in Europe, Middle East and Africa. Previously, Jan-Piet was Vice President Foods & Beverages for Unilever's North Africa Middle East business, based in the UAE, following eight years with Unilever in the Netherlands.

8. Patrick Bourguignon • Member of the Executive Committee (1965, BE) • Patrick joined AkzoNobel in October 2019 as Business Unit Director for Automotive and Specialty Coatings. He has more than 35 years of experience, having held several positions across different industries in sales, distribution and general management. Previously, Patrick was with UNILIN for 12 years.

9. Daniel Campos • Member of the Executive Committee (1972, BR) • Daniel joined AkzoNobel in September 2015 as Business Unit Director for Decorative Paints Latin America. He previously worked at Natura for three years, managing Global Personal Care for the Brazilian health and beauty leader. Before that, Daniel spent 19 years at Procter & Gamble, where he held several positions in general management, sales and marketing roles.

STATEMENT OF THE BOARD OF MANAGEMENT

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

We prepared this Report 2023 in line with International Financial Reporting Standards, as adopted by the EU (IFRS), 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 2023 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 2023 includes a fair review of the position at December 31, 2023, the development and performance during the financial year 2023 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 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 chapter.

The Integrity and Compliance function makes policies, rules and procedures 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! complaints procedure. For a more detailed description of the integrity and compliance framework, please refer to the Integrity and compliance management chapter.

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 design and 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 – is adequate and effective.

While we routinely work towards continuous improvement of our processes and procedures regarding financial reporting, the Board of Management confirms that according to the current state of affairs, to the best of its knowledge:
- The Report 2023 provides sufficient insights into any failings in the effectiveness of the internal risk management and control systems with regard to the risks associated with the strategy and activities of AkzoNobel and the undertakings included in the consolidation, including the strategic, operational, compliance and reporting risks
- There have been no material failings in the effectiveness of internal risk management and control systems
- These systems provide reasonable assurance that the financial reporting does not contain material inaccuracies
- It is justified that the financial reporting is prepared on a going concern basis
- There are no material risks associated with the strategy and activities of AkzoNobel and the undertakings included in the consolidation, including the strategic, operational, compliance and reporting risks, or uncertainties that could reasonably be expected to have a material adverse effect on the continuity of the company's operations for the 12-month period after report preparation

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

Amsterdam, February 26, 2024

The Board of Management

Greg Poux-Guillaume, CEO and Chair of the Board of Management

Maarten de Vries, CFO and member of the Board of Management

STATEMENT OF THE CHAIR OF THE SUPERVISORY BOARD

BEN NOTEBOOM

Chair 1958, NL

Initial appointment: 2023

Term of office:
2023 – 2027

Chair of the Supervisory Board of Koninklijke Vopak N.V.; Vice Chair of the Supervisory Board of Koninklijke KPN N.V.; Chair of the Board of Trustees of the Cancer Center Amsterdam.

2023 was a solid year for AkzoNobel as the company demonstrated its ability to recover strongly from the challenges of a difficult and often unpredictable macro-economic climate.

From an operations perspective, strong pricing discipline, working capital normalization and cost reduction have been key to us partially offsetting headwinds such as cost inflation and adverse currency effects, while declines in raw material prices proved favorable in the second half of the year. Management deserves credit for acting decisively to implement its four strategic priorities – margin management, cost reduction, working capital normalization and deleveraging – which ensured that the company was able to deliver and make good progress on its strategic ambitions.

As we move into 2024, it's a question of staying financially disciplined – reducing both debt and leverage – while maintaining our strategic direction and further building on the power of our brands. Unlocking the significant value to be gained by improving operations has been identified as a major priority. As a Supervisory Board, we fully support the decision to implement a long-term industrial excellence plan, which is now underway. It's focused on reducing complexity, improving capacity utilization and investing in the modernization of the company's sites. There's significant value to be gained and the plan will be an important part of our strategy for the next few years.

Although it was a relatively quiet year in terms of M&A, we did complete the acquisition of the Huarun business in China. It was a significant transaction, which will further boost our position in decorative paints in the region. It's also been encouraging to see the integration of the Grupo Orbis activities – acquired in 2022 – continue to go smoothly. Both of these investments highlight the company's commitment to strengthening its global activities and will make important contributions to AkzoNobel's long-term growth potential.

The company is determined to continue moving forward and the Supervisory Board was pleased to see management address several key improvement areas across the organization. The introduction of the new Voices employee engagement platform and survey was particularly notable. The level of engagement exceeded the industry average, which is an admirable achievement. It will be interesting to see the impact the platform has on helping to create a more stimulating and fulfilling work environment.

The company's Paint the Future collaborative innovation ecosystem also continued to gain momentum during the year. The latest 24-hour challenge – staged in November 2023 – was focused on reducing the collective carbon footprint of the vehicle repair industry. Working with several partners, the aim is to develop a shared approach to tackling climate change. It's an excellent example of how the company is looking for meaningful and impactful ways to reduce carbon emissions across its own operations and the entire value chain.

It's clear from the ongoing implementation of strategic and operational initiatives that management is working hard to address today's challenges, while laying the necessary foundations for the company to thrive tomorrow – which will pave the way for a future to excite all our stakeholders. I'm very much looking forward to contributing to the next phase of AkzoNobel's transformation.

On behalf of the Supervisory Board, I would like to thank our shareholders and all other stakeholders for their continued trust in the company, as well as my Supervisory Board colleagues, the Board of Management and Executive Committee for all their efforts during 2023. I'd also like to express deep appreciation for the continued hard work and commitment of AkzoNobel's employees around the world, who helped to deliver a solid performance in a far from perfect business climate.

Amsterdam, February 26, 2024

Ben Noteboom
Chair of the Supervisory Board

REPORT OF THE SUPERVISORY BOARD

Non-executive Director of Tesco plc., IHG (InterContinental Hotels Group plc.) and Inchcape plc.

BYRON GROTE
Deputy Chair

Initial appointment: 2014
Term of office: 2022-2024

1948, US and UK

Independent Director and Chair of the Board of Directors of Ontex Group NV; member of the Supervisory Board of Lanxess AG; non-executive member of the Board of Directors of Etex NV.

HANS VAN BYLEN

Initial appointment: 2022
Term of office: 2022-2026

1961, BE

CFO of Koninklijke Ahold Delhaize N.V.; member of the Supervisory Board of Pon Holdings B.V.

JOLANDA POOTS-BIJL

Initial appointment: 2019
Term of office[1]: 2023-2027

1969, NL

Chair of Johnson Matthey plc.; member of the Supervisory Board of Covestro A.G.

PATRICK THOMAS

Initial appointment: 2017
Term of office: 2021-2025

1957, UK

CEO and President of Novozymes A/S; member of Business Council for United Nations; member of the Board of Trustees of US Council for International Business; Vice-Chair of the B Team; member of the Board of SBTi.

ESTER BAIGET

Initial appointment: 2022
Term of office: 2022-2026

1971, ES

Non-executive Director of Reckitt Benckiser plc. and Bunzl plc.

DR. PAMELA KIRBY

Initial appointment: 2016
Term of office: 2020-2024

1953, UK

Deputy Chair of the Supervisory Board of Euronext N.V.; Chair of the Supervisory Boards of Euronext Amsterdam N.V. and NIBC Bank N.V.; member of the Boards of Directors of FWD Group Limited and State Academy of Finance and Economics; Trustee of the Erasmus University Trust Fund; Senior Advisor to Bank of America Europe DAC.

DICK SLUIMERS

Initial appointment: 2015
Term of office: 2023-2025

1953, NL

[1] Stepped down per January 31, 2024

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.

In 2023, the Board of Management attended all meetings of the Supervisory Board. 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 and without the CEO in attendance. The Chair 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. When needed, virtual participation is made possible with video conference capabilities, enabling Supervisory Board members to perform their role appropriately.

Strategy updates

During 2023, the Supervisory Board continued to allocate adequate time to discuss strategic activities. It received regular updates from the Executive Committee on the progress made towards the ambitions of the company's strategy, as well as on the underlying programs supporting the strategy. With a focus on sustainable long-term value creation, the Supervisory Board reviewed and advised on the three-year strategy for each of the eight business units, as well as the three overarching pillars across our portfolio of businesses, as further described in the Strategy chapter.

Industrial excellence

The Supervisory Board regularly received updates on the ambitions and roll-out of the industrial excellence program, focused on reducing complexity, enhancing productivity and optimizing our network through investment and modernization at our anchor sites. The Supervisory Board advised on the improvement of industrial processes, which is considered a key long-term strategic priority. Further details are included the Strategy chapter.

Functional updates

Throughout the year, the Supervisory Board reviewed and discussed functional updates, including Finance, Integrated Supply Chain, Human Resources, Sustainability, Innovation and Information Management. The Supervisory Board received comprehensive market updates and advised on contingency plans. In addition, the Supervisory Board reviewed the developments and initial outcomes of the survey of the new employee engagement platform, Voices.

Sustainability

The Supervisory Board views sustainability as an intrinsic value driver in the work of all businesses and functions. During 2023, the Supervisory Board continued to assess sustainability as part of strategy and targets and advised on further embedding related considerations into decision-making. During quarterly updates on sustainability, the Supervisory Board reviewed and advised on the progress made towards the company's sustainability ambitions. The Supervisory Board reviewed the company's response to climate change, focusing on efforts to reduce emissions across the whole value chain (including Scope 1, 2 and 3). Deep dives were carried out for specific topics, such as carbon footprint and circularity. As part of its oversight of the integrity and quality of the company's sustainability reporting, the Supervisory Board received updates on the various programs that have been initiated, and on progress made in relation to Corporate Sustainability Reporting Directive (CSRD) compliant reporting.

The company's sustainability ambitions and progress are further considered as part of the business reviews and functional updates, and as part of the Supervisory Board's review of the company's innovation efforts and programs. Further details are included in the Sustainability statements.

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.

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. The Supervisory Board diligently reviewed budgets and operating plans, taking into account the macro-economic uncertainty. Following assessments, the Supervisory Board approved the proposed budgets and operating plan for 2024.

During the year, the Supervisory Board was pleased to see the company continuing to benefit from management's strategic initiatives, including its focus on margin management, cost reduction, working capital normalization and deleveraging. The nature of this performance and the company's capital allocation priorities were all considered in the Supervisory Board's approval of the dividend proposal. Further details on the 2023 dividend proposal can be found in the Financial information.

Supervisory Board attendance record

	Regular SB	Additional SB	AC	RC	NC
Nils Smedegaard Andersen[1]	3/3	1/1		2/2	1/1
Ben Noteboom[2]	6/6			4/4	4/4
Ester Baiget	9/9	1/1	8/8		
Jolanda Poots-Bijl	6/9	1/1	5/8		
Hans Van Bylen	8/9	1/1		5/6	5/5
Byron Grote	9/9	1/1	8/8		
Pamela Kirby	8/9	1/1		6/6	5/5
Dick Sluimers	9/9	1/1		6/6	4/5
Patrick Thomas	9/9	1/1	8/8		

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 nine regular, scheduled meetings and one additional meeting of the Supervisory Board. The additional meeting was scheduled ad hoc.
[1] Stepped down after the AGM held on April 21, 2023.
[2] Appointed to the Supervisory Board and Remuneration Committee as per April 21, 2023, and appointed to the Nomination Committee as per May 19, 2023.

Risk management

The Supervisory Board views risk management as an essential mechanism to safeguard the business and assets of the company, and to secure sustainable 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

Following the implementation of the revised Dutch Corporate Governance Code, with effect from January 1, 2023, a review of the company's corporate governance framework and systems was performed. Certain practices were revised and the Supervisory Board is satisfied the company has complied with the Code on a "comply or explain" basis. Further details can be found in the Corporate governance statement.

Talent management and succession planning

Throughout the year, the Supervisory Board discussed and undertook detailed succession planning. This included taking the time to discuss its own composition and succession plans in order to ensure continued effectiveness.

With Nils Smedegaard Andersen stepping down after the 2023 AGM, the Supervisory Board nominated Ben Noteboom for appointment to the Supervisory Board. The Supervisory Board further nominated Jolanda Poots-Bijl and Dick Sluimers for reappointment to the Supervisory Board. Dick Sluimers was initially appointed to the Supervisory Board in 2015, and reappointed for a second four-year term in 2019. He has been Chair of the Remuneration Committee since June 2017 and member of the Nomination Committee since February 2020. Prior to this, he was an Audit Committee member. Given his extensive experience with AkzoNobel – and to ensure the continuity and effectiveness of the Supervisory Board and the Remuneration Committee while allowing for appropriate succession planning – the Supervisory Board nominated Dick Sluimers to be reappointed to the Supervisory Board for a third term of two years. Jolanda Poots-Bijl and Dick Sluimers did not take part in the deliberations and voting regarding their own reappointments. The appointment and reappointments were approved at the AGM held on April 21, 2023. Ben Noteboom was elected as Chair of the Supervisory Board. The Supervisory Board also discussed the succession of Jolanda Poots-Bijl, who stepped down as member of the Supervisory Board as of January 31, 2024.

The requirements of the Corporate Governance Code, the Supervisory Board's profile, skills matrix and its policy on diversity and inclusion were considered throughout these processes. Further information can be found in the report of the Nomination Committee.

The Supervisory Board further discussed and supported changes to the composition of the Executive Committee. With Michael Friede stepping down as Chief Commercial Officer - Performance Coatings as of March 1, 2023,

Supervisory Board activities 2023

Q1
- Review Q4 2022 financials and performance
- 2022 financial statements, annual report and profit allocation
- Assurance report sustainability statements 2022
- External audit report 2022
- Final 2022 dividend
- Final budget 2023
- Strategic initiatives update
- Business updates
- Investor Relations update
- HSE&S full-year report
- Risk management risk session outcomes
- M&A strategy update
- Supervisory Board succession planning

Q2
- Review Q1 2023 financials and performance
- Remuneration Board of Management 2023
- Strategic initiatives update
- Investor Relations update
- HSE&S update
- Tax update
- M&A strategy update
- Business updates
- Industrial excellence update
- Sustainability/ESG update
- IM strategy update including cybersecurity
- Enterprise risk management update
- Corporate Governance Code 2022 update

Q3
- Review Q2 2023 financials and performance
- Investor Relations update
- HSE&S update
- Company strategy update
- Business strategy reviews (Coatings)
- Innovation strategy update
- Strategic initiatives update
- Business updates
- Industrial excellence update
- Sustainability/ESG update
- M&A strategy update

Q4
- Review Q3 2023 financials and performance
- Dividend policy
- Interim dividend 2023
- Business strategy reviews (Paints)
- Remuneration Board of Management 2024
- Investor Relations update
- Sustainability/ESG update
- HSE&S update
- Implementation Corporate Governance Code 2022
- Budget 2024
- M&A strategy update
- Industrial excellence update
- Human Resources strategy update (incl. Voices)
- Remuneration policies Board of Management and Supervisory Board
- Supervisory Board succession planning

Daniel Campos, Jan-Piet van Kesteren, Simon Parker and Patrick Bourguignon were appointed to the Executive Committee to represent the Decorative Paints and Performance Coatings businesses, effective February 1, 2023. With Joëlle Boxus stepping down as Chief Human Resources Officer per March 31, 2023, her responsibilities were taken over on an ad-interim basis until the appointment of Armand Sohet as new Chief Human Resources Officer per July 1, 2023. Dr. Hilka Schneider stepped down as General Counsel as of October 15, 2023, with her responsibilities being taken over on an ad-interim basis until the appointment of Charlotte van Meer as new General Counsel per January 1, 2024.

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 Supervisory Board member meets the independence requirements of the Corporate Governance 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 internal performance evaluation of itself, its individual members, its Audit, Remuneration and Nomination Committees, the Chair, as well as the relationship with the Board of Management and the Executive Committee. The process consisted of the Supervisory Board members completing a confidential questionnaire.

In a separate meeting without the Board of Management, the Supervisory Board discussed the results of the evaluation questionnaires and reflected on the improvement areas agreed during last year's evaluation. The Supervisory Board also discussed the functioning of the Board of Management and the performance of its individual members. Feedback was provided to, and discussed with, the members of the Board of Management.

The evaluation concluded that the Supervisory Board and its committees continue to operate proficiently. The Supervisory Board composition, and that of its committees, has the right blend of experience, knowledge, skills and diversity and there's a dynamic and open atmosphere between the Supervisory Board and the Board of Management, as well as the other members of the Executive Committee. Focus items going forward include continued attention for executive succession planning and talent management. Additional time will be spent on contributing to the development of the group strategy.

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 2023 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 2023 financial statements of Akzo Nobel N.V. form an adequate basis to account for the supervision provided (see the Financial information). 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 2023 and, as proposed by the Board of Management, the proposed total dividend for 2023 of €1.98 (2022: €1.98), including a final dividend of €1.54 per share. An interim dividend of €0.44 (2022: €0.44) per share was paid in November 2023. 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 Board of Management members from their responsibility for the conduct of business in 2023, and the Supervisory Board members for their supervision in 2023.

Committees of the Supervisory Board

	Audit Committee	Remuneration Committee	Nomination Committee
Nils Smedegaard Andersen (Chair[1])		Member[1]	Chair[1]
Ben Noteboom (Chair[2])		Member[3]	Chair[4]
Byron Grote (Deputy Chair)	Chair		
Ester Baiget	Member		
Jolanda Poots-Bijl[5]	Member		
Hans Van Bylen		Member	Member
Pamela Kirby		Member	Member
Dick Sluimers		Chair	Member
Patrick Thomas	Member		

[1] Until April 21, 2023
[2] Per May 26, 2023
[3] Per April 21, 2023
[4] Per May 19, 2023
[5] Until January 31, 2024

Audit Committee

All Audit Committee members 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 independent external auditor, 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 related notes, as well as on the scope and outcome of the limited assurance engagement on the selected non-financial indicators included in the Sustainability statements. The Audit Committee held independent meetings with the external auditor and critically reviewed and constructively challenged their audit approach, fees, risk assessment and audit plan. The Audit Committee performed an annual review of the services of the external auditor, and at each meeting considered and assessed the status of the auditor's independence.

In line with applicable regulations, the PwC lead partner in charge of the AkzoNobel account will change as of the audit of the 2024 financial statements. The new lead partner has been selected. The Audit Committee also started the preparations for mandatory auditor rotation. The external audit firm will be replaced as of the audit of the 2026 financial statements. The external auditor selection process has started and will largely take place during 2024, for submission and approval at the AGM in 2025. Further details on the external auditor can be found in the Corporate governance statement.

Risk management and internal control systems

The Audit Committee reviewed the company's overall approach to governance, risk management and internal controls, its processes, outcomes, financial and sustainability reporting and disclosures. It received regular updates from internal auditors and functions, and was provided with comprehensive risk and internal control reports during the year. In addition, the Audit Committee received periodic updates on the results of testing of internal control effectiveness, related remediation plans and assessments of overall control effectiveness. In its review, the Audit Committee considered the impact of changes to systems, processes and organization, such as the integration of the Grupo Orbis processes. The Audit Committee also met regularly with senior executives.

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. In addition, the Audit Committee reviewed the proposed budget and operating plan. During 2023, the Audit Committee received several updates on the IT security framework, including the corporate security program and the security program for the manufacturing sites.

Integrity and compliance

The Executive Committee is responsible for maintaining a culture of integrity and ensuring an effective integrity and compliance program and control framework. Part of these responsibilities are delegated to specific committees and the Integrity and Compliance team. The Supervisory Board's Audit Committee oversees this responsibility and reviews the regular integrity and compliance reports.

Internal audit

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 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 2023, the Audit Committee was satisfied with the effectiveness of the Internal Audit function. With the former Head of Internal Audit leaving AkzoNobel, the Audit Committee supported the succession of the Head of Internal Audit per March 1, 2023, which was subsequently approved by the Supervisory Board.

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 share price sensitive information. Based on these discussions, the Audit Committee advised the Supervisory Board on the publications and disclosures, as well as on proposals regarding the interim and final dividends. All quarterly and 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. The external auditor, as required by auditing standards, also considers the risk of management override of controls. Nothing has come to the attention of the Audit Committee to suggest any material misstatement related to suspected or actual fraud involving management override of controls.

Sustainability reporting

The Audit Committee advised on the company's roadmap in anticipation of the upcoming sustainability reporting frameworks. It received bi-annual updates on the progress made in relation to CSRD compliant reporting and reviewed and discussed the process and outcome of the double materiality assessment in light of CSRD. For more information, see the Sustainability statements.

Audit Committee activities 2023

Q1	Q2	Q3	Q4
• Review Q4 2022 financials and performance • 2022 Financial statements, annual report and profit allocation • External audit report 2022 • Assurance report sustainability statements 2022 • Final dividend 2022 • Review risk management and internal control 2022 report • Investor Relations update • Internal Audit Q4 2022 report • HSE&S audit findings • Pension update • Integrity and Compliance report 2022 • IT/cybersecurity update • Exposure report • Appointment Head of Internal Audit	• Review Q1 2023 financial statements • Internal Audit Q1 2023 report • Review evaluation external auditor • Review year-to-date audit findings • Review and approval PwC audit plan • Audit fee 2023 • Review auditor rotation plan • Investor Relations update • Treasury update • Tax update • Sustainability reporting update • Internal Audit strategy update • Integrity and Compliance update • IT/cybersecurity update	• Review Q2 2023 financial statements • Internal Audit Q2 2023 report • Investor Relations update • Review year-to-date audit findings	• Review Q3 2023 financial statements • Dividend Policy • Interim dividend 2023 • Internal Audit Q3 2023 report • Sustainability reporting update • Integrity and Compliance update • Auditor rotation incl. review RFP • Budget 2024 • Internal Audit Plan 2024 • Hard close audit report • Investor Relations update • Tax update • Change lead partner external auditor • Finance transformation update

Remuneration Committee

Management performance review

The work of the Remuneration Committee during Q1 focused on 2022 performance, individual performance reviews of Board of Management members and the Executive Committee. The Remuneration Committee also reviewed various incentive plans, the economic circumstances and the relative performance compared with top peers.

Remuneration Policy review

In 2023, the Remuneration Committee and Supervisory Board reviewed the remuneration policies for the Board of Management and the Supervisory Board to assess whether these were still in line with the company's strategy and financial targets. Following such review, the Supervisory Board will propose amendment of the remuneration policies for the Board of Management and Supervisory Board for consideration by shareholders at the 2024 AGM. Further information can be found in the Remuneration report.

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 Executive Committee members. 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. Further information can be found in the Remuneration report.

Remuneration Committee activities 2023

Q1	Q2 and Q3	Q4
• Review of management performance 2022 • Approval of 2022 pay-out under Short-term Incentive Plan and vesting of shares under Long-term Incentive Plan • Review of CFO remuneration • 2022 Remuneration report • Review Remuneration Policy for Board of Management • Review of management base salaries for 2023 • Target setting 2023 • TSR peer group review	• Review Remuneration Policy for Board of Management and Supervisory Board • Target setting 2023 • Supervisory Board remuneration	• Preparation of 2023 Remuneration report • Review of 2023 (preliminary) performance outlook • Review Remuneration Policy for Board of Management and Supervisory Board • Review of management base salaries for 2024

Nomination Committee

Supervisory Board succession

During 2023, the Nomination Committee continued to discuss the size, structure and composition of the Supervisory Board. Following thorough consideration, the Nomination Committee recommended the appointment of Ben Noteboom and the reappointment of Jolanda Poots-Bijl and Dick Sluimers to the Supervisory Board for consideration by the shareholders at the AGM of April 21, 2023. The Nomination Committee also discussed the succession of Jolanda Poots-Bijl, who stepped down as a member of the Supervisory Board as of January 31, 2024.

The Supervisory Board has updated its skills matrix, as shown on the next page. It contains 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.

Board of Management and executive succession

During 2023, the Nomination Committee was consulted and gave its advice regarding the composition of the Executive Committee and the succession of the Chief Human Resources Officer and General Counsel. The Nomination Committee was further consulted on talent management and the company's new Diversity, Equity and Inclusion (DE&I) strategy.

Nomination Committee activities 2023

Q1 and Q2	Q3 and Q4
• Supervisory Board succession planning • Review (re)appointment scheme • Review composition Supervisory Board committees • Update skills matrix	• Supervisory Board succession planning • Board of Management and Executive Committee succession planning and talent management • Review Diversity, Equity and Inclusion Policy

Supervisory Board skills and profiles

	B. Noteboom (m)	E. Baiget (f)	H. Van Bylen (m)	J. Poots-Bijl (f)	B. Grote (m)	P. Kirby (f)	D. Sluimers (m)	P. Thomas (m)
Independent	●	●	●	●	●	●	●	●
Consumer goods	●		●		●	●		
Industrials	●	●	●	●	●	●	●	●
Buildings and infrastructure		●		●				●
Transportation				●	●	●	●	●
(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, sustainability experience (ESG)	●	●	●	●	●	●	●	●
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				●		●	●	

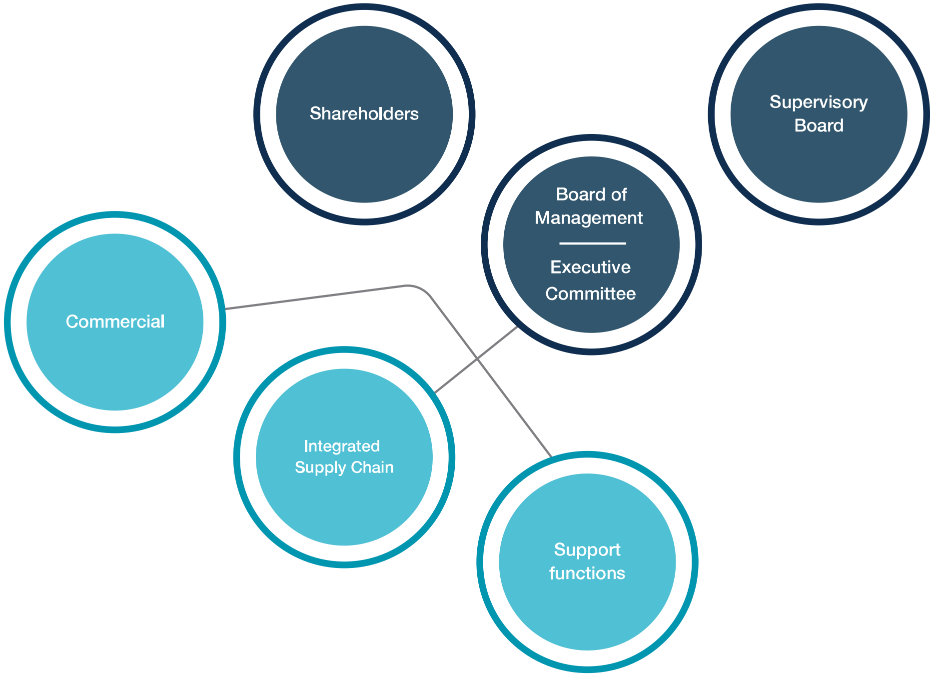
(f) = female, (m) = male

Additional remarks

The members of the Supervisory Board would like to reiterate 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 the year.

CORPORATE GOVERNANCE STATEMENT

AkzoNobel aspires to the highest standards of corporate governance and seeks to consistently enhance and improve corporate governance performance, emphasizing transparency and a culture of sustainable 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 General 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 2022 (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.

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.

In 2022, a revised version of the Code was published by the Corporate Governance Code Monitoring Committee (www.mccg.nl). The revised Code was implemented with effect from January 1, 2023, and focuses on sustainable long-term value creation and related reporting, diversity and inclusion, and other relevant topics. A review of the company's corporate governance framework and systems in the context of compliance with the Code was performed and a gap analysis was carried out highlighting certain areas or practices that required amendment. The gap analysis was reviewed by the Board of Management and the Supervisory Board and relevant revisions to existing practices were implemented. In addition, the revised Code has been reflected in the Rules of Procedure of the Board of Management and the Rules of Procedure of the Supervisory Board, which are both available on our website.

The company also subscribes to, and applies, the principles of the VNO-NCW Tax Governance Code. Further information on this is available on our website: AkzoNobel's approach to tax. For the full version of the Tax Governance Code, visit www.vno-ncw.nl/taxgovernancecode

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 Board of Management and other key officers of the company, led by the CEO.

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 sustainable 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 takes precedence; all Executive Committee decisions require a majority of the Board of Management members. The Board of Management can decide to reserve decisions for itself. The Board of Management members 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 Board of Management members, and the CFO, report to the CEO.

The Supervisory Board has regular, direct interaction with Executive Committee members, 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 members of the Executive Committee. The list of authorized signatories is available from the Dutch Chamber of Commerce.

The 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 first appointed by Extraordinary General Meetings (EGMs) held in 2022 and 2017, with the CFO having been reappointed for another four-year term at the 2022 AGM. The other Executive Committee members are appointed by the CEO, after consultation with the Supervisory Board. Board of Management members are in principle 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.

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 and inclusion

AkzoNobel believes in the strength of diversity and inclusion and, in accordance with the Code, a policy on diversity and inclusion has been adopted for the composition of the Board of Management and the Executive Committee.

The policy on diversity and inclusion for the composition of the Board of Management and Executive Committee is recognized and described in the Diversity, Equity and Inclusion Policy (DE&I Policy) for the executive level, Board of Management and Supervisory Board, as published on our website. The objective of this DE&I Policy is to enrich the Board of Management and Executive Committee's perspective, improve performance, increase member value and enhance the probability of achievement of the company's goals and objectives.

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 relevant DE&I Policy.

AkzoNobel currently diverges from the gender target of at least 30% female and at least 30% male Board of Management members. This is primarily 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.

AkzoNobel ended 2023 with a gender diversity of 11% female representatives at Executive Committee level. In February 2023, the composition of the Executive Committee changed after expanding it to include four existing business leaders. Although this impacted the gender diversity balance, it was deemed to be in the company's best interest to increase business representation at Executive Committee level. The percentage improved in January 2024 to 22%. This still diverges from the gender target of at least 30% female and at least 30% male Executive Committee members. Succession planning efforts are in place to ensure continued improvement of the gender balance in the future.

Detailed information on DE&I, including targets and plans and initiatives to reach such targets, can be found in the Sustainability statements and on our website.

Outside directorships

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

Conflicts of interest

During 2023, 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 last amended in full following approval by the AGM in 2021, and last updated at the AGM in 2022. The details of this policy can be found in the Remuneration report. The service contracts of the Board of Management members contain change of control provisions. Further details can be found in the Remuneration report and Note 25 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, an Integrated Business Planning (IBP) process is in place 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 a review by the Executive Committee, where it assesses 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.

Culture

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 sustainable 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 strategic approach. Our company culture forms an important part of discussions involving internal organizational changes and Human Resources strategy updates, as well as any functional updates. Since 2018, surveys have been conducted involving all employees, covering a variety of focus areas, such as our wider organizational health (see Employee engagement in the Sustainability statements). The Executive Committee and Supervisory Board regularly discuss the results of such surveys, the targets and the actions taken to achieve those targets.

We were involved in the Who's That Girl research project, which has been investigating Vermeer's famous painting The Girl With the Pearl Earring. The Mauritshuis in the Netherlands has been using advanced techniques to discover what the artwork would have looked like when it was completed in 1665. Our paint experts were brought in to test how much the painting's color and gloss have faded over the centuries.

For more information on our culture, please refer to the Sustainability statements and the Integrity and compliance management chapter.

Sustainability

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

Progress regarding sustainability objectives, development, target setting and implementation is reviewed on a quarterly basis by the Executive Committee and the Supervisory Board. Regular deep dives on specific sustainability topics are carried out to ensure there's appropriate expertise in the Executive Committee and Supervisory Board to manage and oversee sustainability-related matters, and to assess any associated material impacts, risks and opportunities. Several bodies report via the Director of Sustainability to the Executive Committee and Supervisory Board, including the Raw Material Sustainability Group (RMSG) and the CSRD Steering Committee. Further details are included in the Sustainability statements.

The latest exhibition from the AkzoNobel Art Foundation, entitled eARTh – A Collective Landscape, was opened at our head office in Amsterdam, the Netherlands. Featuring work from 41 established and up-and-coming artists, it offers an opportunity for visitors to emotionally engage with our natural surroundings to better understand the challenges we're all facing.

The Audit Committee takes an active role in assessing the quality and reliability of sustainability reporting and receives bi-annual updates from the CSRD Steering Committee. External auditor PwC has been engaged to perform a limited assurance engagement on specific indicators included in the Sustainability statements. Their report can be found in the Financial information.

Committees

Integrity and Compliance governance committees

The Executive Committee is responsible for maintaining a culture of integrity and ensuring an effective Integrity and Compliance program and framework and has delegated part of the responsibilities to specific committees. The Supervisory Board's Audit Committee oversees this responsibility. More details on the Integrity and Compliance governance committees can be found on page 82.

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 and senior executives with a background in corporate law, 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, refer to the Statement of the Chair of the Supervisory Board 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 charters of the Committees, which set out the tasks and responsibilities of the Supervisory Board, and 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, societal, environmental and legal aspects of business, government and public administration.

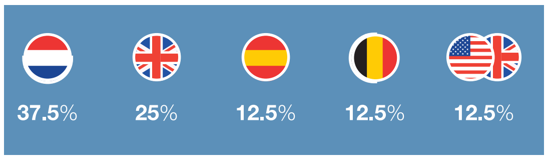
The Supervisory Board maintains a skills matrix, which provides an overview of the skills and experience of the individual members. The skills matrix can be found on page 70.

In addition, in accordance with the Code, a policy on diversity and inclusion has been adopted for the composition of the Supervisory Board in the DE&I Policy for the executive level, Board of Management and Supervisory Board. The objective of this policy is to ensure a balanced composition, taking account of nationality, age, gender, education and work background. For 2023, there are no divergences to report. With five male and three female members, the Supervisory Board complied with the requirements of the Dutch Gender Diversity Bill.

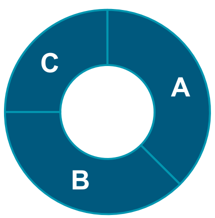
Supervisory Board

37.5% Female

62.5% Male



Tenure in years in %



A	0-4	37.5
B	5-8	37.5
C	9-10	25

When nominating and selecting new candidates for the Supervisory Board, we take into account the Supervisory Board profile and skills matrix, the requirements of the Act on Management and Supervision, the principles and provisions of the Code, as well as the DE&I Policy for the executive level, Board of Management and Supervisory Board.

Appointment

Supervisory Board members are nominated, appointed and dismissed in accordance with procedures identical to those previously outlined for the Board of Management members. 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 2023, one appointment and two reappointments to the Supervisory Board were proposed to, and approved by, the AGM held on April 21, 2023.

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 Chair 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 and sustainability (reporting). To the extent required, separate training sessions outside of regular Supervisory Board meetings can be arranged by the company.

Conflict of interest

Supervisory Board members may 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 2023, no transactions were reported under which a Supervisory Board 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. The current Remuneration Policy for the Supervisory Board was last amended in full following approval by the AGM in 2021. More information on the remuneration of Supervisory Board members and the Remuneration Policy of the Supervisory Board can be found in the Remuneration report and Note 25 of the Consolidated financial statements.

Supervisory Board Committees

The Supervisory Board has established three permanent committees – the 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 Rules of Procedure of the Supervisory Board. 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 and (re)appointment 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
- 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
- Remuneration of Supervisory Board members
- Material changes to the Remuneration Policy of the Board of Management
- 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 our 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, 2023, a total of 170.6 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 AkzoNobel 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 have 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 AkzoNobel’s Supervisory Board members 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 21, 2023, 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 renews the authorization – subject to approval from the Supervisory Board – to issue shares in the capital of the company free from pre-emptive 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.

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's expected 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. An annual evaluation of the external auditor is reviewed by the Audit Committee and reported on to the Supervisory Board. The external auditor attends all meetings of the Audit Committee, 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 external 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 assurance 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 Procedure on Auditor Independence. The aforementioned rules 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 the audit findings quarterly to the Board of Management, 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 adequate processes and procedures for internal controls. The Board of Management and Executive Committee have established several Risk, Control and Compliance Committees, which are explained on page 82. In 2023, we continued to invest in enhancing our Internal Control Framework and processes, including further leveraging system embedded and system enabled controls, standard role design and segregation of duties monitoring, helping us to prevent fraud and reputational damage. 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 in the next chapter. Reference is made to the Statement of the Board of Management relating to internal risk management and control systems.

Our Coral brand in Brazil partnered with Mattel to produce a real-life Barbie color range. The special collection, which featured 14 vibrant colors, was launched in stores in June to tie in with the release of the Barbie movie.

RISK MANAGEMENT

Internal controls

Refer to the previous page for our processes and procedures regarding internal control.

The AkzoNobel Internal Control Framework

Risk management vision and governance

Doing business involves taking risks. We strive to be a successful and respected company and seek to take a balanced risk approach. 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. AkzoNobel complies with the risk management requirements of the Dutch Corporate Governance Code 2022. The Board of Management and Executive Committee are responsible for managing the risks associated with our strategic objectives and the establishment and adequate functioning of appropriate risk management and control systems (see Statement of the Board of Management).

Risk management framework

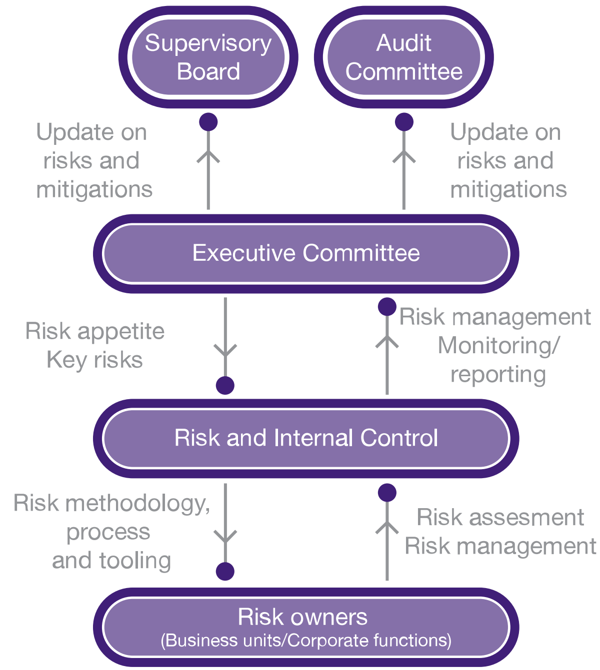
Our risk management framework is in line with the Enterprise Risk Management – Integrated Framework of COSO and the Corporate Governance Code. It's an embedded, company-wide activity, focused on the areas of main risk exposure and provides reasonable assurance that our business objectives can be achieved and our obligations to customers, shareholders, employees and society can be met. The process consists of risk appetite setting by the Executive Committee to serve as input for our strategy and general risk management approach, followed by structured risk assessments applying a top-down and bottom-up approach, and the management and monitoring of identified risks. The risk management framework is discussed twice a year with the Supervisory Board. For more information on our risk management framework, visit the Risk management section on our website.

Risk management in 2023

AkzoNobel's risk appetite differs depending on the type of risk. We believe we must operate within the dynamics of the paints and coatings industry and take the risks needed to ensure our relevance in the market. At the same time, topics related to our core values and company purpose require a different risk appetite.

During 2023, we held a significant number of enterprise risk workshops across the organization, as well as project, transition and fraud risk workshops. Risks were identified by responsible management teams and functional experts, followed by the definition of adequate mitigating actions. 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 symbols alongside the risk descriptions that follow represent management's assessment of risk development, compared with 2022. During the assessment, both our internal and external environment were taken into account. For information related to financial risk management, see Note 26 of the Consolidated financial statements.



Cybersecurity =
The risk of significant business disruption and/or inadequate recovery following a cybersecurity attack, leading to potential loss of sensitive information, intellectual property, cash, or reputation damage.

Mitigating actions
- Continually reinforcing a cybersecurity awareness and culture within the entire organization
- Strengthening protection, detection and response capabilities on both IT and OT (operational technology) domains by leveraging new technologies
- Improving the capacity for reducing the impact from sophisticated cyber attacks and quickly recovering from them
- Improving our capacity for assessing cyber risks in critical domains and monitoring their remediation
- Increasing the level and quality of partnerships with public and private institutions for improving the level of security of our business ecosystem

Macro-economic crisis =
The risk of a prolonged macro-economic downturn, leading to local currency devaluation, high inflation, customer destocking and a reduction in volume and margin.

Mitigating actions
- Balanced geographic presence with revenue generated from all regions and continued investment focus on higher growth markets to optimize geographic spread
- Continued focus on operational cost, complexity reduction, margin management and commercial and procurement excellence
- Continue to drive business unit strategic mandates underpinning the company strategy

Integrated Business Planning maturity =
The risk that we don't reach the required service levels due to inadequate end-to-end planning processes and supply chain infrastructure, leading to loss of existing business and inability to win new business.

Mitigating actions
- Focus on complexity reduction and improving efficiency of the product portfolio and supply chain
- Increase agility and velocity in the end-to-end process through simplification, cross-company initiatives, digitalization and data-driven modeling
- Stronger performance management via aligned sets of lagging and leading KPIs, and mature IBP governance

Supply shortages ▼
The risk of supply shortages of key raw materials, packaging and/or spare parts, resulting in production interruptions, additional cost and muted organic growth.

Mitigating actions
- Maintain and further improve strong industry and market intelligence analysis of suppliers and raw material markets
- Drive supply chain network design, end-to-end, from supplier to end customer
- Assess climate change impact and develop mitigation plans for own operations, key suppliers' locations and logistics (see the Sustainability statements)

Attract and retain talent ▼
The risk that we're unable to attract and/or retain talent to ensure a fit-for-future workforce with the right capabilities, leading to a threat to the organization's competitive advantage and the ability to achieve our strategic objectives.

Mitigating actions
- Strengthen AkzoNobel's value proposition, based on our commitment to employee growth and the company purpose
- Focus on talent management (talent attraction, development and retention) in several ongoing programs to ensure adequate capabilities
- Continuation of engagement surveys, employee well-being programs and culture and change programs to support engagement

Geo-political instability ▲
The risk that increasing geo-political turbulence results in declining customer and industry confidence and a decline in key markets and significant losses to our sales and profitability.

Mitigating actions
- Balanced geographic presence with revenue generated from all regions and continued investment focus on higher growth markets to optimize geographic spread
- Geo-political assessment as part of investment decisions and medium-term operational planning
- Continue to drive business unit strategic mandates underpinning the company strategy
- Driving demand planning through Integrated Business Planning
- Diversifying our supply chain and managing redundancy

Pricing and margin management ▼
The risk of lower margins resulting from higher raw material prices, inflation and increased competitive pressure combined with insufficient margin management.

Mitigating actions
- More data-driven approach, based on value pricing
- Investment in sales capability and focus on commercial excellence
- Continue to closely monitor raw material prices and availability

Ability to execute ▲
The risk of misalignment between the business and functions and short term versus long term, leading to inability to support and drive the business agenda and growth plans, resulting in not delivering the set targets.

Mitigating actions
- Global process organization in place to increase common competencies and align on key end-to-end process improvements, as well as increased collaboration between relevant functions in Integrated Business Planning
- Leadership team changed, flattening the organization, increasing business representation in the Executive Committee and consolidating the Commercial and Strategic functions
- Improving our industrial operations by focusing on reducing complexity, improving capacity utilization and investing in the modernization of our sites

Business continuity =
The risk of being unable to respond adequately to a significant business interruption, leading to financial and reputational damage.

Mitigating actions
- Continue to enhance our business continuity processes and plans, supported by taking Integrated Business Planning to a next maturity level and increasing cross-functional and business collaboration

Product portfolio =
The risk of lacking a fit-for-purpose product portfolio, leading to a cost base that's too high and an inability to compete in the market.

Mitigating actions
- Continuing to reduce our product portfolio complexity
- Constantly reengineering our products
- Enhancement of our product lifecycle and product change management

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

INTEGRITY AND COMPLIANCE MANAGEMENT

We're committed to leading with integrity in our industry. It's one of our three core values for doing business. We continue to further advance and expand our Integrity and Compliance program to help ensure compliance with laws and regulations, empower and enable our employees to make fair and honest decisions and bring integrity to life.

Below is a summary of the 2023 priorities and key 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 Integrity and Compliance program and control framework. The Supervisory Board's Audit Committee oversees this responsibility. The Executive Committee has delegated certain responsibilities to the following working committees and Integrity and Compliance team:

Integrity and Compliance governance committees

The Integrity and Compliance governance committees are at the core of our Integrity and Compliance governance model. We assess the need for committees depending on organizational changes, changes in the risk profile of business units, and regulatory and legislative changes. In 2023, we had committees in place in all eight business units, the Integrated Supply Chain organization and certain specific countries. The committees consist of business unit leadership and key corporate function leaders, including the Integrity and Compliance managers. The committees drive the operationalization of the Integrity and Compliance (I&C) program into the organization, with a strong focus on prevention. The committees discuss trends, identify, prioritize and address risks and share learnings from investigations to drive continuous improvement. In 2023, each business unit committee conducted an I&C risk assessment. For more information on the I&C risk assessment, see the following Risk management paragraph. The committees meet at least on a quarterly basis.

Integrity and Compliance SpeakUp! Committee

This committee reviews investigations into SpeakUp! reports involving alleged violations of our Code of Conduct and applicable laws. The committee also decides on discipline and control improvement actions, as well as monitoring and responding to any trends identified in investigations. Cases are generally decided by the SpeakUp! Committee, with certain limited exceptions for: (1) Certain regulatory matters where subject matter expertise is needed, which go to the General Counsel; (2) Certain lower risk cases, which may be decided by the leader of the business unit or function in whose organization the alleged violation occurred. The latter cases are reviewed by the SpeakUp! Committee. The centrally established Integrity and Compliance SpeakUp! Committee ensures transparency and consistency of disciplinary actions throughout the organization.

In 2023, there were no individual matters or disciplinary actions discussed with the committee that would warrant separate disclosure in the annual report. Should there be material compliance matters, or material internal control weaknesses or improvements in the future, these will be addressed through the Risk, Control and Compliance Committees (see next column) and discussed with the Audit Committee and external auditor, and where appropriate disclosed in accordance with the applicable legal requirements.

Risk, Control and Compliance Committees (RCC)

The RCCs are responsible for supervising the effectiveness of the control environment and reviewing weaknesses in this environment, enabling more robust prioritization and progress. There are eight business unit RCCs and seven functional RCCs, in addition to a Group RCC. They each met quarterly in 2023.

Privacy Committee

Responsible for supervising the company's privacy framework and driving the further improvement of the Privacy program. For more information on our key privacy activities, see the following Privacy program paragraph.

Integrity and Compliance team

The day-to-day management of our Integrity and Compliance program is delegated to the Integrity and Compliance team – which is led by the Director of Integrity and Compliance, who reports to the General Counsel. The team includes experts in integrity and compliance program design, legal experts in the field of competition law, anti-bribery and anti-corruption and data privacy, as well as our Integrity and Compliance managers in all regions driving the implementation and further tailoring of the program to address local risks.

To ensure the company maintains and strengthens its culture of integrity, the Integrity and Compliance team – together with various other functions and stakeholders across the organization – focuses its efforts on the following key areas:

- Help leaders set a strong tone at the top and lead by example
- Drive awareness and ownership of all employees through effective policy management, training and communication
- Design and implement effective controls
- Risk management

- Investigations of SpeakUp! matters with a focus on identifying control action items and sharing lessons learned
- Driving continuous improvement

The regional Integrity and Compliance managers contribute to further strengthening the culture of integrity. This includes identifying and addressing local risks and cooperating with the business and functional teams to tailor the program to local risks and follow up on internal audit findings and SpeakUp! cases. In 2023, the heads of Integrity and Compliance, Internal Control and Internal Audit met at least quarterly to discuss findings and trends, and to align actions. The Director of Integrity and Compliance also met at least quarterly with the Human Rights team and Export Control and Sanctions team to discuss the priorities in these areas and the impact of geo-political developments.

Risk management

The business unit Integrity and Compliance governance committees play a key role in the Integrity and Compliance risk assessments, which are led by the Integrity and Compliance team. A new Integrity and Compliance risk assessment process was rolled out in 2023, which involved asking the business unit Integrity and Compliance governance committees to identify and prioritize key risks and define action plans and owners to mitigate these risks. Each committee has approved its business unit specific risk remediation plan, and the outcome of all Integrity and Compliance risk assessments serves as the basis to identify the priorities for 2024 and onwards.

Policy management

All AkzoNobel policies, rules and procedures are available on the Policy Portal. In 2023, a backend tool was developed to automate and standardize document lifecycle management, including revisions to documents and archiving of previous versions of documents.

Communication

We have further strengthened our communication program by launching various new initiatives to reach more colleagues and raise greater awareness. Although no major risks or issues were identified in the SpeakUp! cases, to continuously ensure a strong tone from the top and drive improvement, we launched a series of SpeakUp! videos. They are short films in which senior leaders share lessons learned from SpeakUp! cases and offer guidance on how to prevent future misconduct. In addition, we continued sharing ethical dilemmas and SpeakUp! Insights, a quarterly case-sharing program through which we ask our leaders to discuss the learnings with their teams and encourage speaking up, along with various campaigns dedicated to particular topics. In 2023, we developed an interactive online game (the Integrity Fun Fair) for our Integrity Day campaign, to refresh people's memories about key integrity and compliance risks in the areas of competition law, data privacy, anti-bribery and anti-corruption.

Training and education

In addition to online training, targeted audience training on key integrity and compliance topics/risks continued to be delivered as part of the mandatory Integrity and Compliance training curriculum. Also in 2023, a new Code of Conduct training was launched with targeted versions for both online and offline workers.

Competition law program

Compliance with competition law and competing fairly remains a top priority for our company. We have undertaken a series of initiatives aimed at fostering a culture of competition law compliance throughout the organization. A particular focus has been conducting training and creating materials relating to risks around information exchange and careful communications. Additionally, we've strengthened our dedicated competition law team responsible for providing support to the broader legal function and business. They're tasked with actively identifying potential risks and areas for improvement, and working on prevention and mitigation strategies. Furthermore, we've maintained an open channel for reporting and addressing potential concerns. We've conducted assessments of proposed strategic initiatives and commercial developments, with a particular emphasis on key markets, ensuring that they align with competition laws. The competition law aspects of M&A activity, and subsequent integrations, continue to be a focus area.

Privacy program

In 2023, we focused on further strengthening awareness on data privacy with those teams dealing with personal data on a regular basis. We also introduced two targeted privacy e-learnings: one for HR, focusing on employee personal data, and another for Sales and Marketing, emphasizing customer data handling. As part of the further standardization and automation of our data privacy program, we continued the global roll-out of our advanced and partly automated centralized process for managing customer data subject requests.

Anti-bribery and anti-corruption program

During the year, we launched a new gifts and hospitality e-learning, along with new gift and conflict of interest registration tools (including a pre-approval workflow). Going forward, we'll add more specific controls for other anti-bribery and anti-corruption areas, such as donations, sponsorships and hospitality. This will help us to strengthen our controls, monitor compliance with our policies, rules and procedures and enable data gathering, analysis and reporting.

Third-party risk management (TPRM) program

Following the TPRM program re-design in 2022, we acquired a new TPRM platform, with integrated TPRM screening software and enhanced due diligence reporting capability. We focused on implementation activities in 2023, aiming for a global roll-out of the revamped TPRM program in 2024. We managed to create a highly automated and efficient risk-based end-to-end TPRM program, with critical interface to the CRM (Customer Relationship Management). At the end of 2023, we kicked off a pilot to test the program design, target operating model and monitor volumes. In addition, we applied an interim third-party screening process targeting the highest risk partners across the company. To increase awareness on the topic of TPRM, a chapter has also been included in our Code of Conduct training.

Monitoring

We have several processes to monitor compliance with our rules and procedures by employees and business partners. Employees are informed about this through the Employee Privacy Statement. Managers are also required to self-assess and confirm compliance with company key controls as part of the internal control self-assessment. From a competition law perspective, we also run amnesty programs for newly acquired businesses as part of the integration process into the wider group.

The Internal Audit function performs numerous audits on our operations. Their audit plan is risk-based and takes account of prior compliance and internal control findings. Internal audits were also held or covered specific risks – at the request of the Integrity and Compliance function – to validate compliance with our rules and procedures in certain units, or on certain risk areas.

Grievance and investigation

Our SpeakUp! grievance mechanism offers employees and third parties a means to raise allegations relating to compliance with our Code of Conduct and violations of applicable laws and regulations.

Our dedicated investigation team follows an investigation protocol which adheres to strict principles of confidentiality, respect for anonymity, non-retaliation, objectivity and the right to be heard. The investigation program has been updated to reflect the EU Whistleblower Directive, as transposed into national laws. In 2023, the total number of reports across all channels increased slightly. This was driven by several factors, including increased communication on the SpeakUp! process, increased management reporting of alleged violations and use of the system to report concerns or general enquiries unrelated to the Code of Conduct, which are referred to the appropriate subject matter expert. All reports and alerts led to 39 dismissals, along with various other disciplinary measures and control improvements, confirming the value of the company's grievance framework.

Reporting

During 2023, the Director of Integrity and Compliance reported every four months to the Executive Committee and the Audit Committee of the Supervisory Board on material developments of the Integrity and Compliance program. Material investigation matters, if any, are discussed with our external auditor on a quarterly basis.

There were no individual matters or disciplinary actions discussed with the Integrity and Compliance SpeakUp! Committee that would warrant separate disclosure in the annual report. Should there be 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.

INTEGRITY AND COMPLIANCE MANAGEMENT

SpeakUp! reports

	2021	2022	2023	2023 Grupo Orbis
Total reports and alleged violations	305	350	**426**	**19**
Integrity	142	140	**174**	**7**
Safety	24	28	**40**	**0**
Sustainability	139	182	**212**	**12**
Dismissals resulting from SpeakUp! reports	19	25	**39**	**3**
Conclusions SpeakUp! reports:				
Substantiated	69	101	**132**	**8**
Unsubstantiated	66	83	**127**	**9**
Other (e.g. referred)	112	140	**187**	**0**

Grupo Orbis cases are not reported through our SpeakUp! system and are not included in the AkzoNobel figures noted above, but are reported separately for 2023. Grupo Orbis cases are reported to AkzoNobel on a quarterly basis and material cases, if any, will be escalated. To date, no material cases have been reported.

Around 75 schools in an area of Türkiye devastated by the 2023 earthquakes are being refurbished as part of a major project launched by our Marshall brand. Located in Antakya – a municipality and district of Hatay Province – around 60,000 liters of paint will be used on both the interior and exterior of the schools, which will benefit around 8,000 students. Up to 100 community members will be trained to help carry out the work, with 300 registered painters and ten AkzoNobel volunteers also lined up to take part.

REMUNERATION REPORT

Letter from the Chair of the Remuneration Committee

Dear stakeholders

On behalf of the Remuneration Committee, I'm pleased to introduce AkzoNobel's 2023 Remuneration report. In this report, the company outlines the implementation of its remuneration policies in 2023. The 2023 Remuneration report will be subject to an advisory vote at our 2024 AGM.

Our business context in 2023

In response to the challenges posed by an unpredictable macro-economic landscape, AkzoNobel outlined a set of strategic priorities designed to guide with resilience and adaptability.

Overall, the company did well in 2023 and is making good strides forward, with stabilizing volumes and profits rebounding positively. This was mainly driven by resilient pricing and the first effects of raw material deflation. These developments offset lower demand in some of our markets and adverse currency exchange effects.

An industrial excellence plan has been launched, which is aimed at reducing complexity, enhancing productivity and optimizing our network through the investment and modernization of our anchor sites. We recognize there's significant value to be gained through improving our industrial processes and this plan is a key long-term strategic priority for the company.

In order to better understand our opportunities, a review of AkzoNobel's portfolio was carried out. Following this review, the company moved decisively to strengthen the Decorative Paints business in China through the acquisition of the Huarun business. Although we mutually agreed with Kansai Paint not to proceed with our intended acquisition of its paints and coatings activities in Africa, AkzoNobel remains committed to its strong businesses and leading brands in Africa. This will also bring the company's debt reduction targets forward, which will help to resume a normative capital allocation.

AkzoNobel also presented a comprehensive roadmap for its focus products, outlining strategic initiatives for each. These included acceleration plans for technology development and the launch of innovative and sustainable products, such as internal coatings for beverage cans that are free of intentionally added bisphenols, low-cure powder coatings and biocide-free antifoulings.

In the second half of the year, the company launched a new comprehensive employee engagement survey, underlining its commitment to understand and improve employee satisfaction and engagement. With a participation rate of 89% and a level of engagement well above the average of the companies in the benchmark, AkzoNobel put in place a basis to ensure continuous improvement for the business.

Our stakeholder engagement

The company is pleased that the 2022 Remuneration report received a positive advisory vote at the 2023 AGM, with a majority vote of 92.74%.

2023 AGM stakeholder engagement

AkzoNobel engaged with various stakeholders in preparation for the 2023 AGM. These conversations mainly focused on concerns raised by several shareholders concerning continuity of leadership and, in particular, with regard to the retention of the CFO. While the importance of continuity of leadership was recognized by our stakeholders, during these conversations it also became clear there was no strong support for introducing retention measures. The Remuneration Committee took that feedback under advisement and decided not to award retention-related compensation in 2023, nor do we intend to in 2024.

Remuneration report disclosure

Following the ongoing stakeholder dialogs, we implemented several changes in our 2022 Remuneration report to improve disclosure on performance outcomes and Remuneration Committee decision-making.

Further changes have been introduced in this year's disclosures to improve the transparency and readability of the 2023 Remuneration report. These changes include using a new reporting format, providing additional context on Remuneration Committee decisions made, structuring the use of tabular and textual information and using more visuals. We've also have changed our long-term incentive (LTI) section in accordance with the vesting of the 2021-2023 LTI Plan. This is the first award for which the updated performance metrics derived from the company's strategic plan were in place.

Decisions made on remuneration

Board of Management

The 2023 remuneration outcomes for the CEO and CFO are determined in accordance with the Remuneration Policy for the Board of Management, which was last amended in full following approval by the AGM in 2021, and last updated at the AGM in 2022.

In 2023, the CEO, Greg Poux-Guillaume, earned a base salary of €1,225,000. As per January 1, 2023, the CFO, Maarten de Vries, received a base salary of €749,600. To ensure that the salaries of the members of the Board of Management were still at the market median level of our peer group, the Remuneration Committee performed a broader review of the base salaries. This review is carried out once every three years, the last time being in 2020. As per May 1, 2023, the CFO's base salary was increased to €830,000, to bring his compensation in line with the market. Following this increase, the CFO's salary is in line with the market median of our peer group and therefore in accordance with the principles of our Remuneration Policy for the Board of Management. The CEO's salary did not require an increase in 2023 as the review confirmed that it was in line with the market median of the peer group.

In 2023, the achievement on the short-term incentive metrics was above target for both financial objectives. The non-financial objectives for the members of the Board of Management were also evaluated above target on average, resulting in an overall above target pay-out of 126.48%. More details can be found in the section on short-term incentives.

Vesting under the 2021-2023 LTI Plan was limited to the performance on revenue growth and Environmental, Social and Governance (ESG) metrics, with details provided in the section on long-term incentives.

Supervisory Board

The 2023 remuneration outcomes for Supervisory Board members are determined in accordance with the Remuneration Policy for the Supervisory Board, which was last amended in full following approval by the AGM in 2021. No adjustments were made during the year, hence the application was in line with previous years.

Implementation of our remuneration policies in 2024

AkzoNobel will submit a proposal to change the LTI performance measures and their weighting for shareholders to approve at our 2024 AGM. Aligning with our recently announced mid-term ambitions, and in accordance with recent discussions with our shareholders, AkzoNobel intends to remove revenue growth as a metric for LTI. This metric uses a calculated competitive benchmark based on our competitors' limited disclosures. Lack of market information forces us to make certain assumptions to render competitors' information comparable, making the KPI less objective and less reliable. While growth remains a priority, it's captured in the absolute EBITDA metric, which remains. Should shareholders approve the proposed amendment, vesting of the conditional grant will be linked to adjusted EBITDA (33%), ROI (33%) and ESG (34%), increasing the importance of ESG as a confirmation of our commitment to our sustainability targets.

The Remuneration Committee carried out a benchmark in 2023 on the Supervisory Board remuneration levels. For comparability in board structure and responsibilities, remuneration levels were only compared with those companies in the peer group with a two-tier board. The benchmark used for this exercise does not include American companies, but Dutch and European companies only. Following the outcome of this review, AkzoNobel intends to submit a proposal to increase the annual retainer and committee fees of the Supervisory Board members at the 2024 AGM. The proposed fees take into consideration that the remuneration levels for the Supervisory Board were last amended in 2021.

No further changes are envisioned for both the Board of Management and Supervisory Board remuneration policies. An overview of the remuneration in 2024 is included in the Remuneration Policy for 2024 section.

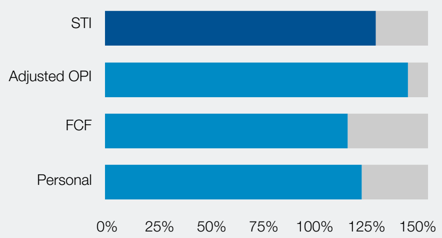
Dick Sluimers
Chair of the Remuneration Committee

Remuneration at a glance – 2023

	Base salary
Greg Poux-Guillaume	€1,225,000
Maarten de Vries	€830,000

Short-term incentive

STI pay-out as % of target

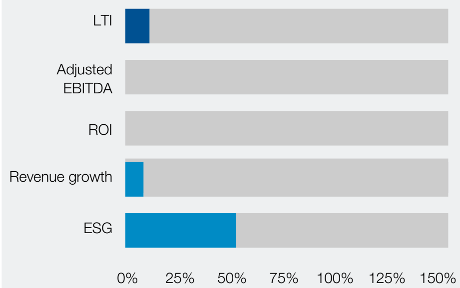


Investment of 50% net STI proceeds

Both the CEO and the CFO have chosen to invest an additional 25% of net STI proceeds in the Share Matching Plan. Total investment of net STI proceeds equals 50% for both.

Long-term incentive

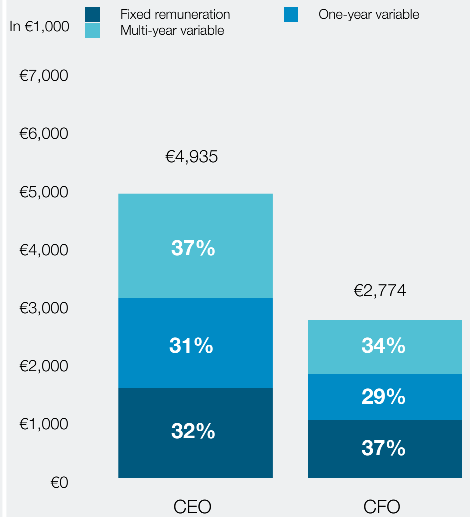
Vesting % of LTI award



Vesting applies only to the CFO, as the CEO joined the Board of Management on November 1, 2022, and was therefore not eligible for the vesting of shares awarded in 2021.

Total pay

Total actual remuneration



Total actual remuneration reflects full-year 2023 actual remuneration as reported in the total remuneration table, whereby multi-year variable is on the basis of IFRS 2 expenses.

Policy at a glance – Board of Management

The Remuneration Policy for the Board of Management is designed to incentivize the Board of Management to achieve the company's objectives while considering market competitive standards, the ratio between fixed and variable pay, the perspective of shareholders and other key stakeholders, and environmental, social and governance (ESG) related contributions of the company.

Purpose	Design and link to 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), the long-term incentive (LTI) and the Share-Matching Plan. 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 • In-depth benchmark at least every three years • Remuneration increases above the median market level are reserved for Board of Management members who consistently outperform their targets	• Annualized amounts • CEO: €1,225,000 • CFO: €830,000* *Reflecting base salary as per May 1, 2023
Short-term incentive Aligning short-term business objectives and business drivers towards sustainable long-term value creation. Driving pay for performance.	• The Supervisory Board sets strategically important operational targets for the respective performance year and determines the extent to which they have been achieved • By ensuring that sustainable long-term value creation is properly reflected in stretched yet achievable targets, the realization of strategic business objectives is addressed • For on-target STI, 70% is linked to financial objectives and 30% is related to quantifiable non-financial objectives	• On-target performance: 100% of annual base salary for CEO and 80% for CFO • Maximum opportunity of 150% of target, i.e. CEO capped at 150% and CFO at 120% of annual base salary • Threshold: no STI pay-out below threshold
Long-term incentive Encouraging sustainable long-term, 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 pre-defined targets, observing a three-year vesting period. Performance is measured over three financial years, starting with the year of grant • Performance targets are based on company strategy, driving sustainable long-term value creation. 80% of LTI targets are linked to financial goals and 20% are linked to environmental, social and governance (ESG) goals • An additional two-year holding period after vesting applies	• The on-target grant equals 200% of base salary for the CEO and 150% for the CFO • Maximum vesting opportunity is 150% of the number of performance shares granted, which equals 300% for the CEO and 225% for the CFO • Threshold: no vesting if performance below threshold
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
Share-Matching Plan Aligning reward to the interests of stakeholders and emphasizing confidence in performance and strategy.	• The Share-Matching Plan awards shares to Board of Management members for shares they have invested in from their STI proceeds and held over a three-year period • When they retain these shares for three years, the company will match such shares one on one, subject to continued employment	• Members of the Board of Management are required to invest 25% of their STI proceeds (net after tax and other deductions) • They may invest up to an additional 25% (maximum investment is 50% of total net STI)
Pension and other benefits Post-retirement remuneration and other benefits, creates alignment with market practice.	• A company paid contribution, based on age, 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 monthly transportation allowance of €2,000 • Greg Poux-Guillaume is also eligible for certain transitional benefits (temporary housing and travel reimbursements) to facilitate his transfer from Switzerland to the Netherlands	• Pension contributions for the CEO equal 16.7% of base salary and for the CFO equal 22.9% of base salary

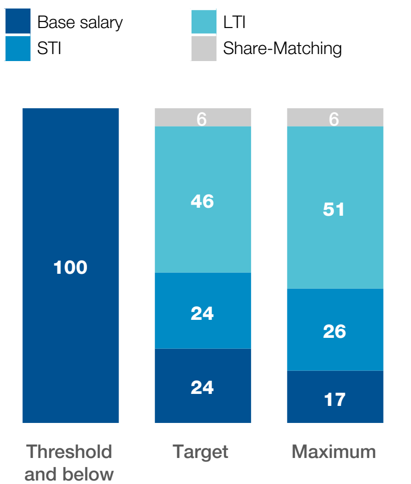
External market context

AEX-listed	European industry	Background of the peer group
• ASML • DSM-Firmenich • Philips • Randstad • RELX • Signify • Wolters Kluwer	• Air Liquide • Arkema • Clariant • Covestro • Evonik Industries • Givaudan • Henkel • Holcim Group • Sika • Solvay	• The labor market peer group is used to compare AkzoNobel's remuneration levels with those in similar companies • The group consists of companies of similar scale, complexity and geographic reach to AkzoNobel. The composition is limited to European headquartered companies to reflect local pay practices • AkzoNobel aims to outperform its sector peers and attract and retain high caliber members of the Board of Management. Therefore, the reference point is set at a total remuneration package that positions between the median and third quartile of the peer group (around the median for base salary and STI, between median and third quartile for LTI) • Composition of the 2023 labor market peer group is presented on the left

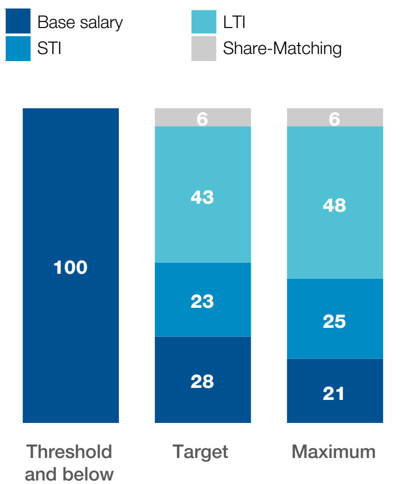
Composition of labor market peer group agreed in 2021 when Remuneration Policy was signed off.

Remuneration Policy pay-mix

CEO pay-mix in %



CFO pay-mix in %



Remuneration for the Board of Management in 2023

Remuneration of Board of Management for the reported financial year in €

		Fixed remuneration				Variable remuneration				Post-contract compensation		Termination and other benefits		Total remuneration		Fixed / Variable
		Base salary		Fringe benefits[1]		One-year STI		Multi-year variable LTI								
	Based on	2022	2023	2022	2023	2022[4]	2023[5]	2022	2023	2022	2023	2022	2023	2022	2023	2023
Greg Poux–Guillaume (CEO)[2]	IFRS 2 expenses[6]	204,167	1,225,000	25,400	153,800	204,167	1,549,380	88,425	1,802,210	34,067	204,600	—		556,225	4,934,990	32/68
	Market value at year-end[8]	204,167	1,225,000	25,400	153,800	204,167	1,549,380	N/A	N/A	34,067	204,600	—		467,800	3,132,780	51/49
Thierry Vanlancker (former CEO)[3]	IFRS 2 expenses[6]	1,178,750	—	33,200	—	469,260	—	1,644,454	—	231,000	—	1,619,598[7]		5,176,262	—	—
	Market value at year-end[8]	1,178,750	362,432	33,200	7,379	469,260	—	—	272,943	231,000	71,037		1,178,750	1,912,210	1,892,541	86/14
Maarten de Vries (CFO)	IFRS 2 expenses[6]	727,750	803,200	33,200	34,500	231,788	812,678	(30,316)	937,038	166,700	186,300	—		1,129,122	2,773,716	37/63
	Market value at year-end[8]	727,750	803,200	33,200	34,500	231,788	812,678	—	122,256	166,700	186,300	—		1,159,438	1,958,934	52/48

1 Fringe benefits consist of car arrangements, social security contributions for Maarten de Vries and Greg Poux-Guillaume and for the latter also temporary housing contributions.
2 Appointed per November 1, 2022.
3 Stepped down per November 1, 2022. Pro-rated salary at the date of departure in April 2023. Financial elements already reported in the 2022 Remuneration report.
4 As approved by the EGM on September 6, 2022, Greg Poux-Guillaume would be entitled to an at-target, pro-rated bonus pay-out for the performance year 2022.
5 In 2023 and 2024, the Board of Management members will invest 50% of their STI proceeds (net after tax) under the Share-Matching Plan.
6 Costs relating to share awards include non-cash expenses of Performance-Related Share Plan and Share-Matching Plan.
7 Provision (1.619.598) made in 2022 to cover for termination and other benefits paid for Thierry Vanlancker in 2023, being severance payment (1,178,750 – not exceeding one annual base salary), salary, post-contract and fringe benefits until termination of his management agreement on April 21, 2023.
8 Market value at year-end for multi-year variable LTI is based on the number of shares that became unconditional during the year, multiplied by the share price of €74.82 at December 29, 2023 (December 30, 2022: €62.56). As no shares became unconditional in 2022, the value in the table is zero.

This section presents insights into how the Remuneration Policy for the Board of Management was implemented in 2023. Actual remuneration was determined in line with the Remuneration Policy and no derogation of the policy has been applied. The Supervisory Board has conducted scenario analyses when determining the (variable) remuneration outcomes. This included the assessment on remuneration outcomes under the various performance scenarios and the impact of share price development (threshold and below, at-target and maximum).

Base salary

In 2023, CEO Greg Poux-Guillaume earned a base salary of €1,225,000, while CFO Maarten de Vries' base salary was adjusted in two steps to €830,000. The first was in accordance with the salary adjustments applied for AkzoNobel employees in the Netherlands and made as per January 1, 2023. To ensure that the salaries of the members of the Board of Management were still at the market median level of our peer group, the Remuneration Committee performed a broader review of the base salaries. This review is carried out every three years and was previously done in 2020. As per May 1, 2023, the CFO's base salary was increased to €830,000. Following this increase, the CFO's salary is in line with the market median of our peer group and therefore in accordance with the principles of our Remuneration Policy for the Board of Management. The CEO's salary did not require an increase as the review confirmed that the salary was in line with the market median of the peer group.

Short-term incentives (STI)

Seventy percent of the 2023 STI is measured on financial objectives that reflect the profitable growth the strategy aims for. The remaining 30% is measured on quantifiable non-financial objectives. For the financial objectives, 40% is based on adjusted operating income (OPI) and 30% is based on free cash flow (FCF). For the non-financial objectives, a combination of individual objectives for both the CFO and CEO were selected. These objectives have been organized around three priorities related to people, transformation and portfolio management. The allocation of percentages to each category suggests a balanced approach, reflecting a comprehensive strategy aimed at organizational growth, employee engagement and technological advancement.

The first objective relates to people. It was measured on employee engagement, the ability to develop leaders from within the organization – rather than through external recruitment – and the strengthening of the Executive Committee. This objective, which accounted for 40% of the individual objectives, was achieved at 150%. In terms of measuring employee commitment, three indicators were used: (1) Participation in the Voices employee engagement survey, which was targeted at 75% (the actual participation rate was 89%). (2) The rate of commitment, with a target set at the benchmark for industrial companies. This rate was exceeded, with an outcome of 4.0, compared with a benchmark of 3.8. (3) The net promoter score, which was measured +11, compared with -2 for similar companies. All indicators were measured by an external and independent company.

In terms of development of the executive employee group, 79% of the positions that became available during the year were filled by internal candidates, compared with 50% in 2022. The third indicator related to strengthening Executive Committee skills and business representation involved several new appointments. Until the start of 2023, the composition of the Executive Committee had been predominantly functional. The addition of four new members in 2023 – who manage the Decorative Paints EMEA, Decorative Paints Latin America, Marine and Protective Coatings, and Automotive and Specialty Coatings businesses – has strengthened the business orientation of the company's strategic decisions. The management team has also been strengthened in some key functions: General Counsel and Chief Human Resources Officer.

The second objective was industrial excellence, which accounted for 30% of the individual objectives and was assessed at 100%. A new industrial excellence plan was defined, aiming for a benefit of €250 million by 2027, with the first milestones scheduled for 2024. Productivity increased by 2.8% and OTIF (on-time, in-full) passed the 80% mark, while inventory levels decreased from €1,843 million to €1,649 million between 2022 and 2023.

The final personal objective, called Portfolio and technology, accounted for 30% and was also evaluated at 100%. The focus of this objective was on the launch of innovative and sustainable products or solutions. The following innovations were among those launched during the year: internal coatings for beverage cans that are free from intentionally added bisphenols, a range of low-energy powder coatings, and a biocide-free antifouling.

Following the end of the performance year, the Supervisory Board assessed the delivered performance against the targets set. The tables below summarize the achieved performance.

STI on financial objectives

Performance metric	Weighting		Threshold	Maximum	Performance	Pay-out (as a % of target)
Adjusted OPI (in € mln)	40%	Corresponding target	368	1,118	1,074	
		Corresponding award	0%	150%	141%	56.48%
FCF (in € mln)	30%	Corresponding target	400	950	840	
		Corresponding award	0%	150%	113%	34.00%
Total financial	70%				129%	90.48%

STI on personal objectives

Objective	Weighting	Metrics	Performance	Pay-out (as a % of target)
People	12%	Employee engagement survey – participation rate of 89% (target of 75%) and outcome above benchmark and Net Promoter Score with a target of +5 and actual performance of +11 versus -2 for the benchmark Develop senior leaders from within (79% in 2023 versus 50% in 2022 and a target of 60% for 2023) Strengthen the Executive Committee – BU leaders added and functions strengthened	150%	18%
Industrial excellence	9%	Quantifying the industrial excellence plan (aiming for a benefit of €250 million by 2027) Improve productivity and OTIF by 2.8% and beyond the 80% mark respectively with targets on 2.5% and 85% Reduce inventories from €1,843 to €1,649 million (target of €1,650 million)	100%	9%
Portfolio and technology	9%	Launch of sustainable products, e.g. internal beverage can coatings free of intentionally added bisphenols, biocide-free antifouling, and low-energy powder coatings. Target to launch three sustainable products has been met	100%	9%
Total personal	30%		120%	36%

Following the performance assessment conducted by the Remuneration Committee, a total pay-out of 126.48% of target is applied. This results in the following STI pay-out:

- Greg Poux-Guillaume: €1,549,380
- Maarten de Vries: €812,678.

In determining the outcome of the STI elements, the Remuneration Committee applied a reasonableness test in which the actual level of performance was critically assessed in light of the assumptions made at the beginning of the year.

Share-Matching Plan

The Share-Matching Plan reiterates the importance of share ownership, which underpins alignment over the long term. In addition to the required investment of 25% of STI proceeds (net after tax and other deductions), both the CEO and CFO decided to invest another 25%, totaling 50% of total net STI proceeds for 2023.

The Share-Matching Plan was suspended for STI payments made in the years 2019, 2020 and 2021. For this reason, no matching shares were received by Board of Management members in 2023.

In 2023, the 2,708 potential matching shares that were granted to Thierry Vanlancker were pro-rated, resulting in 903 potential matching shares. These shares were matched upon termination of the management agreement in April 2023.

Long-term incentives (LTI)

Vesting of the 2021-2023 LTI Plan

Under the 2021-2023 LTI Share Plan, a conditional grant of 12,369 shares was made to the CFO. As the CEO joined AkzoNobel on October 1, 2022, no conditional grant was made in 2021 to him under this LTI share plan. Under the 2021-2023 LTI Plan, a conditional grant of 26,713 shares was made to the former CEO. The 26,713 shares that were conditionally granted in 2021 have been pro-rated, calculated over the period until the end of the management agreement in April 2023, to respectively 20,777 (28/36 of 26,713) conditional shares.

In line with the Remuneration Policy for the Board of Management applicable at date of award, the performance measures (and underlying metrics) were determined as included in the table on the next page.

At date of award, the Supervisory Board has determined for each measure (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.

Following the end of the performance period of the 2021-2023 LTI Share Plan, the Supervisory Board assessed the delivered performance against the targets set.

The Supervisory Board set the threshold for adjusted EBITDA at €1.5 billion and the maximum at €2 billion. The threshold for ROI was set at 15% and the maximum at 20%. As both adjusted EBITDA and ROI performance were below threshold in 2023, the corresponding vesting percentage for these specific parts of the LTI is 0%.

Revenue growth as weighted average is compared with a defined industry peer group, consisting of the following companies in the paints and coatings sector: Sherwin-Williams, Nippon Paint, PPG, Axalta and BASF Coatings. Organic growth rates to calculate the performance take into consideration price, mix, volume growth and exclude the effects of exchange rates and mergers and acquisitions. For Axalta and Sherwin-Williams, only organic growth percentage of the Performance Coatings business growth is taken into consideration. Performance on this metric is measured against 33 months following the start of the conditional period for Nippon Paint and BASF Coatings. The Supervisory Board set the threshold for revenue growth at -1.0% and the maximum at 1.0%. With a revenue growth of -0.91% compared to market, the realization on this metric is 9%.

The ESG targets consist of four equally weighted targets related to our approach to sustainability. Performance excludes acquisitions representing more than 2% of revenues. Actual performance on Total waste (circular) was below threshold, resulting in no vesting percentage for this ESG metric. The performance on Renewable electricity was above the maximum target at 60.7%, resulting in 150% vesting percentage on this metric. Our Total recordable injury rate landed at 0.24 at year-end, which translates into a vesting percentage of 50% for this metric. The performance on Energy use was 1.82, resulting in 10% vesting percentage on this final metric.

Following the performance assessment conducted by the Remuneration Committee, a total vesting – after including the dividend yield of 7.42% during the vesting period – of 13.21% of the conditionally awarded number of shares is applied. This results in the following number of shares vested:

- Thierry Vanlancker: 2,745 (based on the pro-rated conditional grant)
- Maarten de Vries: 1,634

LTI on financial objectives

Performance metrics 2021-2023 LTI Share Plan	Measurement approach	Weighting		Threshold	Maximum	Performance	Weighted vesting (as % of conditional grant)
Adjusted EBITDA (in € mln)	As is	40%	Corresponding target	1,500	2,000		1.8%
			Corresponding award	0%	150%	0%	
Return on investment (ROI) (in %)	As is	20%	Corresponding target	15%	20%		
			Corresponding award	0%	150%	0%	
Revenue growth (in %)	Organic revenue growth compared with Sherwin-Williams, Nippon Paint, PPG, Axalta and BASF Coatings. For Axalta and Sherwin-Williams, only performance for the coatings business is taken into consideration. Performance on this metric is measured against 33 months following the start of the conditional period for Nippon Paint and BASF Coatings.	20%	Corresponding target	(1%)	1%		
			Corresponding award	0%	150%	9%	

Performance metrics 2021-2023 LTI Share Plan	Measurement approach	Weighting		Threshold	Maximum	Performance	Weighted vesting (as % of conditional grant)
Total recordable injury rate	Per 200,000 hours, three-year average	5%	Corresponding target	0.25	0.20	0.24	10.5%
			Corresponding award	0%	150%	50 %	
Total waste – circular	As the percentage circular waste of total waste	5%	Corresponding target	60%	68%	56 %	
			Corresponding award	0%	150%	0%	
Energy use (GJ/ton)	Per ton of production	5%	Corresponding target	1.83	1.67	1.82	
			Corresponding award	0%	150%	10 %	
Renewable electricity	Use of renewable electricity (own operations)	5%	Corresponding target	45%	55%	60.7 %	
			Corresponding award	0%	150%	150 %	

Conditional grant 2023-2025 LTI Plan

As per the Remuneration Policy for the Board of Management, shares are conditionally granted to the members of the Board of Management on an annual basis, following approval from the Remuneration Committee. The grant level is 200% of base salary for the CEO and 150% of base salary for the CFO. In 2023, the CEO received a conditional grant of shares equivalent to 200% of his annual base salary and the CFO received a conditional grant of shares equivalent to 150% of his annual base salary on January 1, 2023. 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:

- 35,105 shares were conditionally granted to Greg Poux-Guillaume, CEO
- 16,111 shares were conditionally granted to Maarten de Vries, CFO

For both the financial and ESG metrics, the Supervisory Board determined for each target: (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. The overview below also sets out the targets as applicable for both our financial and ESG performance metrics.

Vesting of the conditional grant is linked to the four performance metrics presented below.

Performance metrics 2023-2025 LTI Plan

Metrics	Measurement approach	Target (100%)	Weighting
Adjusted EBITDA (in € mln)	As is	Not disclosed*	40%
Return on investment (ROI) (in %)	As is	Not disclosed*	20%
Revenue growth (in %)	Organic revenue growth compared with sector peers	Not disclosed*	20%
Environmental, social and governance (ESG)	Total recordable injury rate three-year average	0.23	5%
	Total waste – % circular waste of total waste	68%	5%
	Energy use (GJ/ton)	1.80	5%
	Renewable electricity	60%	5%

* Targets for the financial metrics are not disclosed on ex-ante basis given commercial sensitivity. More details about pay-out curves and actual performance will be disclosed on ex-post basis.

Overview of share awards

	Plan	Performance/ Vesting period	Award date	End of performance period	End of holding period	Balance at January 1, 2023[1]	Awarded in 2023	Vested in 2023	Forfeited in 2023	Dividend in 2023	Balance at December 31, 2023
Greg Poux-Guillaume (CEO)	ANS2022	2022-2024	January 1, 2022	February 2025	February 2027	20,450	—	—	—	560	21,010
	ANS2023	2023-2025	January 1, 2023	February 2026	February 2028	—	35,105	—	—	962	36,067
	SMP2023	2023-2026	April 26, 2023	April 26, 2026	April 26, 2028	—	1,046	—	—	—	1,046
Thierry Vanlancker (former CEO)	ANS2020	2020-2022	January 1, 2020	February 2023	n/a	—	—	—	—	—	—
	ANS2021	2021-2023	January 1, 2021	February 7, 2024	February 7, 2026	27,928	—	—	(25,948)	765	2,745
	ANS2022	2022-2024	January 1, 2022	February 2025	February 2027	26,238	—	—	(14,577)	320	11,981
	SMP2022	2022-2025	April 21, 2022	April 20, 2025	April 26, 2025	2,708	—	(903)	(1,805)	—	—
Maarten de Vries (CFO)	ANS2020	2020-2022	January 1, 2020	February 2023	n/a	—	—	—	—	—	—
	ANS2021	2021-2023	January 1, 2021	February 7, 2024	February 7, 2026	12,931	—	—	(11,651)	354	1,634
	ANS2022	2022-2024	January 1, 2022	February 2025	February 2027	12,150	—	—	—	333	12,483
	ANS2023	2023-2025	January 1, 2023	February 2026	February 2028	—	16,111	—	—	441	16,552
	SMP2022	2022-2025	April 21, 2022	April 20, 2025	April 20, 2027	1,338	—	—	—	—	1,338
	SMP2023	2023-2026	April 26, 2023	April 26, 2026	April 26, 2028	—	792	—	—	—	792

[1] The balance of shares at January 1, 2023, includes cumulative dividend. For ANS2021, the cumulative dividend over 2021 and 2022 of 4.55% applies and for ANS2022, the 2022 dividend yield of 2.58% applies. For Thierry Vanlancker, the 2.58% has been applied to the pro-rated number of shares after termination of 11,368 conditional shares.

Board of Management	Initial appointment	Start date current appointment	Period of appointment	Notice period for AkzoNobel	Notice period for the Board of Management	Severance
Greg Poux-Guillaume	November 1, 2022	November 1, 2022	4.5 years*	6 months	6 months	1 time annual base salary
Maarten de Vries	January 1, 2018	April 22, 2022	4 years	6 months	6 months	1 time annual base salary

* Greg Poux-Guillaume was appointed as member of the Board of Management and CEO with effect from November 1, 2022, for an extended four-year term.

Board of Management	Shareholding requirements	2023 base salary	Number of shares held	Ownership ratio
Greg Poux-Guillaume	300%	€1,225,000	1,046	6%
Maarten de Vries	150%	€830,000	22,558	203%

Shareholding requirements

Board of Management members are expected to build up a shareholding in the company. The minimum shareholding requirement must be accrued within five years. This includes privately purchased shares and vested shares granted under AkzoNobel share-based compensation plans. The overview above provides insight into Board of Management share ownership practices as per December 31, 2023.

Claw back, value adjustment and loans

In 2023, there was no cause for a claw back or value adjustment by the Remuneration Committee. The company does not grant loans, advance payments or guarantees to members of the Board of Management or any family member of such persons.

Former members of the Board of Management

Following the disclosure in the 2022 Remuneration report, termination of Thierry Vanlancker's management agreement was executed in accordance with the management agreement and the Remuneration Policy for the Board of Management. In accordance with this management agreement, Thierry Vanlancker was entitled to his base salary, post-contract and fringe benefits until the end of the management agreement at the AGM in April 2023. Furthermore, he received a severance payment of one annual base salary (not exceeding one annual base salary, in accordance with the Dutch Corporate Governance Code 2022). These payments, together with post-contract and fringe benefits, amounted to a total of €1,619,598, as provided for in the 2022 Remuneration report. No STI awards or payments were made in 2023. No shares were conditionally granted under the 2023-2025 LTI Plan.

The 26,713 shares that were conditionally granted to Thierry Vanlancker under the 2021-2023 LTI Plan have been pro-rated, calculated for the period until the end of the management agreement in April 2023, to respectively 20,777 (28/36 of 26,713) conditional shares, resulting in a vesting of 2,745 shares as further explained in the LTI section. In addition, the 2,708 potential matching shares that were granted to Thierry Vanlancker were pro-rated, resulting in 903 potential matching shares. These shares were matched upon termination of the management agreement in April 2023, as also disclosed in the Share-Matching Plan section. The total value of all shares that became unconditional during the year is €272,943. This means that the value of the total remuneration received in 2023 amounts to €1,892,541.

Contractual arrangements

The overview above provides insight into the main contractual arrangements of the Board of Management.

Comparative information

Pay ratios

Internal pay ratios are a relevant input factor for determining the appropriateness of the implementation of the Remuneration Policy for the Board of Management, as recognized in the Corporate Governance Code. In 2023, the ratio between the annual total compensation for the CEO and the average annual compensation for an employee was 85.8 (2022: 59.8). This pay ratio was calculated in accordance with the guidance as provided in the Corporate Governance Code. In addition, CEO pay ratios on the basis of median employee remuneration have been calculated.

Further details on the development of these amounts and ratios over time can be found in the table below.

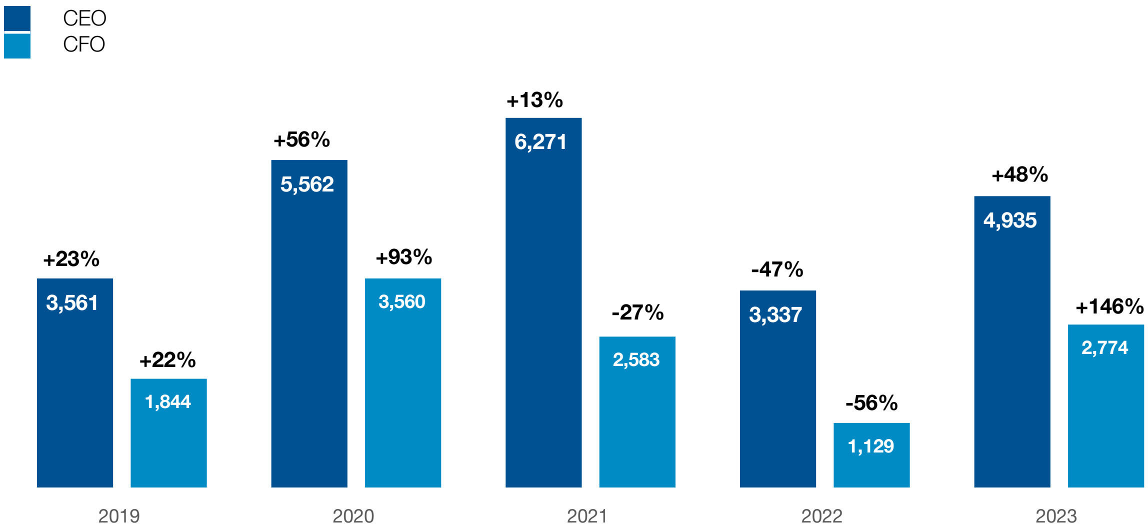
	2019	2020	2021	2022	2023
Average salary per employee*	54,825	56,061	54,220	55,840	**57,536**
% change average remuneration	(3)%	2%	(3)%	6%	3%
CEO pay ratio (average)	65.0	99.2	115.7	59.8	85.8
CEO pay ratio % change	16%	53%	17%	(48%)	43%
CEO pay ratio (median)	81.9	126.4	149.0	81.1	115.0
CEO pay ratio % change	15%	54%	18%	(46%)	42%

* Calculated as employee benefits on a full-time equivalent basis over average number of employees.

Five-year analysis

The overviews below and on the next page provide illustrative insights into the Board of Management remuneration and company performance over the last five reported financial years.

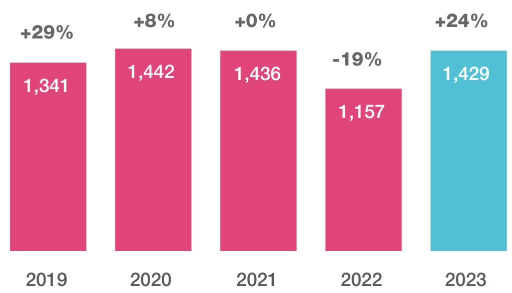
Board of Management remuneration five-year analysis in € thousands (based on IFRS 2 expenses for multi-year variable). Percentages indicate year-on-year changes.



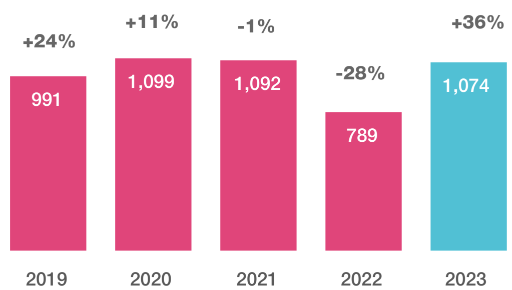
In years of transition, the compensation for the newly appointed Board of Management member has been annualized.

- In 2020, total rewards (including benefits) for the Board of Management included a one-off special payment for the 2020 Performance Incentive Plan, which incentivized improvement on the company's return on sales (ROS). The plan was put in place and approved by the AGM following the divestment of Specialty Chemicals
- In 2021, total rewards (including benefits) for the CEO included a one-off special share grant to compensate for the loss of shares due to the two-year reappointment and the fact that shares granted as from 2021 will only vest on a pro-rated basis
- 2022 presented us with the continued impact of the COVID-19 pandemic, the geo-political consequences of the war in Ukraine, shortages and significant price increases in raw materials and transportation. This volatile business climate had a severe impact on the results of the company. Consequently, all financial components of the short and long-term incentives did not meet the threshold and delivered no pay-out. The annualized total compensation for Thierry Vanlancker reduced by 65% compared with 2021, to €1,912,210 versus €5,514,195 in the previous year. This reflects the fact that his short-term incentive paid out around half and no shares granted under the LTI plan 2020 vested. Compared with 2021, the annualized total compensation for Maarten de Vries reduced by 48%
- In response to the challenges posed by an unpredictable macro-economic landscape, we outlined a set of strategic priorities designed to guide us with resilience and adaptability. This resulted in above target pay-out on the financial metrics of the short-term incentive. Vesting under the 2021-2023 LTI Plan was minimal, but the total compensation levels are showing a better balance between our commitment to stakeholders and our ability to reward and retain

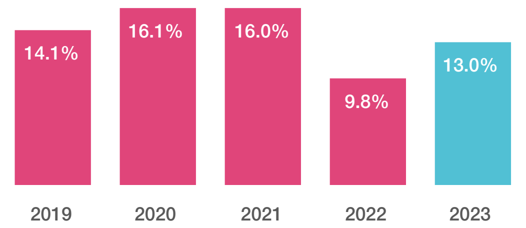
Adjusted EBITDA in € millions (percentages indicate year-on-year changes)



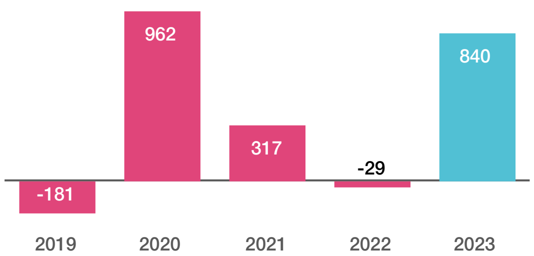
Adjusted OPI in € millions (percentages indicate year-on-year changes)



ROI in %



FCF in € millions



Policy at a glance – Supervisory Board

Supervisory Board members receive a fixed annual fee for their membership and one or more fixed committee fee(s). In addition, Supervisory Board members receive an attendance fee for any Supervisory Board or committee meetings they attend outside their country of residence.

The overview below summarizes the key elements of the Remuneration Policy for the Supervisory Board.

Fixed base fee			**Audit Committee fee**		**Remuneration Committee/ Nomination Committee fee**	
Chair	Deputy Chair	Member	Chair	Member	Chair	Member
€150,000	€93,000	€80,000	€25,000	€20,000	€20,000	€15,000

Fees are benchmarked against a sample of AEX companies and AkzoNobel's European remuneration peer group. In accordance with the Corporate Governance Code, Supervisory Board members are not remunerated in shares.

Attendance fees for meetings outside country of residence and expenses		
Continental meetings	Intercontinental meetings	Travel expenses and facilities are borne by the company and reviewed by the Audit Committee
€2,500 per meeting	€5,000 per meeting	

Remuneration for the Supervisory Board in 2023

This section presents insights into how the Remuneration Policy for the Supervisory Board was implemented in 2023. Actual remuneration was determined in line with the Remuneration Policy and no derogation of the policy has been applied.

Actual remuneration of the members of the Supervisory Board

in €	**Remuneration**	**Attendance fee**	**Committee allowance fees**	**Total remuneration**
Nils Smedegaard Andersen, Chair[1]	46,154	10,000	6,154	62,308
Ester Baiget	80,000	10,000	20,000	110,000
Byron Grote, Deputy Chair	93,000	15,000	25,000	133,000
Pamela Kirby	80,000	12,500	15,000	107,500
Ben Noteboom, Chair[2]	97,308	—	11,978	109,286
Jolanda Poots-Bijl	80,000	—	20,000	100,000
Dick Sluimers	80,000	—	20,000	100,000
Patrick Thomas	80,000	12,500	20,000	112,500
Hans Van Bylen	80,000	12,500	15,000	107,500
Total 2023	**716,462**	**72,500**	**153,132**	**942,094**
Total 2022	673,330	50,000	144,135	867,465

[1] Nils Smedegaard Andersen stepped down after the 2023 AGM.

[2] Ben Noteboom was appointed as member of the Supervisory Board with effect from April 21, 2023, and elected as Chair of the Supervisory Board with effect from May 26, 2023.

Comparative information

in €	2019	2020	2021	2022	2023
Nils Smedegaard Andersen, Chair[1]	162,500	157,500	172,500	182,500	62,308
Ester Baiget[2]	-	-	-	73,956	110,000
Peggy Bruzelius[3]	37,710	-	-	-	—
Sue Clark[4]	92,500	87,500	29,492	-	—
Byron Grote, Deputy Chair	130,500	114,250	120,500	130,500	133,000
Michiel Jaski[4]	87,500	85,000	31,044	-	—
Pamela Kirby	92,500	87,500	95,000	105,000	107,500
Ben Noteboom, Chair[5]	-	-	-	-	109,286
Jolanda Poots-Bijl[6]	59,166	85,000	100,000	100,000	100,000
Dick Sluimers	107,500	90,000	100,000	100,000	100,000
Patrick Thomas	97,500	92,500	102,500	105,000	112,500
Hans Van Bylen[2]	-	-	-	70,508	107,500
Ben Verwaayen[7]	92,500	32,775	-	-	—
Total remuneration	**959,876**	**832,025**	**751,036**	**867,465**	**942,094**
% change total remuneration	(4.35)	(13.32)	(9.73)	15.50	8.60 %

[1] Until April 21, 2023. [2] As of April 23, 2022. [3] Until April 30, 2019. [4] Until April 22, 2021.
[5] As of April 21, 2023, elected as Chair with effect from May 26, 2023. [6] As of May 1, 2019. [7] Until April 24, 2020.

Remuneration Policy for 2024

The remuneration policies for the Board of Management and Supervisory Board were reviewed by the Supervisory Board in 2020/2021 and approved at the AGM in 2021, taking into consideration 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. At the AGM in 2022, an amendment regarding the STI metrics in the Remuneration Policy for the Board of Management was approved. Operating cash flow (OCF) has been replaced by free cash flow (FCF). The amended Remuneration Policy for the Board of Management became effective (retroactively) from January 1, 2022, and will remain effective until a new Remuneration Policy for the Board of Management is approved, which will be proposed to shareholders no later than the AGM in 2025.

Remuneration Policy for the Board of Management
The Supervisory Board has concluded the Remuneration Policy for the Board of Management is in line with the company's objectives. The remuneration it provides is balanced and adequate. For implementation in 2024, the Supervisory Board has decided that:

- The CEO's base salary will be increased by 5.3%, reflecting the fact that the initial salary was set in 2022 and had not been adjusted in 2023. The 5.3% increase is below the salary adjustments applied for AkzoNobel employees in the Netherlands
- No change in base salary will be made for the CFO, as his salary was adjusted in line with the benchmark in May 2023
- Metrics applied for STI will remain the same, to support the company's strategy and will continue to apply in 2024
- Metrics applied for LTI in 2023 were adjusted EBITDA, ROI, revenue growth and ESG. Aligning to our recently announced mid-term ambitions, and in accordance with recent discussions with our shareholders, it will be proposed to remove revenue growth as a metric for LTI. This metric is based on a calculated competitive benchmark based on our competitors' limited disclosures. Lack of market information forces us to make certain assumptions to render competitor information comparable, making the KPI less objective and less reliable. While growth remains a priority, it's captured in the absolute EBITDA metric, which remains. This suggested change in LTI metrics in the Remuneration Policy for the Board of Management will be submitted to the 2024 AGM for approval. Should shareholders approve the proposed amendment, vesting of the conditional grant will be linked to adjusted EBITDA (33%), ROI (33%) and ESG (34%), increasing the importance of ESG as a confirmation of our commitment to our sustainability targets

Greg Poux-Guillaume

Base salary

€1,290,000

Short-term incentives (STI)

2024 STI pay-out opportunity and performance objectives
CEO target: 100% of base
CEO maximum opportunity: 150% of base

Metrics	Measurement approach	Target (100%)	Weighting
Adjusted OPI (in € mln)	As is	Not disclosed[1]	40%
FCF (in € mln)	As is	Not disclosed[1]	30%
Personal objective	Not disclosed[1]	Not disclosed[1]	30%

Long-term incentives (LTI)[2]

2024-2026 LTI vesting opportunity and performance objectives
CEO target: 200% of base
CEO maximum opportunity: 300% of base

Metrics	Measurement approach	Target (100%)	Weighting
Adjusted EBITDA (in € mln)	As is	Not disclosed[1]	33%
Return on investment (ROI) (in %)	As is	Not disclosed[1]	33%
Environmental, social and governance (ESG)			34%
Serious injuries and fatalities	Measured over 100 million hours	3	Equally distributed
Female executives	Percentage of female executives as percentage of the total executive population	30%	Equally distributed
Carbon footprint	Cradle-to-grave carbon footprint (Scope 1, 2 and 3) measured as reduction versus 2018 baseline	13%	Equally distributed
Final energy use	Per ton of production (kWh/ton)	251	Equally distributed

[1] Targets for the financial metrics and personal objectives are not disclosed on ex-ante basis given commercial sensitivity. More details about pay-out curves and actual performance will be disclosed on ex-post basis.
[2] LTI performance measures subject to shareholder approval at the 2024 AGM.

Maarten de Vries

Base salary

€830,000

Short-term incentives (STI)

2024 STI pay-out opportunity and performance objectives
CFO target: 80% of base
CFO maximum opportunity: 120% of base

Metrics	Measurement approach	Target (100%)	Weighting
Adjusted OPI (in € mln)	As is	Not disclosed[1]	40%
FCF (in € mln)	As is	Not disclosed[1]	30%
Personal objective	Not disclosed[1]	Not disclosed[1]	30%

Long-term incentives (LTI)[2]

2024-2026 LTI vesting opportunity and performance objectives
CFO target: 150% of base
CFO maximum opportunity: 225% of base

Metrics	Measurement approach	Target (100%)	Weighting
Adjusted EBITDA (in € mln)	As is	Not disclosed[1]	33%
Return on investment (ROI) (in %)	As is	Not disclosed[1]	33%
Environmental, social and governance (ESG)			34%
Serious injuries and fatalities	Measured over 100 million hours	3	Equally distributed
Female executives	Percentage of female executives as percentage of the total executive population	30%	Equally distributed
Carbon footprint	Cradle-to-grave carbon footprint (Scope 1, 2 and 3) measured as reduction versus 2018 baseline	13%	Equally distributed
Final energy use	Per ton of production (kWh/ton)	251	Equally distributed

Remuneration Policy Supervisory Board

The Supervisory Board has concluded that the Remuneration Policy for the Supervisory Board is in line with the objectives of the company, but a proposal will be made to increase the annual retainer and committee fees of the Supervisory Board members. There is a clear distinction in remuneration between mainly Dutch companies with a two-tier board structure and other companies within the peer group that have a one-tier board structure, the latter having predominantly higher remuneration levels for supervisory board members. The remuneration of the Supervisory Board seems to be on average somewhat below median compared with companies with a two-tier board structure and we will, therefore, propose to increase the remuneration levels for the Supervisory Board as set out in the table below. This proposal takes into consideration that the remuneration levels for the Supervisory Board were last amended in 2021. The suggested change in the Remuneration Policy for the Supervisory Board will be submitted to the 2024 AGM for approval.

Supervisory Board fee proposal

	Fixed base fee			Audit Committee fee		Remuneration/ Nomination Committee fee	
	Chair	**Deputy Chair**	**Member**	**Chair**	**Member**	**Chair**	**Member**
Proposed amount	€162,000	€100,000	€86,000	€27,000	€22,000	€22,000	€16,000

AKZONOBEL AND THE CAPITAL MARKETS

Shares

AkzoNobel's common shares are listed on Euronext Amsterdam. We're included in the AEX® Index, which consists of the top 25 listed companies in the Netherlands, ranked on the basis of stock market turnover and free float. During 2023, 99 million AkzoNobel shares were traded on Euronext Amsterdam, with €7.0 billion turnover (2022: volume of 159 million, turnover of €11.6 billion).

We have a sponsored level 1 American Depositary Receipt (ADR) program and ADRs can be traded on the international OTCQX platform in the US. In 2023, 16 million ADRs were traded, with $393 million total turnover (2022: volume of 51 million, turnover of $1.2 billion).

See 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 institutional shares chart shows the geographical spread of institutional shareholders, of which the majority are based in the US (59%) and the UK (13%). Around 7% 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 was held by ESG investors[1], while 14.5% was held by ESG funds[2] at year-end 2023.

Key share data*

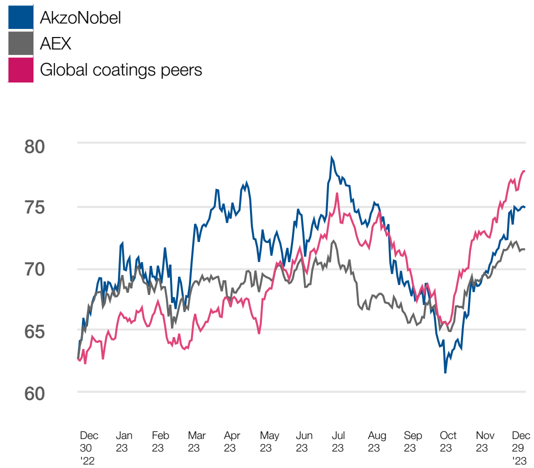
	2021	2022	2023
Year-end (share price in €)	96.50	62.56	74.82
Year-high (share price in €)**	107.80	98.50	78.82
Year-low (share price in €)**	83.50	56.22	61.42
Number of shares outstanding at year-end (in millions)	182	174	171
Market capitalization at year-end (in € billions)	17.5	10.9	12.76
Dividend per share (in €)	1.98	1.98	1.98
Dividend yield (in %)	2.1	3.2	2.6

* Based on Bloomberg share data
** Based on close value

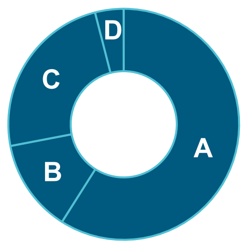
The AkzoNobel share price was up 20% at year-end 2023 when compared with year-end 2022. This compares with the AEX, which was up by 14% at year-end 2023, and our global coatings peers[3] up 24% over the same period (see Share price performance graph on the right).

Our CFO, Maarten de Vries, had the honor of performing the gong ceremony to officially open the trading day at Euronext Amsterdam. He was accompanied by colleagues from our Executive Committee and Investor Relations team to mark AkzoNobel's 105th anniversary of being listed on the Amsterdam stock exchange. The company was also one of the "founding fathers" of the AEX (the main index of the Dutch stock exchange) when it was set up 1983 – and has been the best performer out of the original members in the 40 years since then.

Benchmark performance indexed to AkzoNobel share price as of December 30, 2022
AkzoNobel share price in €



Distribution of institutional shares in 2023 in %



A	US	59
B	UK	13
C	Rest of Europe	24
D	Rest of World	4

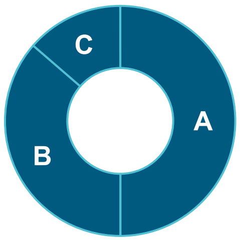
[1] As calculated by Nasdaq, according to their methodology, which is to include the sum of: (1) Core sustainable and responsible investor firms where 100% of equity assets are managed with an environmental, social and governance (ESG) approach; (2) Sustainable and responsible investor themed funds managed by a broad range of sustainable and responsible investors.
[2] As calculated by Nasdaq and includes investment funds that take into account the impact that companies they invest in have on the environment, their stakeholders and society, alongside potential financial returns.
[3] Global coatings peer group includes Asian Paints, Axalta, Berger Paints, Chugoku, Kansai Paint, Masco, Nippon Paint, PPG, RPM, Sherwin-Williams, Skshu Paint.

AKZONOBEL AND THE CAPITAL MARKETS

Analyst recommendations

At year-end 2023, AkzoNobel was covered by 22 equity research analysts. An overview of analyst recommendations is shown in the graph below.

Analyst recommendations



A	Buy	11
B	Hold	8
C	Sell	3

External benchmarks

AkzoNobel is one of 25 constituents of the AEX® ESG Index on Euronext Amsterdam. The index identifies companies that are demonstrating the best environmental, social and governance (ESG) practices – giving investors the opportunity to invest in the most sustainable listed companies. Our inclusion is based on the assessment performed by Sustainalytics.

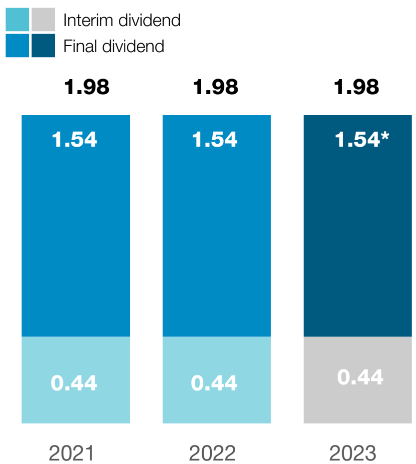
Following 2023 reviews, our ESG performance was reaffirmed by external rating agencies. For example, AkzoNobel maintained the highest possible rating (AAA) from MSCI for the eighth consecutive year, and the company is ESG top rated by Sustainalytics – the best performance level in the industry. Please refer to the Sustainability statements for a full overview of external sustainability ratings.

Dividend

Our dividend policy is to pay a stable to rising dividend. In 2023, an interim dividend of €0.44 per share (2022: €0.44) was paid. The Board of Management proposes a 2023 final dividend of €1.54 per share, which would equal a total 2023 dividend of €1.98 (2022: €1.98) per share.

The dividend proposed to the 2024 Annual General Meeting of shareholders, following adoption, will be payable as of May 7, 2024. AkzoNobel's shares will be trading ex-dividend as of April 29, 2024. In compliance with the listing requirements of Euronext Amsterdam, the record date for the final dividend will be April 30, 2024.

Dividend in € per share*



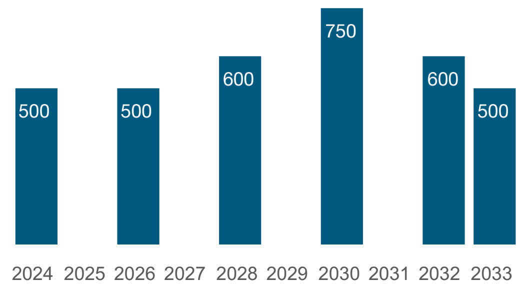
* Proposed

Credit rating and bonds

AkzoNobel is committed to 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.

The maturity schedule of outstanding bonds is also shown below.

Bonds maturity in € millions (nominal amounts)



Rating agency	Long-term rating	Outlook
Moody's	Baa2	Stable
Standard & Poor's	BBB	Stable

FINANCIAL STATEMENTS

This section includes a detailed overview of our 2023 financial performance.

During 2023, we launched next generation coatings technology which will help the beverage can industry move to products free from materials of concern. Our Packaging Coatings business launched the first two products in its new Accelstyle range. Designed for the exterior of conventional two-piece aluminum beverage cans, both are free from intentionally added bisphenols. We're also building a production plant in Spain at our Vilafranca site, which will produce the new coatings for the metal packaging industry in Europe, Middle East and Africa.

FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF INCOME

in € millions, for the year ended December 31	Note		2022		2023
Continuing operations					
Revenue	4	10,846		10,668	
Cost of sales	5	(6,923)		(6,434)	
Gross profit			**3,923**		**4,234**
Selling and distribution expenses	5	(2,308)		(2,347)	
General and administrative expenses	5	(649)		(648)	
Research and development expenses	5	(258)		(270)	
Other results	5	—		60	
			(3,215)		**(3,205)**
Operating income			**708**		**1,029**
Financing income and expenses	7	(124)		(272)	
Results from associates	13	18		27	
Profit before tax			**602**		**784**
Income tax	8		(214)		(296)
Profit for the period from continuing operations			**388**		**488**
Discontinued operations					
Profit/(loss) for the period from discontinued operations			(10)		(5)
Profit for the period			**378**		**483**
Attributable to					
Shareholders of the company			352		442
Non-controlling interests			26		41
Profit for the period			**378**		**483**
Earnings per share, in €					
Continuing operations					
Basic	9		2.07		2.62
Diluted	9		2.06		2.61
Discontinued operations					
Basic	9		(0.06)		(0.03)
Diluted	9		(0.05)		(0.03)
Total operations					
Basic	9		2.01		2.59
Diluted	9		2.01		2.58

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

in € millions, for the year ended December 31	2022	2023
Profit for the period	**378**	**483**
Other comprehensive income/(expense)		
Items that will not be reclassified to the statement of income:		
Post-retirement benefits	(375)	(149)
Income tax	86	38
Net effect	**(289)**	**(111)**
Items that may be reclassified subsequently to the statement of income:		
Exchange rate differences arising on translation of foreign operations	(163)	(61)
Cash flow hedges	(15)	34
Income tax	2	(1)
Net effect	**(176)**	**(28)**
Other comprehensive income/(expense) for the period	**(465)**	**(139)**
Comprehensive income/(expense) for the period	**(87)**	**344**
Comprehensive income attributable to		
Shareholders of the company	(115)	310
Non-controlling interests	28	34
Comprehensive income/(expense) for the period	**(87)**	**344**

CONSOLIDATED BALANCE SHEET, BEFORE ALLOCATION OF PROFIT

in € millions, at December 31	Note		2022		2023
Assets					
Non-current assets					
Intangible assets	10	4,072		4,081	
Property, plant and equipment	11	1,968		1,994	
Right-of-use assets	12	291		302	
Deferred tax assets	8	498		512	
Investments in associates	13	193		216	
Financial non-current assets	14	1,475		1,409	
Total non-current assets			**8,497**		**8,514**
Current assets					
Inventories	15	1,843		1,649	
Trade and other receivables	16	2,447		2,483	
Current tax assets	8	168		134	
Short-term investments	20	336		265	
Cash and cash equivalents	20	1,450		1,513	
Total current assets			**6,244**		**6,044**
Total assets			**14,741**		**14,558**
Equity and liabilities					
Equity					
Shareholders' equity	17	4,333		4,322	
Non-controlling interests	17	215		224	
Group equity			**4,548**		**4,546**
Non-current liabilities					
Post-retirement benefit provisions	18	387		423	
Other provisions	19	167		161	
Deferred tax liabilities	8	561		557	
Long-term borrowings	20	3,332		3,165	
Total non-current liabilities			**4,447**		**4,306**
Current liabilities					
Short-term borrowings	20	2,543		2,398	
Trade and other payables	21	2,801		2,933	
Current tax liabilities	8	236		211	
Current portion of provisions	18, 19	166		164	
Total current liabilities			**5,746**		**5,706**
Total equity and liabilities			**14,741**		**14,558**

CONSOLIDATED STATEMENT OF CASH FLOWS

in € millions, for the year ended December 31	Note		2022		2023
Profit for the period from continuing operations		**388**		**488**	
Adjustments to reconcile profit for the period to net cash generated from operating activities					
Amortization and depreciation	10, 11, 12	368		357	
Impairment losses	10, 11, 12	6		4	
Financing income and expenses	7	124		272	
Results from associates	13	(18)		(27)	
Pre-tax result on acquisitions and divestments	2	(21)		(66)	
Income tax	8	214		296	
Changes in working capital	22	(509)		254	
Pension pre-funding	18	47		—	
Changes in post-retirement benefit provisions	18	(31)		(40)	
Changes in other provisions	19	(33)		(13)	
Interest paid		(78)		(167)	
Income tax paid		(224)		(295)	
Other changes		30		63	
Net cash generated from/(used for) operating activities			**263**		**1,126**
Capital expenditures*	10, 11	(292)		(286)	
Interest received		14		71	
Dividends from associates		14		13	
Acquisition of consolidated companies, net of cash acquired	2	(588)		(114)	
Investments in short-term investments	20	(1,361)		(64)	
Repayments of short-term investments	20	1,084		142	
Proceeds from divestments, net of cash divested		36		96	
Other changes		(2)		(2)	
Net cash generated from/(used for) investing activities			**(1,095)**		**(144)**
Proceeds from borrowings	20	9,511		5,836	
Borrowings repaid	20	(7,322)		(6,295)	
Share buyback	17	(669)		—	
Dividends paid	17	(379)		(368)	
Net cash generated from/(used for) financing activities			**1,141**		**(827)**
Net cash generated from/(used for) continuing operations			**309**		**155**
Net cash generated from/(used for) discontinued operations			(9)		(6)
Net change in cash and cash equivalents from continued and discontinued operations			**300**		**149**
Net cash and cash equivalents at January 1	20		1,112		1,398
Effect of exchange rate changes on cash and cash equivalents			(14)		(94)
Net cash and cash equivalents at December 31			**1,398**		**1,453**

* Capital expenditures include investments in intangible assets (refer to Note 10) and investments in property, plant and equipment (refer to Note 11).

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to shareholders of the company						
in € millions	Subscribed share capital	Cash flow hedge reserve	Cumulative translation reserve	Other (legal) reserves and undistributed profit	Shareholders' equity	Non-controlling interests	Group equity
Balance at December 31, 2021	**91**	**(19)**	**(493)**	**5,846**	**5,425**	**211**	**5,636**
Impact IAS 29 Hyperinflation Türkiye[1]	—	—	—	16	16	2	18
Balance at January 1, 2022	**91**	**(19)**	**(493)**	**5,862**	**5,441**	**213**	**5,654**
Profit for the period	—	—	—	352	352	26	378
Other comprehensive income/(expense)	—	(15)	(165)	(375)	(555)	2	(553)
Tax on other comprehensive income	—	—	2	86	88	—	88
Comprehensive income for the period	**—**	**(15)**	**(163)**	**63**	**(115)**	**28**	**(87)**
Dividend	—	—	—	(347)	(347)	(29)	(376)
Share buyback[2]	(4)	—	—	(656)	(660)	—	(660)
Equity-settled transactions[3]	—	—	—	14	14	—	14
Acquisition of non-controlling interests	—	—	—	—	—	3	3
Balance at December 31, 2022	**87**	**(34)**	**(656)**	**4,936**	**4,333**	**215**	**4,548**
Profit for the period	—	—	—	442	442	41	483
Reclassification into the statement of income	—	46	(4)	—	42	—	42
Other comprehensive income/(expense)	—	(12)	(50)	(149)	(211)	(7)	(218)
Tax on other comprehensive income	—	—	(1)	38	37	—	37
Comprehensive income for the period	**—**	**34**	**(55)**	**331**	**310**	**34**	**344**
Dividend	—	—	—	(338)	(338)	(25)	(363)
Share buyback	(2)	—	—	2	—	—	—
Equity-settled transactions[3]	—	—	—	17	17	—	17
Balance at December 31, 2023	**85**	**—**	**(711)**	**4,948**	**4,322**	**224**	**4,546**

[1] As per June 2022, Türkiye has been identified as a hyperinflationary economy. IAS 29 "Financial Reporting in Hyperinflationary Economies" has been applied for our activities in Türkiye as from January 1, 2022. Refer to Note 7 Financing income and expenses for details on the financial impact from applying IAS 29. The opening balance adjustment includes a tax charge of €4 million.
[2] Includes a tax credit of €2 million.
[3] Includes a tax charge of €1 million (2022: €2 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 1: SUMMARY OF MATERIAL ACCOUNTING POLICIES

General information

Akzo Nobel N.V. is a public limited liability 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 and associated companies, drawn up in conformity with Articles 379 and 414 of Book 2 of the Dutch Civil Code, as an appendix to our annual report. The principal activity of AkzoNobel is the production and selling of paints and coatings.

We have prepared the Consolidated financial statements of Akzo Nobel N.V. in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS). The Consolidated financial statements also comply with the financial reporting requirements included in Title 9 of Book 2 of the Dutch Civil Code.

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:
- 2023 results at a glance
- CEO statement
- How we created value
- Strategy and operations
- Sustainability statements
- 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 5 Operating income
- Financial information: Note 26 Financial risk management
- Appendix: EU taxonomy

On February 26, 2024, 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 25, 2024.

Going concern

The Consolidated financial statements have been prepared on a going concern basis, resulting from management's assessment of the ability of AkzoNobel to continue its operations for the foreseeable future.

Management has assessed the ability of AkzoNobel to continue as a going concern based on an evaluation of, among others, the financial position, expected future cash flows and market developments.

At December 31, 2023, cash and cash equivalents were €1.5 billion. We also assessed the ability of the company to obtain financing, taking into account the company's external credit rating, which we are committed to retain at strong investment grade.

Expected future cash flows are based on the latest forecasts. These forecasts take into account internal and external developments relevant in the assessment of the ability of AkzoNobel to continue as a going concern, including but not limited to market developments, developments in the macro-economic environment (e.g. inflation, see disclosure on inflation in this Note) and climate-related developments (see disclosure on climate change in this Note).

Management's assessment did not lead to uncertainties in relation to AkzoNobel's ability to continue as a going concern.

Impact of climate change

The potential effects on the financial statements of climate change have been assessed. This assessment included the impact of physical risks, such as those associated with water scarcity, flooding and weather events, as well as transitional risks that may lead to changes in technology, market dynamics and regulations. A desktop study was performed relating to physical climate risks. We also considered AkzoNobel's commitments to reduce carbon emissions as approved by the Science Based Targets initiative (SBTi), and related estimates as to investments and the timing thereof. The resulting impact on the financial statements, including in the areas of fixed assets depreciation and recoverability assessments, was not deemed material to the company's financial position and results of operations as of, and for the year ended, December 31, 2023.

Impact from the war in Ukraine and sanctions on Russia

Our business in Ukraine and Russia combined represented less than 2% of our 2023 revenue (2022: about 2%), of which the vast majority concerned Russia.

In 2022, following the EU sanctions, the majority of our Performance Coatings activities in Russia were suspended. The residual Russian business since then has been locally operated. AkzoNobel has assessed the potential accounting impact from the localization of the Russian business. Taking into account the applicable IFRS standards, we have concluded that our Russian business can still be included in our scope of consolidation.

No significant impairments of assets occurred in Russia in either 2023 or 2022; in Ukraine, the value of the assets is immaterial.

Impact of inflation

The financial year 2023 saw continued inflation due to geo-political and macro-economic developments. The impacts from rising inflation have been considered in the financial statements where relevant. Reference is made to Note 5 Operating income on financial developments during the year, Note 7 Financing income and expenses, Note 10 Intangible assets on the annual impairment testing process, Note 15 Inventories on the impact of raw material price increases, Note 18 Post-retirement benefit provisions on the impact of inflation rates on the defined benefit obligations (DBO) and Note 26 Financial Risk Management on sensitivities in relation to changes in interest rates.

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 it has the ability to affect returns through its power over the subsidiary. Non-controlling interests in equity and in results are presented separately.

Changes in accounting policies and first-time application

Accounting pronouncements with potential relevance for AkzoNobel, which became effective for 2023, include IFRS 17 “Insurance contracts” and amendments to this standard, amendments to IAS 8 “Definition of accounting estimates”, amendments to IAS 1 and IFRS Practice Statement 2 “Disclosure of Accounting Policies”, amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction” and “International Tax Reform - Pillar Two Model Rules”. These changes in accounting policies had no material impact on our Consolidated financial statements. With regards to the exemption for recognizing and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes, as per the amendments to IAS 12, reference is made to Note 8 Income tax.

Discontinued operations/Held for sale

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 re-presented. The Consolidated balance sheet comparative figures are not re-presented.

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, including purchase price allocations for business combinations (Note 2)
- Income tax and deferred tax assets, including uncertain tax positions (Note 8)
- Impairment of intangible assets, property, plant and equipment and right-of-use assets (Note 10, 11, 12)
- Post-retirement benefit provisions (Note 18)
- Provisions and contingent liabilities (Note 19)

Business combinations (Note 2)

In business combinations, identifiable assets and liabilities, and contingent liabilities, are recognized at their fair values at the acquisition date. Determining the fair value requires significant judgments on future cash flows to be generated.

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 fair value of brands, customer relationships and know-how acquired in a business combination is estimated using generally accepted valuation methods. These include the relief-from-royalty method, the incremental cash flow method and the multi-period excess earnings method.

The fair value of property, plant and equipment acquired in a business combination is based on estimated market values.

The fair value of inventories acquired in a business combination is determined based on estimated selling prices in the ordinary course of business, less the estimated costs of completion and sale and a reasonable profit margin, based on the effort required to complete and sell the inventories.

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 2023, 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.

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.

Foreign exchange rate 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. 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).

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. In addition, exchange rates at this balance sheet date are used to translate both the balance sheet and the statement of income into euros. Hyperinflation accounting is applied for Argentina and Türkiye based on the historical cost approach and using the Consumer Price Index (CPI). CPI rate developments for Argentina and Türkiye are included in the table CPI rates at December 31. For reference, the balance sheet exchange rates for both countries have also been included.

CPI rates at December 31

Country	2021	2022	2023
Argentina	582	1,135	3,533
Türkiye	687	1,128	1,859

Balance sheet exchange rates[1] at December 31

Currency	2021	2022	2023
Argentinian peso	116.16	188.62	849.91
Turkish lira	15.00	19.97	32.73

[1]Foreign currency equivalent of 1 euro

For a consolidated overview of financial impacts from hyperinflation accounting, refer to Note 7 Financing income and expenses.

Exchange rates of key currencies

The principal exchange rates against the euro used in preparing the balance sheet and the statement of income are (table shows foreign currency equivalents of 1 euro):

Currency	Balance sheet			Statement of income		
	2022	2023	%	2022	2023	%
US dollar	1.07	1.11	3.8	1.05	1.08	2.6
Pound sterling	0.88	0.87	(1.7)	0.85	0.87	2.0
Chinese yuan	7.43	7.86	5.9	7.09	7.67	8.3

Revenue recognition (Note 4)

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, revenue is not recognized for such products. Instead, we record a liability for the refund and an asset for the products that will be returned. 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 6, 18)

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 6, 19)

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 6)

AkzoNobel has a performance-related and a restricted share plan, as well as a share-matching plan, under which equity-settled shares are 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.

Income tax (Note 8)

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 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 substantively 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.

AkzoNobel has applied the exemption for recognizing and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes.

Measurement of deferred tax assets and liabilities is based upon the enacted or substantively enacted tax rates expected to apply to taxable income in the years in which temporary differences are expected to be reversed. Deferred tax positions are not discounted.

Earnings per share (Note 9)

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 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 10)

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.

Intangible assets with a finite useful life, such as licenses, know-how, certain brands, customer relationships, intellectual property rights, emission rights, software expenditures (in as far as AkzoNobel controls the software configured or customized) and capitalized development 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 relationships, 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 11)

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. Other equipment contains assets with a useful life ranging from 3 to 20 years. 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 12, 20)

As a lessee, 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.

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 price. 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 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 it is reasonably certain that we will exercise an option to extend the lease, or that we will not 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; and
- 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 that we will exercise the extension options. We reassess whether it is reasonably certain that we will 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 10, 11, 12)

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 as a result of e.g. changes in cash flow forecasts, damages, market developments or environmental and climate change risks. 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 functional 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 operating 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 (Note 13)

Associates 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, 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 further legal or constructive obligations.

Inventories (Note 15)

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 19)

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 into 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 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 26)

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 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 14) and Trade and other receivables (Note 16)

Loans and receivables are measured at amortized cost, using the effective interest method, less any impairment losses. Positions are netted, if there is an intention to set off and when legally enforceable.

Cash and cash equivalents and short-term investments (Note 20)

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 20, 26) and Trade and other payables (Note 21)

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. Positions are netted, if there is an intention to set off and when legally enforceable.

New IFRS accounting standards

IFRS standards and interpretations thereof not yet in force, which may apply to our Consolidated financial statements for 2024 and beyond, have been assessed for their potential impact.

These include, among others, amendments to IAS 1 "Classification of Liabilities as Current or Non-current" and "Non-current Liabilities with Covenants", amendments to IFRS 16 "Lease Liability in Sale and Leaseback", amendments to IAS 7 and IFRS 7 "Supplier Finance Arrangements", amendments to IAS 21 "Lack of Exchangeability" and amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture". 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 238 legal entities. We consider legal entities material when they represent, for at least two subsequent years, more than 5% of either revenue or operating income. Material subsidiaries included in the table below are fully owned at year-end 2023, except for Akzo Nobel India Limited (74.76% owned by AkzoNobel). Refer to Note 17 Group equity for an overview of non-controlling interests.

Material subsidiaries related to continuing operations

Legal entity	Principal place of business
Akzo Nobel Coatings Inc.	US
Akzo Nobel Paints (Shanghai) Co Ltd.	China
Akzo Nobel India Limited	India
Imperial Chemical Industries Limited	UK
Akzo Nobel Decorative Coatings B.V.	The Netherlands
Akzo Nobel Coatings SPA	Italy
Akzo Nobel Ltda	Brazil

Acquisitions

On August 1, 2023, AkzoNobel acquired 100% of the shares of Valspar Coatings Holding Co. Ltd., Hong Kong (hereafter: "the Huarun business") for €72 million. The acquisition strengthens our position in China. It will allow us further market segmentation and reinforce our position outside of the premium segment.

The provisional purchase price allocation resulted in €32 million of goodwill (non-deductible for tax purposes), €28 million of other intangible assets (of which €13 million relates to brands which have finite useful lives) and €42 million other fixed and current assets, excluding deferred taxes. Revenue of the Huarun business over 2023 amounted to €66 million. Since its acquisition, the Huarun business contributed €32 million to AkzoNobel's consolidated revenues.

The goodwill is mainly attributable to synergies expected to be achieved from integrating the acquired business into the group. The purchase price allocation is provisional due to the limited time between the date of acquisition and the reporting date. The purchase price allocation will be finalized before August 1, 2024. No material changes from the current purchase price allocation are expected. The Huarun business has been integrated in business unit Decorative Paints China and North Asia.

On April 22, 2022, AkzoNobel acquired 100% of the shares of Colombia-based paints and coatings company Grupo Orbis S.A. (Grupo Orbis) for €566 million. The acquisition strengthens our position in Latin America.

Based on the final purchase price allocation, the transaction resulted in €267 million of goodwill, non-deductible for tax purposes (2022: €262 million), €257 million of other intangible assets (2022: €259 million), €120 million of property, plant and equipment (2022: €121 million) and €199 million other fixed and current assets (2022: €202 million).

The goodwill is mainly attributable to synergies expected to be achieved from integrating the company into the group. The paints business of Grupo Orbis has been integrated in business unit Decorative Paints Latin America. The coatings businesses have been integrated in the respective Performance Coatings business units in 2023. In 2022, these businesses were temporarily reported in business unit Performance Coatings Other.

On December 1, 2022, we acquired the wheel liquid coatings business of Lankwitzer Lackfabrik GmbH for €36 million in an asset deal. The final purchase price allocation resulted in €5 million of goodwill, deductible for tax purposes (2022: €7 million), €20 million of other intangible assets (2022: €17 million) and €13 million other fixed and current assets (2022: €14 million). The goodwill is mainly attributable to synergies expected to be achieved from integrating the acquired business into the group. This business has been integrated in business unit Powder Coatings.

Recognized fair values at acquisition

in € millions	Huarun business	Other[1]	Total 2023
Other intangibles	28	10	38
Property, plant and equipment	7	(1)	6
Right of use assets	15	—	15
Inventories	2	(1)	1
Trade and other receivables	12	(1)	11
Cash and cash equivalents	6	—	6
Provisions	(1)	(1)	(2)
Deferred tax assets/(liabilities)	(10)	1	(9)
Trade and other payables	(19)	—	(19)
Net identifiable assets and liabilities	**40**	**7**	**47**
Goodwill	32	2	34
Purchase consideration	**72**	**9**	**81**
Cash and cash equivalents acquired	(6)	—	(6)
To be received in 2024 and later years	—	(1)	(1)
Net cash outflow[2]	**66**	**8**	**74**

[1] Contains the final adjustments to the Grupo Orbis and Lankwitzer purchase price allocation.

[2] Note that 'Acquisition of consolidated companies, net of cash acquired' in the Consolidated statement of cash flows further contains €40 million related to the previously anticipated acquisition of Kansai Paints Africa.

Divestments

In 2023 and 2022, no divestments occurred, other than property divestments. Please refer to Note 3 Segment information for more details on the property divestments.

Note 3: Segment information

In presenting and discussing segmental operating results AkzoNobel uses two operational segments, Decorative Paints and Performance Coatings. Items which are not allocated to either one of these segments, mainly comprise of corporate assets and corporate costs and are reported in “Corporate and other”.

Decorative Paints

We provide decorative paints to both the professional and the do-it-yourself markets. 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.

The business units in the operating segment Decorative Paints are set up regionally, as the paints business is managed per region. Refer to Note 4 Revenue for a disaggregation of revenues per region.

Performance Coatings

We are a supplier of performance coatings that protect and enhance ships, cars, aircraft, yachts and architectural components (structural steel, building products, flooring), consumer goods (mobile devices, appliances, beverage cans, furniture) and oil and gas facilities. The business units in the operating segment Performance Coatings are set up per product/end market as the segment is managed based on product/end market combinations. Refer to Note 4 Revenue for a disaggregation of revenues per product/end market.

Due to the integration of all resins activities in Latin America into the Industrial Coatings business unit, these activities have been reallocated from Decorative Paints to Performance Coatings. The 2022 comparative figures have been updated to allow proper comparison.

The tables in this Note include Alternative Performance Measures (APMs). For further information, refer to the section Alternative Performance Measures in this Note.

Information per reportable segment

in € millions	Revenue (third parties)[3]		Amortization and depreciation[3]		Operating income[3]		Identified items[1,3]		Adjusted operating income[1,3]		EBITDA[1,3]		Adjusted EBITDA[1,3]		ROS%[1,2,3]		OPI margin %[1,2,3]	
	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023
Decorative Paints	4,344	4,300	(154)	(145)	388	500	(5)	—	393	500	542	645	548	645	9.0	11.6	8.9	11.6
Performance Coatings	6,499	6,368	(171)	(170)	448	698	(49)	13	497	685	619	868	668	854	7.6	10.8	6.9	11.0
Corporate and other	3	—	(43)	(42)	(128)	(169)	(27)	(58)	(101)	(111)	(85)	(127)	(59)	(70)				
Total	**10,846**	**10,668**	**(368)**	**(357)**	**708**	**1,029**	**(81)**	**(45)**	**789**	**1,074**	**1,076**	**1,386**	**1,157**	**1,429**	**7.3**	**10.1**	**6.5**	**9.6**

[1] Refer to the glossary for definitions of the APMs.
[2] ROS% and OPI margin for Corporate and other is not shown, as this is not meaningful.
[3] Revenue, operating income and adjusted operating income (and related measures) of the segments for 2022 have been updated to reflect changes in the financial reporting structure.

Information per reportable segment

in € millions	Invested capital		Total assets		Total liabilities		Capital expenditures[1]		ROI%[1,2,3]	
	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023
Decorative Paints	3,604	3,650	5,890	5,835	1,581	1,604	91	99	10.7	13.3
Performance Coatings	3,950	3,641	6,270	6,294	2,083	2,213	167	165	12.8	18.4
Corporate and other	581	555	2,581	2,429	6,529	6,195	34	22		
Total	**8,135**	**7,846**	**14,741**	**14,558**	**10,193**	**10,012**	**292**	**286**	**9.8**	**13.0**

[1] Refer to the glossary for the definition of capital expenditures and ROI%.
[2] ROI% for Corporate and other is not shown, as this is not meaningful.
[3] ROI% for 2022 for the segments has been updated to reflect changes in the financial reporting structure.

Regional information

in € millions	Revenue by region of destination		Intangible assets and property, plant and equipment		Invested capital		Capital expenditures	
	2022	2023	2022	2023	2022	2023	2022	2023
The Netherlands	319	315	1,223	1,210	1,900	1,984	45	34
Other EMEA countries	4,714	4,672	1,753	1,730	2,679	2,474	95	102
North Asia	1,728	1,719	1,162	1,165	965	993	40	36
South Asia Pacific	1,371	1,304	526	523	677	597	54	63
North America	1,416	1,377	648	631	890	775	42	29
Latin America	1,298	1,281	728	816	1,024	1,023	16	22
Total	**10,846**	**10,668**	**6,040**	**6,075**	**8,135**	**7,846**	**292**	**286**

Alternative Performance Measures

In presenting and discussing AkzoNobel's (segmental) 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.

A reconciliation of the Alternative Performance Measures to the most directly comparable IFRS measures can be found in the tables on this page and the next pages.

Identified items

Restructuring related costs

Restructuring related costs primarily relate to costs for accruals for certain employee benefits and for other costs which are directly associated with plans to exit or cease specific activities and closing down of facilities.

Property divestments

Property divestments in 2023 primarily relate to the gains on the divestment of the Offenbach site in Germany and the Bangkok site in Thailand.

Adjustments to interest

Adjustments to interest in 2023 mainly related to the wind down of the cash flow hedges related to the previously anticipated acquisition of Kansai Paints Africa. Refer to Note 26 Financial risk management for more details.

In 2022, interest income of €10 million was recognized related to the UK ACT case. The UK ACT case is a group litigation case the company participates in ("Franked Investment Income litigation/case"; filed in 2003) in order to seek recovery of Advance Corporation Tax.

Adjustments to income tax

In 2023, adjustments to income tax amounted to a net tax charge of €13 million, which mainly related to the tax impact on the identified items in interest and operating income. In 2022 this tax impact on identified items in interest and operating income of €18 million was partly offset by a €13 million tax charge related to the UK ACT case.

Reconciliations of APMs to the nearest IFRS measures

Alternative Performance Measures

in € millions	2022 Continuing operations	2022 Discontinued operations	2022 Total	2023 Continuing operations	2023 Discontinued operations	2023 Total
Operating income	**708**	**–**	**708**	**1,029**	**–**	**1,029**
APM adjustments to operating income						
Restructuring related costs	80	–	80	89	–	89
Property divestments	–	–	–	(63)	–	(63)
Acquisition related costs	9	–	9	15	–	15
Other	(8)	–	(8)	4	–	4
Total APM adjustments (Identified items) to operating income	**81**	**–**	**81**	**45**	**–**	**45**
Adjusted operating income	**789**	**–**	**789**	**1,074**	**–**	**1,074**
Profit for the period attributable to shareholders of the company	**362**	**(10)**	**352**	**447**	**(5)**	**442**
Adjustments to operating income	81	–	81	45	–	45
Adjustments to interest	(10)	–	(10)	44	–	44
Adjustments to income tax	(5)	–	(5)	(13)	–	(13)
Total APM adjustments	**66**	**–**	**66**	**76**	**–**	**76**
Adjusted profit for the period attributable to shareholders of the company	**428**	**(10)**	**418**	**523**	**(5)**	**518**

Adjusted operating income, OPI margin and ROS%

in € millions	2022	2023
Revenue from third parties[1]		
Decorative Paints	4,344	4,300
Performance Coatings	6,499	6,368
Corporate and other	3	–
Total	**10,846**	**10,668**
Operating income[1]		
Decorative Paints	388	500
Performance Coatings	448	698
Corporate and other	(128)	(169)
Total	**708**	**1,029**
Total APM adjustments (Identified items) in Operating income[1,2]		
Decorative Paints	(5)	–
Performance Coatings	(49)	13
Corporate and other	(27)	(58)
Total	**(81)**	**(45)**
Adjusted operating income[1,2]		
Decorative Paints	393	500
Performance Coatings	497	685
Corporate and other	(101)	(111)
Total	**789**	**1,074**
OPI margin%[1,2,3]		
Decorative Paints	8.9	11.6
Performance Coatings	6.9	11.0
Corporate and other		
Total	**6.5**	**9.6**
ROS%[1,2,3]		
Decorative Paints	9.0	11.6
Performance Coatings	7.6	10.8
Corporate and other		
Total	**7.3**	**10.1**

[1] Revenue, operating income and adjusted operating income (and related measures) for 2022 of the segments have been updated to reflect changes in the financial reporting structure.
[2] Refer to the glossary for definitions of the APMs.
[3] OPI margin and ROS% for Corporate and other is not shown, as this is not meaningful.

EBITDA*

	2022			2023		
in € millions	**Operating income**	**Depreciation and amortization**	**EBITDA**	**Operating income**	**Depreciation and amortization**	**EBITDA**
Decorative Paints	388	(154)	542	500	(145)	645
Performance Coatings	448	(171)	619	698	(170)	868
Corporate and other	(128)	(43)	(85)	(169)	(42)	(127)
Total	**708**	**(368)**	**1,076**	**1,029**	**(357)**	**1,386**

* Refer to the glossary for definitions of the APMs.

Adjusted EBITDA*

	2022			2023		
in € millions	**Adjusted operating income**	**Depreciation and amortization excluding Identified items**	**Adjusted EBITDA**	**Adjusted operating income**	**Depreciation and amortization excluding Identified items**	**Adjusted EBITDA**
Decorative Paints	393	(155)	548	500	(145)	645
Performance Coatings	497	(171)	668	685	(169)	854
Corporate and other	(101)	(42)	(59)	(111)	(41)	(70)
Total	**789**	**(368)**	**1,157**	**1,074**	**(355)**	**1,429**

* Refer to the glossary for definitions of the APMs.

Leverage ratio is calculated as net debt/EBITDA. For the calculation of net debt, refer to Note 20 Net debt. Further information on the leverage ratio is included in Note 26 Financial risk management, in the paragraph on capital risk management.

ROI%[1]		
in € millions	**2022**	**2023**
Average invested capital[1]		
Decorative Paints	3,677	3,755
Performance Coatings	3,895	3,725
Corporate and other	490	753
Total	**8,062**	**8,233**
Adjusted operating income[1, 2]		
Decorative Paints	393	500
Performance Coatings	497	685
Corporate and other	(101)	(111)
Total	**789**	**1,074**
ROI%[3]		
Decorative Paints	10.7	13.3
Performance Coatings	12.8	18.4
Corporate and other[3]		
Total	**9.8**	**13.0**

[1] Refer to the glossary for definitions of the APMs.
[2] Operating income and adjusted operating income (and related measures) for 2022 for the segments have been updated to reflect changes in the financial reporting structure.
[3] ROI% for Corporate and other is not shown, as this is not meaningful.

Adjusted earnings per share*		
in € millions	**2022**	**2023**
Profit for the period attributable to shareholders of the company from continuing operations	388	488
APM adjustments to operating income	81	45
APM adjustment to interest	(10)	44
APM adjustment to income tax	(5)	(13)
Non-controlling interests	(26)	(41)
Adjusted profit from continuing operations attributable to shareholders of the company*	**428**	**523**
Weighted average number of shares (in millions)	174.7	170.6
Adjusted earnings per share from continuing operations (in €)	2.45	3.07

* Refer to the glossary for definitions of the APMs.

Free cash flow		
in € millions	**2022**	**2023**
Net cash generated from/(used for) operating activities	**263**	**1,126**
Capital expenditures	(292)	(286)
Free cash flow	**(29)**	**840**

Note 4: Revenue

AkzoNobel derives revenue from the transfer of goods and services at a point in time and over 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 16 Trade and other receivables.

As at December 31, 2023, and at December 31, 2022, no significant contract assets were recognized.

As at December 31, 2023, the amount of contract liabilities deferred to be recognized over time in 2024 was €4 million. These contract liabilities primarily relate to shipping, training and certain technical services, for which revenue is recognized over time. The amount of €4 million included in contract liabilities at the beginning of the period has been recognized as revenue during the year 2023 (2022: €3 million).

Financial integration Grupo Orbis

In 2022, as from the moment of acquisition (April 2022), the Grupo Orbis results related to Performance Coatings were included in business unit Performance Coatings Other. In 2023, the Grupo Orbis Performance Coatings results have been included in the respective business units in the Performance Coatings segment. The 2022 comparative figures have been updated to allow for proper comparison.

Revenue disaggregation

	Decorative Paints		Performance Coatings		Other		Total	
in € millions	2022	2023	2022	2023	2022	2023	2022	2023
Primary geographical markets - revenue from third parties								
The Netherlands	206	214	110	101	3	—	319	315
Other EMEA countries	2,199	2,199	2,515	2,473	—	—	4,714	4,672
North Asia	564	543	1,164	1,177	—	—	1,728	1,720
South Asia Pacific	608	564	763	740	—	—	1,371	1,304
North America	—	—	1,416	1,379	—	—	1,416	1,379
Latin America*	767	780	531	498	—	—	1,298	1,278
Total	**4,344**	**4,300**	**6,499**	**6,368**	**3**	**—**	**10,846**	**10,668**
Major goods/service lines - revenue from third parties								
Decorative Paints Europe, Middle East and Africa	2,405	2,413	—	—	—	—	2,405	2,413
Decorative Paints Latin America*	767	780	—	—	—	—	767	780
Decorative Paints China and North Asia	564	543	—	—	—	—	564	543
Decorative Paints South East and South Asia	608	564	—	—	—	—	608	564
Powder Coatings*	—	—	1,385	1,377	—	—	1,385	1,377
Marine and Protective Coatings*	—	—	1,389	1,482	—	—	1,389	1,482
Automotive and Specialty Coatings*	—	—	1,407	1,422	—	—	1,407	1,422
Industrial Coatings*	—	—	2,318	2,087	—	—	2,318	2,087
Corporate and other	—	—	—	—	3	—	3	—
Total	**4,344**	**4,300**	**6,499**	**6,368**	**3**	**—**	**10,846**	**10,668**
Timing of revenue recognition								
Goods transferred at a point in time	4,257	4,101	6,285	6,288	—	—	10,542	10,389
Services transferred over time	87	199	214	80	3	—	304	279
Total	**4,344**	**4,300**	**6,499**	**6,368**	**3**	**—**	**10,846**	**10,668**

* Revenues for 2022 of the business units and the segments have been updated to reflect changes in the financial reporting structure; updates reflect the financial integration of Grupo Orbis into the respective business units in Performance Coatings, and the integration of all Resins activities in Latin America into Industrial Coatings (refer to Note 3 Segment information).

Note 5: Operating income

Operating income

Operating income increased 45% to €1,029 million (2022: €708 million), with a rebound in gross margins more than offsetting operating cost inflation. OPI margin improved to 9.6% (2022: 6.5%).

Costs by nature 2023

in € millions	Employee benefits	Amortization	Depreciation	Purchases and other costs	Total
Cost of sales	(550)	(1)	(150)	(5,733)	(6,434)
Selling and distribution expenses	(991)	(52)	(94)	(1,210)	(2,347)
General and administrative expenses	(279)	(22)	(19)	(328)	(648)
Research and development expenses	(186)	(5)	(14)	(65)	(270)
Other results	(2)	—	—	62	60
Total	**(2,008)**	**(80)**	**(277)**	**(7,274)**	**(9,639)**

Costs by nature 2022

in € millions	Employee benefits	Amortization	Depreciation	Purchases and other costs	Total
Cost of sales	(550)	(1)	(152)	(6,220)	(6,923)
Selling and distribution expenses	(965)	(57)	(93)	(1,193)	(2,308)
General and administrative expenses	(263)	(24)	(24)	(338)	(649)
Research and development expenses	(182)	(5)	(12)	(59)	(258)
Other results	—	—	—	—	—
Total	**(1,960)**	**(87)**	**(281)**	**(7,810)**	**(10,138)**

Note 6: Employee benefits

Salaries, wages and other employee benefits in operating income

in € millions	2022	2023
Salaries and wages	(1,517)	(1,573)
Post-retirement cost	(146)	(138)
Other social charges	(297)	(297)
Total	**(1,960)**	**(2,008)**

Average number of employees total AkzoNobel

Average number during the year	2022	2023
Decorative Paints	13,800	14,200
Performance Coatings	18,000	17,400
Corporate and other	3,300	3,300
Total	**35,100**	**34,900**

Average number of employees in the Netherlands

Average number during the year	2022	2023
Decorative Paints	600	600
Performance Coatings	1,100	1,100
Corporate and other	700	700
Total	**2,400**	**2,400**

Number of employees

At year-end	2022	2023
Decorative Paints	14,000	14,300
Performance Coatings	17,900	17,500
Corporate and other	3,300	3,400
Total	**35,200**	**35,200**

The average number of employees working outside the Netherlands was 32,500 (2022: 32,700). In 2023, the number of employees remained stable at 35,200 people (year-end 2022: 35,200 people). Acquisitions in 2023 added around 200 people.

Share-based compensation

Share-based compensation relates to the equity-settled performance-related share plan and the restricted share plans, as well as the share-matching plan. Charges recognized in the 2023 statement of income for share-based compensation amounted to €18 million and are included in salaries and wages (2022: €16 million).

Performance-related and restricted share plans

Under the performance-related share plan and the restricted share plans, a number of conditional shares are granted to the members of the Board of Management, members of the Executive Committee, executives and certain other employee categories each year. The number of participants of the performance-related share plan and the restricted share plans at year-end 2023 was 666 (2022: 616). The shares of the performance-related and restricted share plan series 2020-2022 have vested and were delivered to the participants in 2023.

The performance targets for the conditional grant of performance-related shares of the current plans for the Board of Management and the Executive Committee (series 2021-2023, 2022-2024 and 2023-2025) are linked to revenue growth (20%), adjusted EBITDA (40%), ROI (20%), and Environmental, Social and Governance (ESG) KPIs (20%). A two-year holding restriction after vesting applies.

The plans for the executives and certain non-executive employee categories are restricted share plans without any performance conditions, whereby the conditional grant of shares will vest upon the condition that they remain in service with the company during the three-year vesting period. A one-year holding restriction after vesting applies for the executives.

The conditional shares of the 2021-2023 performance share plan for the AkzoNobel participants vested for 12.30% (series 2020-2022: 0%), including dividend shares of 7.42% (series 2020-2022: 7.33%), the final vesting percentage amounted to 13.21% (series 2020-2022: 0%).

The share price of a common AkzoNobel share at year end 2023 amounted to €74.82 (2022: €62.56).

Fair value of restricted and performance-related shares

The fair value of the restricted shares of the 2023-2025 grant to executives, amounting to €68.78, is based on the opening share price on April 26, 2023, of €74.56 and the expected dividend yield of 2.66%.

The fair value of the restricted shares of the 2023-2025 grant to non-executives, amounting to €69.00, is based on the opening share price on July 3, 2023 of € 74.78 and the expected dividend yield of 2.65%.

The fair value of the performance-related 2023-2025 grant, based on the opening share price on February 23, 2023, amounts to €69.26. For a later grant under this program, this was based on the opening share price on July 3, 2023, of €74.78.

Fair value performance-related shares in €

Series	Opening share price per:	Fair Value	Market condition (TSR)[5]	Non-market based performance conditions[6]	Share price	Expected volatility	Risk free interest rate
2020 - 2022	April 21, 2020[1]	53.42	42.95	63.88	63.88	21.42 %	(0.33)%
2021 - 2023	April 22, 2021[2]	103.20	NA	103.20	103.20	NA	NA
2022 - 2024	February 23, 2022	88.28	NA	88.28	88.28	NA	NA
2022 - 2024	October 3, 2022[3]	57.70	NA	57.70	57.70	NA	NA
2023 - 2025	February 23, 2023	69.26	NA	69.26	69.26	NA	NA
2023 - 2025	July 3, 2023[4]	74.78	NA	74.78	74.78	NA	NA

[1] Date on which the Supervisory Board approved the use of the average share price calculation method to determine the number of shares granted.
[2] Date of the AGM at which the new LTI performance criteria for the Board of Management were approved.
[3] Date on which Mr. Poux-Guillaume started working for AkzoNobel.
[4] Date on which Mr. Sohet started working for AkzoNobel.
[5] 50% for the 2020-2022 grant, no longer applicable as from the 2021-2023 grant.
[6] 50% for the 2020-2022 grant, 100% as from the 2021-2023 grant.

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. Under certain conditions, members who invest part of their short-term incentive payment in AkzoNobel shares may have such shares matched by the company one-on-one. During 2023, no potential matching shares were matched as the members of the Board of Management and the members of the Executive Committee were not eligible for matching shares on the 2020 series. However, in 2023, the 2,708 potential matching shares that were granted to Thierry Vanlancker were pro-rated, resulting in 903 potential matching shares. These shares were matched upon termination of the management agreement in April 2023. In 2023, the members of the Board of Management and the members of the Executive Committee invested part of their 2022 short-term incentive in AkzoNobel shares, leading to 2,545 potential matching shares. The total number of matching shares outstanding per December 31, 2023, is 3,626. For an overview of the matching shares outstanding for the members of the Board of Management per December 31, 2023, we refer to the Remuneration report.

Fair value of matching shares

The fair value of the matching shares of €68.78 was based on the opening share price on the investment date of April 26, 2023, being €74.56, discounted for expected dividends over the holding period (dividend yield: 2.66%).

Share plans of AkzoNobel employees

Share plan	Performance/ Vesting period	Award date	Vesting date	End of holding period	Balance at January 1, 2023	Awarded in 2023	Vested in 2023	Forfeited in 2023	Dividend in 2023	Subject to performance condition	Unvested in 2023	Subject to holding period	Balance at December 31, 2023
2020 – 2022 Restricted Share Plan E[1]	3 years	1/1/2020	1/1/2023	1/1/2024	136,401	—	(136,401)	—	—	NA	—	136,401	—
2020 – 2022 Performance Share Plan[2]	3 years	1/1/2020	1/1/2023	1/1/2025	10,972	—	(10,972)	—	—	—	—	10,972	—
2020 – 2022 Restricted Share Plan NE[1]	3 years	1/4/2020	1/4/2023	NA	5,680	—	(5,680)	—	—	NA	—	—	—
2021 – 2023 Restricted Share Plan E[1]	3 years	1/4/2021	1/4/2024	1/4/2025	154,950	240	(10,127)	(14,208)	—	NA	130,855	130,855	130,855
2021 – 2023 Performance Share Plan	3 years	1/1/2021	1/1/2024	1/1/2026	61,689	—	—	(54,716)	1,690	8,663	8,663	8,663	8,663
2021 – 2023 Restricted Share Plan NE[1]	3 years	1/4/2021	1/4/2024	NA	25,580	—	(480)	(1,080)	—	NA	24,020	—	24,020
2022 – 2024 Restricted Share Plan E[1]	3 years	1/4/2022	1/4/2025	1/4/2026	170,994	240	(6,777)	(21,032)	—	NA	143,425	143,425	143,425
2022 – 2024 Performance Share Plan	3 years	1/1/2022	1/1/2025	1/1/2027	87,008	—	—	(25,946)	985	62,047	62,047	62,047	62,047
2022 – 2024 Restricted Share Plan NE[1]	3 years	1/4/2022	1/4/2025	NA	47,182	390	(335)	(3,020)	—	NA	44,217	—	44,217
2023 – 2025 Restricted Share Plan E[1]	3 years	1/4/2023	1/4/2026	1/4/2027	—	247,214	(443)	(21,026)	—	NA	225,745	225,745	225,745
2023 – 2025 Performance Share Plan	3 years	1/1/2023	1/1/2026	1/1/2028	—	108,147	—	(6,147)	2,795	104,795	104,795	104,795	104,795
2023 – 2025 Restricted Share Plan NE[1]	3 years	1/4/2023	1/4/2026	NA	—	64,050	—	(1,025)	—	NA	63,025	—	63,025
Total					**700,456**	**420,281**	**(171,215)**	**(148,200)**	**5,470**	**175,505**	**806,792**	**822,903**	**806,792**

[1] E means executive plan; NE means non-executive plan.
[2] Shares vested since AkzoNobel is legally bound to an agreement with a former member of the Executive Committee regarding the vesting of shares for this individual, as well as a conditional share grant awarded to new Executive Committee ,members at the time of their hiring, who received these grants as buy-out from the contract at their previous employer.

Note 7: Financing income and expenses

Financing income and expenses

in € millions	2022	2023
Interest on net debt		
Financing income	19	69
Financing expenses	(106)	(192)
Net interest on net debt	**(87)**	**(123)**
Other interest		
Financing income related to post- retirement benefits	18	33
Interest on provisions	17	(1)
Exchange rate results	(65)	(128)
Hyperinflation: net gain/(loss) on monetary position	(20)	(46)
Other items	13	(7)
Net other financing credit/(charges)	**(37)**	**(149)**
Total financing income and expenses	**(124)**	**(272)**

Net financing expenses for the year were €272 million (2022: €124 million). Significant variances are:

- Net interest on net debt increased by €36 million to a €123 million charge (2022: €87 million); higher interest rates impacted both financing income and financing expenses
- Financing income related to post-retirement benefits increased by €15 million to €33 million (2022: €18 million) mainly as a result of higher discount rates. Interest income from financial assets measured at amortized cost (including the loan to Pension Fund APF in the Netherlands) amounted to approximately €5 million in both years. The remainder was generated by financial assets measured at fair value through profit and loss
- Interest income on provisions decreased by €18 million to negative €1 million (2022: €17 million) due to the impact on discounting from changes in discount rates
- Exchange rate results were negative €128 million (2022: negative €65 million) and contain €36 million negative result on cash flow hedging contracts, related to the previously anticipated acquisition of Kansai Paints Africa (refer to Note 26 Financial risk management for more details)
- Hyperinflation: the net loss on monetary position increased by €26 million to €46 million

- Other items decreased by €20 million, mainly due to €10 million interest income from the UK ACT case which was included in 2022 (refer to Note 3 Segment information for more details)

The average interest rate used for capitalized interest was 2.1% (2022: 1.7%). Capitalized interest was negligible in both 2023 and 2022. The average interest rate on total debt was 3.2% (2022: 2.1%).

Impact hyperinflation accounting

We have applied IAS 29 "Financial Reporting in Hyperinflationary Economies" for Türkiye as from January 1, 2022. For Argentina, hyperinflation accounting was already applied as from January 1, 2018. In addition, and in line with IAS 21 "The Effects of Changes in Foreign Exchange Rates", end of period rates are used to translate both the balance sheet and the statement of income into euros.

For Türkiye, the revaluation effect on the non-monetary assets at January 1, 2022, was €16 million positive (after taxes), recorded as a restatement to opening shareholders' equity. In addition, the opening balance of intangible assets has been restated by €1 million (refer to Note 10 Intangible assets) and the opening balance of property, plant and equipment has been restated by €15 million (refer to Note 11 Property, plant and equipment). Refer to Note 8 Income tax for the related opening balance impact on deferred taxes.

The impact of the application of hyperinflation accounting and the use of end of period rates to translate the statement of the income statement is shown in the table below.

Hyperinflation accounting

in € millions	2022	2023
Revenue	5	(64)
Operating income	**(46)**	**(54)**
Net interest on net debt	0	17
Exchange rate results	4	54
Hyperinflation: net gain/(loss) on monetary position	(20)	(46)
Financing income and expenses	**(16)**	**25**
Profit before tax	**(62)**	**(29)**
Income tax	(12)	(48)
Profit for the period	**(74)**	**(77)**
Attributable to		
Shareholders of the company	(63)	(65)
Non-controlling interests	(11)	(12)

Note 8: Income tax

Pre-tax income from continuing operations for the year amounted to a profit of €784 million (2022: €602 million). The net tax charges related to continuing operations are included in the statement of income as shown in this Note and amount to €296 million (2022: €214 million), leading to an effective tax rate of 37.8% (2022: 35.5%).

Classification of current and deferred tax result

A breakdown into current and deferred tax expenses and a split of the main categories is provided in the table below. For comparative reasons, this table presents the income tax expense excluding the impact from discontinued operations. The total deferred tax in the statement of income including discontinued operations was €9 million (2022: €8 million income). The total tax charge including discontinued operations was €296 million (2022: €211 million).

Classification of current and deferred tax result

in € millions	2022	2023
Current tax expense for		
The year	(198)	(277)
Adjustments for previous years	(24)	(28)
Total current tax expense	**(222)**	**(305)**
Deferred tax expense for		
Origination and reversal of temporary differences and tax losses	21	57
(Derecognition)/recognition of deferred tax assets	(6)	(47)
Changes in tax rates	(7)	(1)
Total deferred tax expense	**8**	**9**
Total	**(214)**	**(296)**

Adjustments for prior years in 2023 mainly related to true-ups as a result of tax audits, while in 2022 in addition a net tax charge of €13 million for the UK ACT case was recorded (refer to Note 3 Segment information for more details).

Origination and reversal of temporary differences and tax losses is driven, amongst others, by timing differences between recognition and payments for provisions, timing differences on depreciation and amortization for tax purposes versus the consolidated financial statements and tax loss carryforwards utilized against profits of the year or new tax losses incurred.

The derecognition of deferred tax assets in 2023 mainly related to re-assessments of, among others, technical tax limitations to deduct interest.

Effective tax rate reconciliation

In 2023, the effective income tax rate based on the statement of income was 37.8% (2022: 35.5%). A reconciliation between the effective tax rate and the weighted average statutory income tax rate is provided in the table below. For comparative reasons, this table presents the effective consolidated tax rate excluding the impact from discontinued operations. Including these results, the effective consolidated tax rate is 37.8% (2022: 35.8%).

Effective tax rate reconciliation

in %	2022	2023
Corporate tax rate in the Netherlands	25.8	25.8
Effect of tax rates in other countries	(2.2)	(1.7)
Weighted average statutory income tax rate	**23.6**	**24.1**
Non-taxable income	(2.8)	(2.8)
Non-deductible expenses	3.3	2.2
Non-refundable withholding taxes	2.4	1.4
(Recognition)/derecognition of deferred tax assets	1.0	6.0
Adjustments for prior years	4.0	3.5
Hyperinflation impact	2.8	3.2
Deferred tax adjustment due to changes in tax rates	1.2	0.2
Effective tax rate	**35.5**	**37.8**

Non-taxable income in both 2023 and 2022 was mainly related to R&D credits and the tax exemption for investments.

Non-deductible expenses are related to certain non-deductible costs in various countries.

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.

The derecognition of deferred tax assets in 2023 mainly relates to re-assessments of, among others, technical tax limitations to deduct interest.

Adjustments for prior years in 2023 mainly related to true-ups as a result of tax audits, while in 2022 in addition also a net tax charge of €13 million for the UK ACT case was recorded (refer to Note 3 Segment information for more details).

The net effect of hyperinflation accounting in Argentina and Türkiye combined in 2023 is 3.2% (2022: 2.8%). This mainly relates to the restatement of reserves, which results in a non-taxable, non-cash impact on the effective tax rate.

Origination of deferred tax assets and liabilities

Deferred tax assets and liabilities originate from temporary differences in various balance sheet line items, as well as from tax credits and tax loss carryforwards. The tables show the origination of deferred tax assets and liabilities, and the movements thereof, for the financial years 2023 and 2022.

Origination of deferred tax assets and liabilities 2023

in € millions	Balance at January 1, 2023	Changes in exchange rate	Recognized in income	Recognized in equity / Other comprehensive income	Acquisitions	Balance at December 31, 2023
Intangible assets	(521)	9	(16)	—	(5)	(533)
Property, plant and equipment	57	17	(24)	—	(1)	49
Financial non-current assets	(272)	(4)	7	22	—	(247)
Post-retirement benefit provisions	76	—	(7)	16	—	85
Other provisions	25	(1)	4	—	—	28
Other items	126	(3)	(28)	(1)	(3)	91
Tax credits	206	—	16	—	—	222
Tax loss carryforwards	240	(37)	57	—	—	260
Deferred tax assets (liabilities)	**(63)**	**(19)**	**9**	**37**	**(9)**	**(45)**

Origination of deferred tax assets and liabilities 2022

in € millions	Balance at January 1, 2022	Changes in exchange rate	Recognized in income	Recognized in equity / Other comprehensive income	Acquisitions	Balance at December 31, 2022
Intangible assets	(461)	23	—	—	(83)	(521)
Property, plant and equipment*	75	2	(3)	—	(17)	57
Financial non-current assets	(406)	20	(25)	139	—	(272)
Post-retirement benefit provisions	138	3	(12)	(53)	—	76
Other provisions	28	—	(3)	—	—	25
Other items*	96	(2)	36	—	(4)	126
Tax credits	204	(1)	3	—	—	206
Tax loss carryforwards	237	(9)	12	—	—	240
Deferred tax assets (liabilities)	**(89)**	**36**	**8**	**86**	**(104)**	**(63)**

* Property, plant and equipment includes an opening balance adjustment of €3 million and other items of €1 million related to the application of IAS 29 "Financial Reporting in Hyperinflationary Economies" in Türkiye. Refer to Note 7 Financing income and expenses for further details.

Reconciliation deferred tax assets and liabilities to the balance sheet

The table provides a reconciliation of the total deferred tax amounts for each of the originating items to the deferred tax asset and liability positions as included in the balance sheet.

Deferred tax assets and liabilities per balance sheet item

	December 31, 2022			December 31, 2023		
in € millions	Net balance	Assets	Liabilities	Net balance	Assets	Liabilities
Intangible assets	(521)	10	531	(533)	9	542
Property, plant and equipment	56	124	68	49	123	74
Financial non-current assets	(271)	6	277	(247)	11	258
Post-retirement benefit provisions	76	79	3	85	88	3
Other provisions	25	34	9	28	38	10
Other items	125	143	18	91	107	16
Tax credits	207	207	—	222	222	—
Tax loss carryforwards	240	240	—	260	260	—
Tax assets/liabilities	**(63)**	**843**	**906**	**(45)**	**858**	**903**
Set-off of tax	—	(345)	(345)	—	(346)	(346)
Net deferred tax positions	**(63)**	**498**	**561**	**(45)**	**512**	**557**

Deferred tax assets recoverability assessment

In assessing the recognition of 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 against which the deductible temporary differences, unused tax losses and unused tax credits can be utilized.

Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. The projections used to assess recoverability are, in general, based on a projection of 10 years. Specific facts and circumstances per country may lead to shorter or longer projection periods being used. Growth in profitability is projected using GDP growth, adjusting for specific factors affecting profitability of our operations within the country.

The amount of deferred tax assets considered realizable could change if future estimates of projected taxable income during the carryforward period, or other variables, are revised. The majority of the amount of the non-current portion of deferred and current taxes will be recovered or settled after more than 12 months.

In 2023, the assessment of deferred tax asset recoverability on the basis of taxable profit forecasts resulted in derecognition of deferred tax assets related to non-deductible interest carried forward. In 2022, the assessment of deferred tax asset recoverability on the basis of taxable profit forecasts did not result in a significant net derecognition or re-recognition.

At year-end 2023, approximately 70% (2022: approximately 75%) of the recognized deferred assets concerned the UK, the Netherlands and Germany.

From the total amount of recognized net deferred tax assets, €151 million (2022: €206 million) is related to entities that have suffered a loss in either the current or the previous year 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.

In 2023, deferred tax assets not recognized include €548 million of tax loss carryforwards and €44 million of non-deductible interest. In 2022, deferred tax assets not recognized fully related to tax loss carryforwards. The losses in the tables on tax losses carried forward on the next page are gross amounts, with the tax impact included in the last column of the table.

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 €47 million (2022: €55 million).

Expiration year of loss carryforwards 2023

in € millions	2024	2025	2026	2027	2028	Later	Unlimited	Total	Deferred tax
Total loss carryforwards	1	1	4	5	76	51	3,009	3,147	808
Loss carryforwards not recognized in deferred tax assets	—	—	(1)	(1)	(1)	(17)	(2,153)	(2,173)	(548)
Total loss carryforwards recognized	**1**	**1**	**3**	**4**	**75**	**34**	**856**	**974**	**260**

Expiration year of loss carryforwards 2022

in € millions	2023	2024	2025	2026	2027	Later	Unlimited	Total	Deferred tax
Total loss carryforwards	—	1	1	2	13	56	3,014	3,087	779
Loss carryforwards not recognized in deferred tax assets	—	(1)	(1)	—	—	(10)	(2,120)	(2,132)	(539)
Total loss carryforwards recognized	**—**	**—**	**—**	**2**	**13**	**46**	**894**	**955**	**240**

Uncertain tax positions

Liabilities for uncertain tax positions are recognized if and to the extent it is probable that additional taxes will become due, and the amount can be measured reliably.

Our assessments are based on our best estimate of how the tax authorities concerned are likely to evaluate and respond to the cases in question, taking into account expert advice. Uncertain tax positions for which liabilities have been recorded, mainly relate to international transfer pricing and deductibility of expenses.

In certain cases, uncertain tax positions are related to disputes with tax authorities. Such disputes are usually strongly contested and defended by the company, often assisted by outside counsel and/or experts. Significant judgment is involved in the determination of such liabilities. Probability is assessed by applying interpretation of legislation and relevant case law.

Impact OECD Pillar Two framework

On December 15, 2022, the Council of the EU adopted the Pillar Two directive, which was subsequently embedded in Dutch law on December 19, 2023. This directive will introduce a minimum corporate tax rate set at 15% for each jurisdiction in which a company operates. For AkzoNobel, the new rules will be applicable as of 2024.

In the 2023 financial statements, AkzoNobel applied the exemption for recognizing and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes.

AkzoNobel performed an analysis of the expected impact of the implementation of the directive for AkzoNobel Group based on historical data. Based on this analysis, the Transitional CbCR Safe Harbour is expected to be applicable for the majority of jurisdictions and hence effectively excludes those jurisdictions from the scope of the rules in the initial years. For the remaining jurisdictions, no material financial impact is anticipated for the foreseeable future. Due to complexities in applying the Pillar Two legislation as well as the fact that further guidance on rules and regulations is expected in the coming period, the company will continue to assess the impact of the Pillar Two legislation on its future performance.

Income tax recognized in equity

The following table shows income tax items recognized in equity by category.

Income tax recognized in equity

in € millions	2022	2023
Currency exchange differences on intercompany loans of a permanent nature	2	(1)
Share-based compensation	(2)	(1)
Share buyback	2	–
Post-retirement benefits	86	38
Changes in tax rates	–	–
IAS 29 opening balance adjustment	(4)	–
Total	**84**	**36**
Current tax	2	(1)
Deferred tax	82	37
Total	**84**	**36**

Note 9: Earnings per share

Profit for the period attributable to the shareholders of the company was €442 million (2022: €352 million).

Profit for the period

in € millions	2022	2023
Profit before tax from continuing operations	602	784
Income tax	(214)	(296)
Profit from continuing operations	**388**	**488**
Profit for the period attributable to non-controlling interests	(26)	(41)
Profit for the period from continuing operations attributable to shareholders of the company	**362**	**447**
Profit for the period from discontinued operations attributable to shareholders of the company	(10)	(5)
Profit for the period attributable to shareholders of the company	**352**	**442**

In 2022, the number of shares for the earnings per share calculation decreased as a result of share buyback programs; in 2023 there was no impact from share buybacks.

Weighted average number of common shares

Number of shares	2022	2023
Issued common shares at January 1	**181,609,509**	**170,428,331**
Effect of issued common shares during the year	186,077	145,224
Effect of share buyback program	(7,060,447)	–
Shares for basic earnings per share for the year	**174,735,139**	**170,573,555**
Effect of dilutive shares		
For performance-related and restricted shares	575,108	761,918
For share-matching plan	3,251	3,283
Shares for diluted earnings per share	**175,313,498**	**171,338,756**

Earnings per share

in €	2022	2023
Continuing operations		
Basic	2.07	2.62
Diluted	2.06	2.61
Discontinued operations		
Basic	(0.06)	(0.03)
Diluted	(0.05)	(0.03)
Total operations		
Basic	2.01	2.59
Diluted	2.01	2.58

Refer to Note 3 Segment information for the calculation of adjusted earnings per share.

Note 10: Intangible assets

Intangible assets

in € millions	Goodwill	Brands	Customer lists	Other intangibles	Total
Balance at December 31, 2021					
Cost of acquisition	1,182	2,239	972	171	4,564
Cost of internally developed intangibles	—	—	—	241	241
Accumulated amortization/impairment	(27)	(209)	(616)	(263)	(1,115)
Carrying value at December 31, 2021	**1,155**	**2,030**	**356**	**149**	**3,690**
Impact IAS 29 Hyperinflation Türkiye*	—	—	—	1	1
Carrying value at January 1, 2022	**1,155**	**2,030**	**356**	**150**	**3,691**
Movements in 2022					
Acquisitions through business combinations	262	72	193	11	538
Investments - including internally developed intangibles	—	—	—	30	30
Amortization	—	(15)	(40)	(32)	(87)
Impairments, including reversals thereof	—	—	—	(2)	(2)
Hyperinflation adjustment	6	9	—	—	15
Changes in exchange rates	(46)	(31)	(36)	—	(113)
Total movements	**222**	**35**	**117**	**7**	**381**
Balance at December 31, 2022					
Cost of acquisition	1,405	2,288	1,127	179	4,999
Cost of internally developed intangibles	—	—	—	268	268
Accumulated amortization/impairment	(28)	(223)	(654)	(290)	(1,195)
Carrying value at December 31, 2022	**1,377**	**2,065**	**473**	**157**	**4,072**
Movements in 2023					
Acquisitions through business combinations	34	16	26	(4)	72
Investments - including internally developed intangibles	—	—	—	21	21
Amortization	—	(17)	(31)	(32)	(80)
Impairments, including reversals thereof	—	—	—	(1)	(1)
Hyperinflation adjustment	10	17	—	—	27
Changes in exchange rates	9	(64)	23	2	(30)
Total movements	**53**	**(48)**	**18**	**(14)**	**9**
Balance at December 31, 2023					
Cost of acquisition	1,458	2,255	1,151	180	5,044
Cost of internally developed intangibles	—	—	—	273	273
Accumulated amortization/impairment	(28)	(238)	(660)	(310)	(1,236)
Carrying value at December 31, 2023	**1,430**	**2,017**	**491**	**143**	**4,081**

* As per June 2022, Türkiye has been identified as a hyperinflationary economy. IAS 29 "Financial Reporting in Hyperinflationary Economies" has been applied for our activities in Türkiye as from January 1, 2022. Refer to Note 7 Financing income and expenses for details on the financial impact from applying IAS 29.

Brands

Brands as included in the table below comprise of brands with indefinite useful lives and brands with finite useful lives. 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 2023 and 2022, there were no material purchase commitments for individual intangible assets. No intangible assets were registered as security for bank loans.

Acquisitions through business combinations

The additions from acquisitions in 2023 primarily relate to the acquisition of the Huarun business, China. In 2022, additions from acquisitions primarily related to the acquisition of Grupo Orbis S.A., Colombia, and of the wheel liquid coatings business of Lankwitzer Lackfabrick GmbH, Germany. Refer to Note 2 Scope of consolidation for disclosures on acquisitions.

The paints business of Grupo Orbis has been allocated to business unit Decorative Paints Latin America in 2022. In 2022, the Grupo Orbis coatings businesses were reported in Performance Coatings Other. In 2023, these businesses have been included in the respective Performance Coatings business units.

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 based on the five-year plan, which contains euro-denominated cash flow projections for each of the business units. After the five-year plan period the terminal growth rate is applied, unless a different approach would be more appropriate. Elements considered to determine if a different approach would be more appropriate include high growth/emerging economies, geographic expansion opportunities, introduction of new product ranges and opportunities from market consolidation. In 2023, this exception was applied for Decorative Paints China and North Asia and for Decorative Paints South East and South Asia, for which the revenue growth and margin development projections were extrapolated beyond the five-year explicit forecast period for another five years, applying reduced average growth rates.

Macro-economic developments and other relevant variables (e.g. inflation, geopolitical uncertainties, climate risks - refer to Note 1 Summary of material accounting policies for a description of the impact from climate change on the financial statements) are closely monitored to ensure that the impact on the estimated future cash flows is reflected in the models which are used to assess the value of AkzoNobel's asset base. The impact of climate change did not have a significant effect on the estimated future cash flows.

Goodwill and other intangibles per business unit

	Goodwill		Brands with indefinite useful lives		Other intangibles with finite useful lives		Total intangibles	
in € millions	2022	2023	2022	2023	2022	2023	2022	2023
Decorative Paints Europe, Middle East and Africa	107	106	837	836	136	126	1,080	1,068
Decorative Paints Latin America	138	179	102	90	142	193	382	462
Decorative Paints China and North Asia	—	32	680	643	9	35	689	710
Decorative Paints South East and South Asia	8	7	221	208	12	10	241	225
Powder Coatings	152	155	—	—	19	34	171	189
Marine and Protective Coatings	197	210	—	—	94	96	291	306
Automotive and Specialty Coatings	290	301	—	—	156	150	446	451
Industrial Coatings	413	440	—	—	110	125	523	565
Performance Coatings Other	72	—	—	—	59	—	131	—
Corporate and other	—	—	—	—	118	105	118	105
Total	**1,377**	**1,430**	**1,840**	**1,777**	**855**	**874**	**4,072**	**4,081**

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 expected market share developments
- 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 unit

Key assumptions 2023

in % per year	Average revenue growth 2024-2028	Pre-tax weighted average cost of capital 2024-2028
Decorative Paints	2.4%-5.8%	10.8%-15.3%
Performance Coatings	2.0%-3.6%	10.7%-11.2%

Key assumptions 2022

in % per year	Average revenue growth 2023-2027	Pre-tax weighted average cost of capital 2023-2027
Decorative Paints	1.8-6.7%	11.1-15.9%
Performance Coatings	1.3-4.0%	10.8-12.4%

For all business units, a terminal value was calculated based on long-term inflation expectations of 2% (2022: 2%). The estimated pre-tax cash flows have been discounted to their present value using a pre-tax weighted average cost of capital. Discount rates have been determined for each business unit and range from 10.7% to 15.3% (2022: 10.8% to 15.9%), with a weighted average of 11.5% (2022: 11.7%). Both the long-term inflation expectations and the discount rates are reflective of the inflation expectation in the eurozone.

In 2023 and 2022, no impairment charges were recognized in relation to the annual impairment test.

In addition to the annual impairment test, sensitivity tests were performed to assess the impact of changes in the key assumptions revenue growth (50% lower), margin development (1 percentage point lower) and weighted average cost of capital (1 percentage point higher).

Given the continued uncertainty in the macro-economic environment, additional sensitivity tests have been performed, like last year, in order to assess the impact of more severe adverse changes in key assumptions.

Both the regular sensitivity tests and the additional sensitivity tests show that the changes in key assumptions would not cause carrying amounts to exceed recoverable amounts for any of the business units, except for Decorative Paints China and North Asia, where the recently acquired Huarun business is included.

Impairment of specific intangible assets

Periodical evaluations are performed in order to ensure timely detection of triggers that might indicate impairment of specific assets. Whenever such triggers are noted, the related assets are assessed for impairment as appropriate. In 2023 and 2022, no significant impairment charges were recorded in relation to specific assets.

Note 11: Property, plant and equipment

Property, plant and equipment

in € millions	Land and buildings	Plant equipment and machinery	Other equipment	Construction in progress and prepayments on projects	Assets not used	Total
Balance at December 31, 2021						
Cost of acquisition	1,546	2,124	919	300	10	4,899
Accumulated depreciation/impairment	(794)	(1,509)	(786)	(3)	(7)	(3,099)
Carrying value at December 31, 2021	**752**	**615**	**133**	**297**	**3**	**1,800**
Impact IAS 29 Hyperinflation Türkiye*	10	3	—	2	—	15
Carrying value at January 1, 2022	**762**	**618**	**133**	**299**	**3**	**1,815**
Movements in 2022						
Acquisitions	75	45	5	—	—	125
Divestments	(9)	(4)	(2)	(5)	—	(20)
Investments	2	11	6	242	1	262
Transfer between categories	53	87	36	(176)	—	—
Depreciation	(46)	(105)	(32)	—	—	(183)
Hyperinflation adjustment	27	2	—	1	—	30
Changes in exchange rates	(32)	(31)	(7)	9	—	(61)
Total movements	**70**	**5**	**6**	**71**	**1**	**153**
Balance at December 31, 2022						
Cost of acquisition	**1,658**	**2,208**	**923**	**373**	**11**	**5,173**
Accumulated depreciation/impairment	**(826)**	**(1,585)**	**(784)**	**(3)**	**(7)**	**(3,205)**
Carrying value at December 31, 2022	**832**	**623**	**139**	**370**	**4**	**1,968**
Movements in 2023						
Acquisitions	5	1	—	—	—	6
Divestments	(14)	(3)	(3)	(1)	(1)	(22)
Investments	2	8	2	253	—	265
Transfer between categories	70	145	40	(255)	—	—
Depreciation	(44)	(101)	(32)	—	(1)	(178)
Impairments, including reversals thereof	(1)	(2)	—	—	—	(3)
Hyperinflation adjustment	29	13	1	8	—	51
Changes in exchange rates	(40)	(21)	(9)	(23)	—	(93)
Total movements	**7**	**40**	**(1)**	**(18)**	**(2)**	**26**
Balance at December 31, 2023						
Cost of acquisition	1,656	2,310	904	354	10	5,234
Accumulated depreciation/impairment	(817)	(1,647)	(766)	(2)	(8)	(3,240)
Carrying value at December 31, 2023	**839**	**663**	**138**	**352**	**2**	**1,994**

* As per June 2022, Türkiye has been identified as a hyperinflationary economy. IAS 29 "Financial Reporting in Hyperinflationary Economies" has been applied for our activities in Türkiye as from January 1, 2022. Refer to Note 7 Financing income and expenses for details on the financial impact from applying IAS 29.

Acquisitions

The additions from acquisitions in 2023 primarily relate to the acquisition of the Huarun business, China. The additions from acquisitions in 2022 primarily relate to the acquisition of Grupo Orbis S.A., Colombia, and of the wheel liquid coatings business of Lankwitzer Lackfabrik GmbH, Germany. Refer to Note 2 Scope of consolidation for disclosures on acquisitions.

Investments in property, plant and equipment

In both 2023 and 2022 we have large investment projects. These include setting up a new R&D center and relocating the production site in Barcelona, Spain, upgrading a Powder Coatings plant in Gwalior, India, and establishing a new Powder Coatings manufacturing line at our Hanoi, Vietnam location, as well as relocating our Wood Coatings site to High Point, US.

Impairment of specific property, plant and equipment assets

Periodical evaluations are performed in order to ensure timely detection of triggers that might indicate impairment of specific assets. Whenever such triggers are noted, the related assets are assessed for impairment as appropriate. In 2023 and 2022, no significant impairments were recognized.

Note 12: Leases

Right-of-use assets

in € millions	Land	Buildings	Other	Total
Balance at January 1, 2022				
Cost of acquisition	61	372	109	542
Accumulated depreciation/impairment	(19)	(170)	(49)	(238)
Carrying value at January 1, 2022	**42**	**202**	**60**	**304**
Movements in 2022				
Acquisitions	2	5	3	10
Additions/modifications	—	58	30	88
Disposals	—	(7)	(2)	(9)
Depreciation	(3)	(64)	(31)	(98)
Impairments, including reversals thereof	—	(3)	—	(3)
Changes in exchange rates	1	(2)	—	(1)
Total movements	**—**	**(13)**	**—**	**(13)**
Cost of acquisition	64	393	117	574
Accumulated depreciation/impairment	(22)	(204)	(57)	(283)
Carrying value at December 31, 2022	**42**	**189**	**60**	**291**
Movements in 2023				
Acquisitions	15	—	—	15
Additions/modifications	2	61	46	109
Disposals	(1)	(5)	(6)	(12)
Depreciation	(2)	(63)	(34)	(99)
Changes in exchange rates	(2)	2	(2)	(2)
Total movements	**12**	**(5)**	**4**	**11**
Cost of acquisition	77	399	123	599
Accumulated depreciation/impairment	(23)	(215)	(59)	(297)
Carrying value at December 31, 2023	**54**	**184**	**64**	**302**

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 outflow from financing activities related to leases recognized on the balance sheet was €107 million (2022: €104 million). Net cash outflow for leases not recognized on the balance sheet was €21 million (2022: €19 million).

Refer to Note 26 Financial risk management for the maturities of lease liabilities.

The table below shows the total impact from leases on our profit and loss account.

Income/(expenses) recognized in profit and loss

in € millions	2022	2023
Sub lease income	2	–
Depreciation right-of-use assets	(98)	(99)
Impairments for right-of-use assets	(3)	–
Interest expense on lease liabilities	(6)	(7)
Short-term lease expenses	(11)	(14)
Expenses relating to low-value assets	(4)	(5)
Variable lease expenses	(4)	(2)
Total expenses	**(124)**	**(127)**

Impairments of specific right-of-use assets

Periodical evaluations are performed in order to ensure timely detection of triggers that might indicate impairment of specific assets. Whenever such triggers are noted, the related assets are assessed for impairment as appropriate.

In 2023 and 2022, no significant impairments were recognized.

Note 13: Investments in associates

The total value of investments in associates at December 31, 2023, amounted to €216 million (2022: €193 million) and consisted of our equity share of €214 million (2022: €191 million) and loans granted of €2 million (2022: €2 million).

Balance sheet information of our share in associates

		Associates
in € millions, at December 31	2022	2023
Condensed balance sheet		
Non-current assets	97	108
Current assets	152	163
Total assets	**249**	**271**
Shareholders'equity	191	214
Non-current liabilities	6	8
Current liabilities	52	49
Total liabilities and equity	**249**	**271**

Profit and loss of our share in associates

		Associates
in € millions	2022	2023
Condensed statement of income		
Revenue	218	209
Profit before tax	25	38
Profit for the period	**18**	**27**

In 2023, the results from associates amounted to a profit of €27 million (2022: €18 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 14: Financial non-current assets

Financial non-current assets can be broken down as per the table below.

Financial non-current assets

in € millions, at December 31	2022	2023
Pension assets	1,029	1,017
Loans and receivables	362	299
Other financial non-current assets	84	93
Total	**1,475**	**1,409**

Pension assets (€1,017 million) relate to pension plans in an asset position (2022: €1,029 million). For more information on post-retirement benefit plans, refer to Note 18 Post-retirement benefit provisions.

Loans and receivables include the subordinated loan granted to the Pension Fund APF in the Netherlands valued at €90 million (2022: €89 million).

Loans and receivables are considered to have low credit risk; the impairment provision recognized during the period was limited to 12 months expected losses.

Note 15: Inventories

The total carrying value of inventories as per December 31, 2023 has decreased compared to December 31, 2022, mainly due to the combined impact of lower raw material prices, currency translation and lower volumes. Inventories can be broken down as per the table below.

Inventories

in € millions, at December 31	2022	2023
Raw materials and supplies	676	579
Work in progress	104	91
Finished products and goods for resale	1,063	979
Total	**1,843**	**1,649**

Of the total carrying value of inventories at year-end 2023, €10 million was measured at net realizable value (2022: €16 million). In 2023, €86 million was recognized in the statement of income for the write-down of inventories (2022: €86 million), while €20 million of write-downs were reversed (2022: €30 million). There are no inventories subject to retention of title clauses.

Note 16: Trade and other receivables

Trade and other receivables can be broken down as per the table below.

Trade and other receivables

in € millions, at December 31	2022	2023
Trade receivables	2,123	2,187
Prepaid expenses	58	39
Tax receivables other than income tax	156	154
FX contracts	18	14
Receivables from associates	4	—
Other receivables	88	89
Total	**2,447**	**2,483**

Other receivables consist of a large number of individually immaterial items.

Ageing of trade receivables

in € millions, at December 31	2022	2023
Performing trade receivables	1,987	2,040
Past due trade receivables		
< 3 months	104	118
> 3 months	74	68
Allowance for impairment	(42)	(39)
Total trade receivables	**2,123**	**2,187**

Trade receivables are presented net of an allowance for impairment of €39 million (2022: €42 million). In 2023, €14 million of impairment losses were recognized in the statement of income (2022: €17 million) and €8 million was reversed (2022: €8 million). Since the total amount of impairment losses under IFRS 9 is not significant, no separate disclosure was made in the statement of income.

Allowance for impairment of trade receivables

in € millions	2022	2023
Balance at January 1	**42**	**42**
Additions charged to income	17	14
Release of unused amounts	(8)	(8)
Utilization	(9)	(8)
Acquisitions	2	—
Currency exchange differences	(2)	(1)
Balance at December 31	**42**	**39**

Note 17: Group equity

Composition of share capital at year-end 2022

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	87,187,614
Total	**350,019,200**	**87,206,814**

Composition of share capital at year-end 2023

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	85,300,338
Total	**350,019,200**	**85,319,538**

Outstanding common shares

Number of shares	2022	2023
Outstanding at January 1	**181,609,509**	**174,375,227**
Issued in connection to performance-related share plan, restricted share plan and share-matching plan	214,262	172,344
Shares cancelled related to share buyback from previous year	(2,744,210)	(3,946,896)
Shares bought back during the year	(8,651,230)	—
Shares bought back during the year not yet cancelled	3,946,896	—
Outstanding at December 31	**174,375,227**	**170,600,675**

Weighted average number of common shares

Number of shares	2022	2023
Weighted average number of common shares	**174,735,139**	**170,573,555**

Subscribed share capital

For further details on subscribed share capital, refer to Note F Shareholder's equity in the Company financial statements.

Cash flow hedge reserve

The cash flow hedge reserve comprises the effective portion of the cumulative net change in the fair value of hedging instruments used in cash flow hedges, pending subsequent recognition in the statement of income or in the initial cost or other carrying amount of a non-financial asset or non-financial liability.

Cumulative translation reserve

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

Equity-settled transactions relate to the performance-related and restricted share plans and the share-matching plan, whereby shares are granted to the Board of Management, Executive Committee, other executives and certain non-executive employee categories. For details on share-based compensation, refer to Note 6 Employee benefits.

Dividend

Our dividend policy is to pay a stable to rising dividend. In 2023, an interim dividend of €0.44 (2022: €0.44) per common share was paid. We propose a 2023 final dividend of €1.54 (2022: €1.54) per common share, which would equal a total 2023 dividend of €1.98 (2022: €1.98).

Share buybacks

In February 2022, a €500 million share buyback program was announced which was completed in 2022. As at December 31, 2022, a total of 7.3 million shares had been acquired under this program, of which 3.4 million shares were cancelled.

All 3.9 million shares which were repurchased in 2022 and still outstanding at December 31, 2022, were cancelled in 2023.

For further details on weighted average number of shares, refer to Note 9 Earnings per share.

Non-controlling interests

None of the non-controlling interests are considered individually material to the group. The effects of share transactions with non-controlling interest shareholders are recorded in equity insofar these do not lead to changes in control.

Non-controlling interests

			2022		2023
Group entity	**Partner at year-end 2023**	**%**	**Equity stake in € millions**	**%**	**Equity stake in € millions**
Akzo Nobel India Limited, Kolkata, India	Privately held, India	25.24	54	25.24	55
PT ICI Paints Indonesia, Jakarta, Indonesia	PT DWI Satrya Utama, Indonesia	45.00	31	45.00	32
Akzo Nobel Kemipol A.S., Izmir, Türkiye	Altan, Eyyüp and other family members	49.00	24	49.00	24
International Paints of Shanghai Co. Ltd, Shanghai, China	Shanghai Huayi Fine Chemical Co. Ltd and China National Shipbuilding Equipment & Materials Corp.	49.00	16	49.00	21
Akzo Nobel Paints (Malaysia) Sdn. Bhd.,Kuala Lumpur, Malaysia	Permodalan Nasional Berhad, Malaysia	40.05	20	40.05	17
Akzo Nobel Saudi Arabia Ltd, Saudi Arabia	Yousuf Bin Ahmed Kanoo Co. Ltd, Saudi Arabia	40.00	14	40.00	16
Akzo Nobel Oman SAOC, Muscat, Oman	Omar Zawawi Establishment LLC, Oman	50.00	12	50.00	12
Akzo Nobel UAE Paints L.L.C., United Arab Emirates	Kanoo Group, United Arab Emirates	40.00	8	40.00	11
Societe Tunisienne de Peintures Astral S.A., Megrine, Tunisia	Several people	40.00	8	40.00	10
International Paint (Korea) Ltd, Busan, South-Korea	Noroo Holdings, South Korea	40.00	6	40.00	6
Akzo Nobel Coatings SA, Casablanca, Morocco	Société Industrielle de Peinture and several people	40.00	4	40.00	5
Others			18		15
Total			**215**		**224**

Note 18: 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 (CPS) in the UK which together account for 86% of defined benefit obligations (DBO) and 90% 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 Pensions Committee. 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 evaluate potential de-risking opportunities on an ongoing basis. Future de-risking transactions may have both cash flow and balance sheet impacts which may be substantial, as had some of the de-risking actions already taken. The cost of fully removing risk would exceed estimated funding deficits.

Between 2014 and 2023, 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 also invested in an annuity buy-in contract in November 2022 that aims to hedge all key risks related to 39% of their pensioner liabilities.

In April 2023, the Trustee of the ISCPF entered into a further annuity buy-in agreement with Pension Insurance Corporation plc. It covers, in aggregate, £148 million (€168 million) of pensioner liabilities (insurer valuation). The buy-in involved the purchase of a bulk annuity policy under which the insurer will pay to ISCPF amounts equivalent to the benefits payable to all remaining pensioner and deferred members. The pension liabilities remain with, and the matching annuity policies are held within, ISCPF. The accounting impact of the transaction is a lower valuation of the plan assets giving a reduction in other comprehensive income of £45 million (€51 million).

By purchasing bulk annuities, the ICIPF, CPS and ISCPF Trustees have taken significant steps in actively de-risking liabilities and reducing the risk that AkzoNobel will be required to contribute additional cash in the future.

CPS also has an insurance contract to hedge longevity risk in respect of a portion of its pensioners not impacted by the recent buy-in transaction.

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 and 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 Virgin Media Ltd versus NTL Pension Trustees decision, handed down by the UK High Court on June 16, 2023, has implications for the validity of trust deeds of amendment over the last 25 years. This decision is being appealed. Whether this decision could also have implications for AkzoNobel's defined benefit pension plans in the UK, is yet to be determined. We are not in a position to make a reliable estimate of the impact of this decision, if any, or of the impact of any related legal or governmental follow-up actions. Therefore, no changes were made to the defined benefit obligation at this stage.

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 defined benefit accounting treatment, it is accounted for as a defined contribution plan. Contributions in 2023 were €1 million (2022: €2 million). Alecta's funding ratio is normally allowed to vary between 125% and 175%. The most recently quoted ratio at September 2023 stood at 178%.

The expenses of all plans accounted for as defined contribution plans in AkzoNobel totaled €90 million in 2023 (2022: €89 million).

DBO at funded and unfunded pension plans*

in € millions, at December 31	2022	2023
Wholly or partly funded plans	9,229	9,137
Unfunded plans	246	270
Total	**9,475**	**9,407**

* Excludes other post-retirement benefit plans.

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 decline in discount rates, which increases the plan obligations, and longevity risk as the plans generally pay lifetime benefits.

Reconciliation to the balance sheet

The closing net balance sheet position of €549 million net asset (2022: €602 million net asset) includes the pension plans (€652 million net asset; 2022: €709 million net asset) and other post-retirement plans (€103 million liability; 2022: €107 million liability).

Reconciliation to the balance sheet

			2022			2023
in € millions	DBO	Plan assets	Total	DBO	Plan assets	Total
Balance at the beginning of the period	**(14,310)**	**15,330**	**1,020**	**(9,582)**	**10,193**	**611**
Statement of income						
Current service cost	(31)	—	(31)	(22)	—	(22)
Past service cost	—	—	—	(1)	—	(1)
Settlements	18	(18)	—	13	(13)	—
Net interest (charge)/income on net defined benefit (liability)/asset	(254)	272	18	(455)	488	33
Cost recognized in statement of income	**(267)**	**254**	**(13)**	**(465)**	**475**	**10**
Remeasurements recognized in Other comprehensive income						
Actuarial (loss)/gain due to liability experience	(279)	—	(279)	(131)	—	(131)
Actuarial (loss)/gain due to liability financial assumption changes	3,754	—	3,754	(233)	—	(233)
Actuarial (loss)/gain due to liability demographic assumption changes	18	—	18	256	—	256
Actuarial (loss)/gain due to buy-ins	—	(76)	(76)	—	(51)	(51)
Return on plan assets (less than)/greater than discount rate	—	(3,784)	(3,784)	—	10	10
Remeasurement effects recognized in Other comprehensive income	**3,493**	**(3,860)**	**(367)**	**(108)**	**(41)**	**(149)**
Cash flow						
Employer contributions	—	70	70	—	63	63
Employee contributions	(2)	2	—	(2)	2	—
Benefits and administration costs paid from plan assets	842	(842)	—	793	(793)	—
Net cash flow	**840**	**(770)**	**70**	**791**	**(728)**	**63**
Other						
Acquisitions/divestments/transfers	—	(1)	(1)	1	(1)	—
Changes in exchange rates	662	(760)	(98)	(147)	168	21
Total other	**662**	**(761)**	**(99)**	**(146)**	**167**	**21**
Balance at the end of the period	**(9,582)**	**10,193**	**611**	**(9,510)**	**10,066**	**556**
Asset restriction			(9)			(7)
Net balance sheet position			**602**			**549**
Presentation of Net balance sheet position						
Financial non-current assets			1,029			1,017
Post-retirement benefit provisions			(387)			(423)
Current portion of provisions			(40)			(45)
Net balance sheet position			**602**			**549**

Administrative expenses

In addition to the expenses borne by the funds themselves, some expenses are borne directly by AkzoNobel. Administrative expenses, especially for the UK pension funds, of €25 million are included in 2023 operating income (2022: €26 million). In addition, we directly incurred asset management expenses of €2 million (2022: €2 million), which have been included in other comprehensive income.

Interest costs

Interest costs on the DBO for both pensions and other post-retirement benefits, together with the interest income on plan assets, comprise the financing income related to post-retirement benefits of €33 million (2022: €18 million), refer to Note 7 Financing income and expenses.

Pension plans in asset position

Pension balances recorded under Financial non-current assets totaled €1,017 million (2022: €1,029 million). The €12 million decrease in 2023 is due to €87 million of net actuarial losses, partly offset by €15 million of of employer contributions, net income of €42 million and exchange rate translation gains of €18 million.

Plan assets could be recognized in the Company's balance sheet 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 UK buy-in annuity policies have a value that is equal to the DBO of the pensioners covered by the policies.

The total value of plan assets not quoted in active markets is €6,603 million (2022: €6,666 million), including the UK buy-in annuity policies totaling €6,123 million (2022: €6,078 million), investments in real estate totaling €258 million (2022: €343 million) and other investments in infrastructure and insurance 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.

Plan assets

		2022		2023
in € millions, at December 31	Total	Percentage of total	Total	Percentage of total
Equities	225	2	192	2
Debt - fixed interest government bonds	580	6	562	6
Debt - index-linked government bonds	1,230	12	1,177	12
Debt - corporate and other bonds	1,394	13	1,503	15
UK buy-in annuity policies	6,078	60	6,123	61
Cash and cash equivalents	166	2	126	1
Other	520	5	383	3
Total	**10,193**	100	**10,066**	**100**

Cash flows

In 2024, we expect to contribute €43 million (2023: €53 million) to our defined benefit pension plans. We expect to pay a further €10 million (2023: €10 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.

Cash flows

		Pensions	Other post-retirement benefits	
in € millions	2023	2024	2023	2024
Regular contributions	45	36	10	10
Top-ups	8	7	—	—
Total	**53**	**43**	**10**	**10**

Sensitivity of DBO

The actuarially calculated sensitivity effects on DBO shown in the table allow for an alternative value for each assumption while the other actuarial assumptions remain unchanged. This table illustrates the overall impact on DBO for the changes shown, which management assessed could be reasonably possible over a longer term from a sensitivity test perspective. It should be noted, however, that this analysis does not indicate and probability of such changes occurring, not does it preclude larger changes in any given period or longer term.

In addition, 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 conditions at the measurement date. Its results, in principle, cannot be extrapolated due to increasing non-linear effects that changes in the key actuarial assumptions, when deviating further from the assumptions presented, may have on the total 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 (2022: 99%) and 88% of total liabilities (2022: 88%).

At CPS, the annuity buy-in contract covers 39% of pensioner liabilities (2022: 42%) and 28% of total liabilities (2022: 28%). Also at CPS, the longevity hedge contract covers 45% of pensioner liabilities (2022: 48%) and 33% of total liabilities (2022: 30%).

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	260	140	74	4	478
Price inflation: 0.5% increase*	152	85	39	—	276
Life expectancy: one year increase from age 60	362	94	42	4	502
Maturity information					
Weighted average duration of DBO (years)	8.9	11.8	11.3	8.7	10.0

* The sensitivity to price inflation assumption includes corresponding changes to all inflation-related compensation increases, pensions in payment and pensions in deferment.

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
2024	786	10
2025	792	10
2026	797	10
2027	806	9
2028	809	9
2029-2033	4,157	39

Key figures and assumptions by plan

in € millions or %	ICIPF UK 2022	CPS UK 2022	Other pension plans 2022	Other post-retirement benefits 2022	Total 2022	ICIPF UK 2023	CPS UK 2023	Other pension plans 2023	Other post-retirement benefits 2023	Total 2023
Percentage of total DBO	61%	25%	13%	1%	100 %	61%	25%	13%	1%	100%
Defined Benefit Obligation at year-end	(5,875)	(2,362)	(1,238)	(107)	(9,582)	(5,762)	(2,373)	(1,272)	(103)	(9,510)
Fair value of plan assets at year-end	6,293	2,895	1,005	—	10,193	6,176	2,931	959	—	10,066
Plan funded status	418	533	(233)	(107)	611	414	558	(313)	(103)	556
Restriction on asset recognition	—	—	(9)	—	(9)	—	—	(7)	—	(7)
Amounts recognized on the balance sheet	**418**	**533**	**(242)**	**(107)**	**602**	**414**	**558**	**(320)**	**(103)**	**549**
Percentage of total current service cost	6%	26%	68%	—	100%	5%	23%	72%	—	100%
Current service cost	(2)	(8)	(21)	—	(31)	(1)	(5)	(16)	—	(22)
Employer contributions	—	13	45	12	70	1	7	45	10	63
Discount rate	4.9%	4.9%	4.6%	5.9%	4.9%	4.6%	4.6%	4.3%	6.1%	4.6%
Rate of compensation increase	1.5%	1.4%	2.0%	—	1.5%	1.4%	1.4%	2.2%	—	1.5%
Inflation	3.3%	3.3%	2.3%	—	3.2%	3.1%	3.1%	2.4%	—	3.0%
Pension increases	3.1%	2.7%	2.2%	—	2.9%	2.9%	2.6%	2.2%	—	2.8%
Life expectancy (in years)										
Currently aged 60										
Males	26.2	26.2	25.7	25.8	26.1	25.7	25.5	26.0	25.7	25.7
Females	27.8	29.1	28.1	27.8	28.2	27.3	28.5	28.6	27.8	27.8
Currently aged 45, from age 60										
Males	27.3	27.3	27.0	26.8	27.3	26.8	26.6	27.4	26.6	26.8
Females	29.0	30.2	29.4	28.8	29.3	28.5	29.6	29.8	28.7	28.9

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: Three member-nominated Four appointed with the agreement of Law Debenture One independent (Law Debenture)	Trustee directors: Three member-nominated Two 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 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, 2023	March 31, 2023
Funding surplus/deficit at latest completed valuation[1,2]	£49 million (€56 million) surplus	£190 million (€219 million) surplus
Recovery plan	As there were sufficient assets to cover the Fund's technical provisions, a recovery plan is not required	As there were sufficient assets to cover the Fund's technical provisions, a recovery plan is not required
Next funding review	March 31, 2026 (due to be completed before June 30, 2027)	March 31, 2026 (due to be completed before June 30, 2027)
Asset allocation at March 31, 2023 Matching: Return seeking:	100% 0% Buy-in annuity contracts cover 99% of pensioner liabilities and 88% of total liabilities	86% 14% Buy-in annuity contract covers 39% of pensioner liabilities and 28% of total liabilities. The longevity hedge contract covers 45% of pensioner liabilities and 33% of total liabilities
Membership at March 31, 2023		
Active members	65	238
Deferred members	4,877	5,056
Pensioners, spouses and dependants	33,440	16,110
Total	38,382	21,404

[1] Amounts in euro are a convenience translation using the December 31, 2023, exchange rate.
[2] Based on local valuation regulations.

Note 19: Other provisions and contingent liabilities

General

Provisions are recognized for legal and constructive obligations, 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.

Movements in other provisions

in € millions	Restructuring of activities	Environmental costs	Liabilities to (former) employees	Sundry	Total
Balance at January 1, 2023	**42**	**51**	**107**	**93**	**293**
Additions made during the year	55	11	28	48	142
Utilization	(55)	(18)	(21)	(48)	(142)
Amounts reversed during the year	(6)	—	—	(9)	(15)
Unwind of discount	—	(2)	3	—	1
Acquisitions	—	1	—	1	2
Changes in exchange rates	—	(1)	—	—	(1)
Balance at December 31, 2023	**36**	**42**	**117**	**85**	**280**
Non-current portion of provisions	1	30	88	42	161
Current portion of provisions	35	12	29	43	119
Balance at December 31, 2023	**36**	**42**	**117**	**85**	**280**

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 majority of the cash outflows relating to the environmental liabilities is expected to be within one to five years, whilst some one-third is projected to be spent after ten years. The provision has been discounted using an average pre-tax discount rate of 3.7% (2022: 3.8%).

Estimating the impact of environmental liabilities often is complex and requires significant judgement. It requires the assessment of many (often interconnected) elements, which contain varying levels of uncertainty. Environmental liabilities can change substantially, among others due to the emergence of additional information on the nature or extent of the contamination, the geological circumstances, changes in (the interpretation and enforcement of) environmental regulations, new and evolving analytical and remediation techniques, success or lack of success of currently anticipated clean-up methods, actions by governmental agencies or private parties, success in allocating liability to other potentially responsible parties, the financial viability of other potentially responsible parties and third-party indemnitors, and/or other factors.

Especially for some sites for which we are faced with relatively new legislation, which are in the early stages of discussions with regulators, and/or where there is limited information available from earlier experience, there may be considerable variability between the clean-up activities that are currently being undertaken or planned and the ultimate actions that could be required. For such sites, the costs for the earlier years might be rather reliably estimable, whilst for later years it is much more difficult, if possible at all, to estimate the cost of environmental compliance and remediation. If the level of uncertainty is such that no reliable estimate can be made for the longer-term costs, no provision for such costs is recorded. 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 (changes to) 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.

Liabilities to (former) employees

Liabilities to (former) employees consist of employer liability plans, jubilee plans and other long-term compensation plans. The majority of the cash outflows related to liabilities to (former) employees is expected to be after five years. In calculating the liabilities to (former) employees, a pre-tax discount rate of on average 4.3% (2022: 5.0%) 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 be within one to five years. In calculating the sundry provisions, a pre-tax discount rate of on average 3.7% (2022: 5.3%) has been used.

Contingent liabilities

A number of claims against AkzoNobel are pending, many of which are contested. This includes those where Akzo Nobel N.V. and two of its subsidiaries are currently defending claims brought by INPEX Operations Australia Pty Ltd and JKC Australia LNG Pty Ltd relating to the Ichthys Onshore Project in Darwin, Western Australia. A trial has been listed in the Federal Court of Australia, commencing June 17, 2024. The claims are contested and AkzoNobel denies liability in respect of both of these claims.

We are also involved in legal disputes and disputes with tax authorities in several jurisdictions. Those disputes include situations in which 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 AkzoNobel, Nouryon and Nobian continue to cooperate to get this resolved.

Current portion of provisions

The current portion of post-retirement benefit provisions (€45 million) and the current portion of other provisions (€119 million) add up to €164 million (2022: €166 million), as reflected in the balance sheet.

Discount rates

The discount rates used in calculating the provisions recognized at December 31, 2023, are mentioned in the paragraphs on provisions for environmental costs, liabilities to (former) employees and sundry provisions. Changes in discount rates 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 €6 million on the provisions recognized at December 31, 2023.

Note 20: 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, 2022	**1,994**	**1,556**	**(58)**	**(1,152)**	**2,340**
Net cash from operating activities	—	—	—	(263)	(263)
Acquisitions	71	2	—	588	661
Investments in short-term investments	—	—	(1,361)	1,361	—
Repayments of short-term investments	—	—	1,084	(1,084)	—
Net cash from other investing activities	—	—	—	230	230
Unwind of discount and amortized cost	9	5	—	—	14
Proceeds from borrowings	1,359	8,152	—	(9,511)	—
Borrowings repaid	—	(7,322)	—	7,322	—
New/modification/disposal of lease contracts	79	—	—	—	79
Transfers from long-term to short-term	(139)	139	—	—	—
Movement bank overdrafts and short-term bank loans	—	16	—	(16)	—
Dividends	—	—	—	379	379
Share buyback	—	—	—	669	669
Net cash from discontinued operations	—	—	—	9	9
Changes in exchange rates	(41)	(5)	(1)	18	(29)
Net debt at December 31, 2022	**3,332**	**2,543**	**(336)**	**(1,450)**	**4,089**
Net debt at January 1, 2023	**3,332**	**2,543**	**(336)**	**(1,450)**	**4,089**
Net cash from operating activities	—	—	—	(1,126)	(1,126)
Acquisitions	—	—	—	114	114
Investments in short-term investments	—	—	(64)	64	—
Repayments of short-term investments	—	—	142	(142)	—
Net cash from other investing activities	—	—	—	108	108
Net gain/loss from changes in fair value	—	—	(7)	—	(7)
Unwind of discount and amortized cost	10	2	—	—	12
Proceeds from borrowings	499	5,337	—	(5,836)	—
Borrowings repaid	—	(6,295)	—	6,295	—
New/modification/disposal of lease contracts	96	—	—	—	96
Transfers from long-term to short-term	(793)	793	—	—	—
Movement bank overdrafts and short-term bank loans	—	18	—	(18)	—
Dividends	—	—	—	368	368
Net cash from discontinued operations	—	—	—	6	6
Changes in exchange rates	21	—	—	104	125
Net debt at December 31, 2023	**3,165**	**2,398**	**(265)**	**(1,513)**	**3,785**

Analysis of net debt by category

in € millions, at December 31	2022	2023
Bonds issued	2,934	2,933
Lease liabilities	198	194
Other long-term borrowings	200	38
Long-term borrowings	**3,332**	**3,165**
Current portion of long-term borrowings	2	671
Current portion of lease liabilities	86	89
Debt to credit institutions	2,450	1,635
Other short-term borrowings	5	3
Short-term borrowings	**2,543**	**2,398**
Total borrowings	**5,875**	**5,563**
Short-term investments	(336)	(265)
Cash and cash equivalents	(1,450)	(1,513)
Net debt	**4,089**	**3,785**

AkzoNobel's net debt is mainly denominated in euro.

Multi-currency revolving credit facility

We have a multi-currency revolving credit facility of €1.3 billion which runs until 2027. 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 2023 and 2022, this facility has not been drawn.

Long-term borrowings

At year-end 2023, bonds issued amounted to €2,933 million (2022: €2,934 million); a specification is included in the table below.

Bonds issued

in € millions, at December 31	2022	2023
1 3/4% 2014/24 (€500 million)	499	–
1 1/8% 2016/26 (€500 million)	498	499
1 1/2% 2022/28 (€600 million)	597	598
1 5/8% 2020/30 (€750 million)	745	745
2% 2022/32 (€600 million)	595	595
4% 2023/33 (€500 million)	–	496
Total	**2,934**	**2,933**

In May 2023, a bond was issued with a nominal value of €500 million, with a coupon of 4%, maturing in 2033.

For details on the exposure to interest rate and foreign currency risk, refer to Note 26 Financial risk management.

The average effective interest rate of the bonds included in long-term borrowings at year-end 2023 was 2.0% (year-end 2022: 1.6%).

Aggregated maturities of long-term borrowings

in € millions	2025-2028	After 2028
Bonds issued	1,097	1,836
Lease liabilities	158	36
Other long-term borrowings	15	23
Total	**1,270**	**1,895**

The blended incremental borrowing rate applied to the lease liabilities at year-end 2023 was 2.4% (2022: 1.9%).

At year-end 2023 and 2022, none of the borrowings was secured by collateral.

Short-term borrowings

The current portion of long-term borrowings increased mainly due to maturing of a €500 million bond and other loans in 2024.

At year-end 2023, our debt to credit institutions amounted to €1,635 million (2022: €2,450 million). Debt to credit institutions includes our commercial paper program and short-term bank loans. 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 €0.8 billion commercial paper outstanding at year-end 2023 (2022: €1.3 billion) against an average interest rate of 4.1% (2022: 1.6%). At year-end 2023, we had short-term bank loans outstanding of €0.8 billion (2022: €1.1 billion) against a 3-months Euribor plus a mark-up (2022: 3-months Euribor plus a mark-up). None of these facilities contain financial covenants.

Short-term investments

At year-end 2023, we had short-term investments outstanding for an amount of €265 million (2022: €336 million). 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 26 Financial risk management.

Cash and cash equivalents

Cash and cash equivalents are specified in the table below.

Cash and cash equivalents

in € millions, at December 31	2022	2023
Cash on hand and in banks	922	957
Short-term investments with a life up to three months	528	556
Cash and cash equivalents in the balance sheet	**1,450**	**1,513**
Debt to credit institutions	(52)	(60)
Total per statement of cash flows	**1,398**	**1,453**

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.

We face cross-border foreign exchange controls and/or other legal restrictions in a few countries that (currently) limit the ability to make these balances available for general use by the group. Mainly as a result of these restrictions, at December 31, 2023, an amount of €57 million in cash and cash equivalents (2022: €11 million) and €3 million in short-term investments (2022: €nil) was restricted. The vast majority of these funds are available for use in the relevant subsidiaries' day-to-day business.

Note 21: Trade and other payables

Trade and other payables

in € millions, at December 31	2022	2023
Trade payables	2,206	2,312
Taxes and social security contributions	184	192
Amounts payable to employees	234	275
Interest	58	86
FX contracts	60	13
Dividends	4	1
Other liabilities	55	54
Total	**2,801**	**2,933**

Trade and other payables can be broken down as per the above table. Other liabilities consist of a large number of individually immaterial items.

Note 22: Cash flow

Operating activities in 2023 resulted in a cash inflow of €1,126 million (2022: cash inflow of €263 million).

Changes in working capital as per consolidated statement of cash flows

in € millions	2022	2023
Trade and other receivables	(95)	(111)
Inventories	(134)	131
Trade and other payables	(280)	234
Total	**(509)**	**254**

The amounts in the table above 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 23: Commitments

Purchase commitments for property, plant and equipment aggregated €18 million (2022: €23 million).

Note 24: 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). Such transactions were conducted at terms comparable with transactions with third parties.

During 2023, 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 25 Remuneration of the Supervisory Board and the Board of Management. 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 Note 14 Financial non-current assets and Note 18 Post-retirement benefit provisions.

Note 25: Remuneration of the Supervisory Board and the Board of Management

Total compensation for key management personnel expensed during the period amounted to €19.2 million (2022: €13.2 million). An amount of €11.6 million relates to short-term employee benefits (2022: €7.4 million); €1.0 million relates to post contract benefits and other post contract compensation (2022: €0.8 million); €5.4 million relates to share-based compensation (2022: €3.0 million); no payments relate to other long-term incentives (2022: €nil); €1.2 million payments relate to payments upon termination of employment (2022: €2.0 million). In 2023, no charges were accrued which relate to taxation on excessive pay ("Belasting heffing excessieve beloningsbestanddelen") (2022: €1.0 million).

This compensation includes total remuneration for the members of the Supervisory Board of €0.9 million (2022: €0.9 million) and for the members of the Board of Management of €7.7 million (2022: €6.9 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	2022	2023
Ben Noteboom	–	2,300
Byron Grote*	8,061	9,894
Pamela Kirby	–	–
Dick Sluimers	–	–
Patrick Thomas	–	–
Jolanda Poots-Bijl	–	–
Ester Baiget	–	–
Hans Van Bylen	–	–

* In the form of ADRs.

Shares held by the Board of Management

Number of shares at year-end	2022	2023
Greg Poux-Guillaume*	–	1,046
Maarten de Vries	21,766	22,558

* Appointed CEO as per November 1, 2022, replacing Thierry Vanlancker.

Note 26: Financial risk management

Financial Risk Management Framework

Our activities expose us to a variety of financial risks: liquidity risk, credit risk and market risk (including foreign exchange rate risk, interest rate risk and capital 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 and possible – 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. Next to our centralized Treasury organization in Amsterdam, 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 directly with external parties at subsidiary level.

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 2023, we had €1.5 billion available as cash and cash equivalents (2022: €1.2 billion) and €265 million available as short-term investments (2022: €58 million), refer to Note 20 Net debt.

In addition, we have a multi-currency revolving credit facility of €1.3 billion which runs until 2027. 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 2023 and 2022, 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 €0.8 billion commercial paper outstanding at year end 2023 (2022: €1.3 billion) against an average interest rate of 4.1% (2022: average interest rate of 1.6%). Further, at year-end 2023, we had €0.8 billion short-term bank loans outstanding (2022: €1.1 billion) against 3-months Euribor plus a mark-up (2022: 3-months Euribor plus a mark-up). None of these facilities contain financial covenants. 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.

Maturity of liabilities and cash outflows

in € millions	Less than 1 year	Between 1 and 5 years	Over 5 years
At December 31, 2022			
Borrowings	2,457	1,172	1,962
Interest on borrowings	118	197	84
Lease liabilities	86	153	45
Trade and other payables	2,741	–	–
FX contracts (hedges)			
Outflow	3,097	–	–
Inflow	(3,055)	–	–
Total	**5,444**	**1,522**	**2,091**
At December 31, 2023			
Borrowings	2,309	1,112	1,859
Interest on borrowings	154	249	182
Lease liabilities	89	158	36
Trade and other payables	2,920	–	–
FX contracts (hedges)			
Outflow	2,451	–	–
Inflow	(2,450)	–	–
Total	**5,473**	**1,519**	**2,077**

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 by dedicated teams in the businesses, mainly by means of ageing analysis, refer to Note 16 Trade and other receivables. 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 Summary of material accounting policies.

The maximum exposure to credit risk is represented by the carrying value of financial assets in the balance sheet.

At year-end 2023, the credit risk on consolidated level was €4.6 billion (2022: €4.6 billion) for cash and cash equivalents, short-term investments, loans and trade and other receivables. Our credit risk is well spread among both global and local counterparties. Our largest counterparty risk amounted to €332 million at year-end 2023 (2022: €280 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 exposures which are 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. Hedge accounting is generally not applied for foreign currency hedging activities, except for certain specific forecasted transactions.

As from July 2022, cash flow hedge accounting was applied on a $450 million hedge for foreign currency risk exposure related to the intended acquisition of Kansai Paint's African activities, which continued in 2023. In November 2023, the decision was made not to proceed with the acquisition. Related to this hedge, a total loss of €36 million was recorded in the year in the statement of income under financing expenses, which included a loss of €46 million related to the recycling of the amount accumulated in the cash flow hedge reserve through other comprehensive income.

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[1]

in € millions	Buy 2022	Sell 2022	Buy 2023	Sell 2023
US dollar	784	692	270	658
Pound sterling	649	10	794	–
Chinese yuan	110	157	46	58
Brazilian real	30	64	19	57
Thai baht	–	117	12	114
Other[2]	248	641	230	543
Total	**1,821**	**1,681**	**1,371**	**1,430**

[1] No hedge accounting applied on these hedged notional amounts in 2023.
[2] No individually significant position is included in 'Other', the amounts per currency are highly disaggregated.

Investments in foreign subsidiaries and associates

During 2023 and 2022, 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, Brazilian real, Vietnamese dong and Indian rupee (2022: Brazilian real, Chinese yuan, Indonesian rupiah and Indian rupee), 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. In addition, a net investment in Colombian peso was hedged with a COP 330 billion bank loan. The spot result related to this hedge was recognized in other comprehensive income and accumulated in the cumulative translation reserves. At year-end 2023, the hedge of the net investment in Colombian peso was outstanding. During 2023 and 2022, the hedges of net investments were fully effective.

Interest rate risk management

We are partly financed with debt in order to obtain more efficient leverage. Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fixed rate debt results in fair value interest rate risk. Floating rate debt results in cash flow interest rate risk. At the end of 2023, 62% of our total debt consisted of fixed rate bonds (2022: 50%), 14% consisted of commercial paper (2022: 22%) and 15% of short-term loans (2022: 19%). The fixed/floating ratio of our outstanding bonds was 100% fixed (2022: 100% fixed). The weighted average maturity of our outstanding bonds at year-end is 5.4 years (2022: 5.7 years). The remainder of our total debt consisted of leases and other debt. For more information about our debt, refer to Note 20 Net debt. During 2023 and 2022, we have not used any interest rate derivatives.

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 an adequate financial strategy, with the objective to retain a strong investment grade credit rating as assigned 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 of capital to capital providers, or issuance of new debt or shares. In May 2023, a bond was issued with a nominal value of €500 million, with a coupon of 4%, maturing in 2033.

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 around 2. The ratio was 2.7 at December 31, 2023 (December 31, 2022: 3.8). EBITDA amounted to €1,386 million for 2023 (2022: €1,076 million). Net debt amounted to €3,785 million at year end 2023 (year end 2022: €4,089 million).

Fair value of financial instruments and IFRS 9 categories

In the table "Fair value per financial instrument category" on the next page 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 Summary of material accounting policies. 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 and other current liabilities, cash and cash equivalents and short-term investments. The remaining financial instruments are accounted for at amortized cost.

Fair value per financial instrument category

in € millions	Carrying amount	Out of scope of IFRS7[1]	Carrying value per IFRS9 category: Measured at amortized cost	Carrying value per IFRS9 category: Measured at fair value through profit or loss	Total carrying value	Fair value of items measured at amortized cost
2022 year-end						
Financial non-current assets[2]	1,475	1,158	308	9	317	311
Trade and other receivables[3]	2,447	214	2,215	18	2,233	2,215
Short-term investments	336	—	—	336	336	—
Cash and cash equivalents	1,450	—	—	1,450	1,450	—
Total financial assets	**5,708**	**1,372**	**2,523**	**1,813**	**4,336**	**2,526**
Long-term borrowings	3,332	—	3,332	—	3,332	3,031
Short-term borrowings	2,543	—	2,543	—	2,543	2,543
Trade and other payables[4]	2,801	418	2,323	60	2,383	2,323
Total financial liabilities	**8,676**	**418**	**8,198**	**60**	**8,258**	**7,897**
2023 year-end						
Financial non-current assets[2]	1,409	1,136	264	9	273	271
Trade and other receivables[3]	2,483	193	2,276	14	2,290	2,276
Short-term investments	265	—	—	265	265	—
Cash and cash equivalents	1,513	—	—	1,513	1,513	—
Total financial assets	**5,670**	**1,329**	**2,540**	**1,801**	**4,341**	**2,547**
Long-term borrowings	3,165	—	3,165	—	3,165	3,015
Short-term borrowings	2,398	—	2,398	—	2,398	2,390
Trade and other payables[4]	2,933	467	2,453	13	2,466	2,453
Total financial liabilities	**8,496**	**467**	**8,016**	**13**	**8,029**	**7,858**

[1] Mainly includes pension assets (refer to Note 14), (non) income tax related receivables (refer to Note 16), payables to employees and (non) income taxes payables (refer to Note 21).
[2] €264 million (2022: €308 million) mainly relates to loans and receivables (refer to Note 14), €9 million (2022: €9 million) relates to other than financial instruments (refer to Note 14).
[3] €2,276 million (2022: €2,215 million) relates to the remainder of trade and other receivables (refer to Note 16) and €14 million (2022: €18 million) relates to FX contracts.
[4] €2,453 million (2022: €2,323 million) relates to the remainder of trade and other payables (refer to Note 21) and €13 million (2022: €60 million) relates to FX contracts.

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 and short-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.

A level 3 fair valuation method (discounted cash flow using applicable market interest rates at balance sheet date) was used for the subordinated loan granted to the Pension Fund APF in the Netherlands, resulting in a fair value of €98 million.

Sensitivities on financial instruments at year-end 2023

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's expectation for reasonably possible[1] future movements over a longer term from a sensitivity test perspective. 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. These effects are of a fairly linear nature.	A 10% (2022: 10%) strengthening of the euro versus US dollar	Profit €22 million (2022: profit €9 million). Other comprehensive income €nil (2022: loss €41 million)
	A 10% (2022: 10%) strengthening of the euro versus the pound sterling	Loss €5 million (2022: profit €1 million)
	A 10% (2022: 10%) strengthening of the euro versus Chinese yuan	Profit €1 million (2022: profit €1 million)
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's expectation for reasonably possible[1] future movements over a longer term from a sensitivity test perspective. We then apply the expected possible volatility to revalue all interest bearing assets and liabilities. These effects are of a fairly linear nature.	A 100 basis points (2022: 100 basis points) increase of EUR interest rates	Loss €15 million (2022: loss €16 million)
	A 100 basis points (2022: 100 basis points) increase of USD interest rates	Profit €1 million (2022: profit €1 million)
	A 100 basis points (2022: 100 basis points) increase of GBP interest rates	Profit €1 million (2022: profit €1 million)

[1] This analysis does not indicate any probability of such changes occurring; nor does it preclude larger changes in any given period or longer term.

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.

Note 27: Subsequent events

No significant subsequent events have been identified.

COMPANY FINANCIAL STATEMENTS

Statement of income

in € millions, for the year ended December 31	Note	2022		2023	
Revenue	A	4		—	
Gross profit			**4**		**—**
General and administrative expenses		(46)		(74)	
Other results		(1)		—	
			(47)		**(74)**
Operating income			**(43)**		**(74)**
Financing income and expenses	B	(71)		(199)	
Net income from subsidiaries	D	440		693	
			369		**494**
Profit before tax			**326**		**420**
Income tax			26		22
Net income			**352**		**442**

Balance sheet, before allocation of profit

in € millions, at December 31	Note	2022		2023	
Assets					
Fixed assets					
Intangible assets	C	99		97	
Financial fixed assets*	D	11,649		10,964	
Total fixed assets			**11,748**		**11,061**
Current assets					
Short-term receivables*	E	1,281		1,982	
Short-term investments	G	290		198	
Cash and cash equivalents	G	643		615	
Total current assets			**2,214**		**2,795**
Total assets			**13,962**		**13,856**
Equity and liabilities					
Equity					
Subscribed share capital		87		85	
Cash flow hedge reserve		(34)		—	
Other legal reserves		296		312	
Cumulative translation reserves		(656)		(711)	
Actuarial gains and losses		(2,902)		(3,013)	
Other reserves		7,265		7,282	
Undistributed results		277		367	
Shareholders' equity	F		**4,333**		**4,322**
Provisions			**3**		**2**
Long-term liabilities*	G		**3,034**		**2,933**
Current liabilities					
Short-term borrowings*	G	6,471		6,353	
Other current liabilities	H	121		246	
Total current liabilities			**6,592**		**6,599**
Total equity and liabilities			**13,962**		**13,856**

* Re-presented 2022 subsidiary balances to reflect contractual arrangements rather than the expected settlement date. Refer to note D for more details.

NOTES TO THE COMPANY FINANCIAL STATEMENTS

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, 2022 revenue relates to revenue generated through service contracts with third parties.

Consolidated subsidiaries are all entities (including intermediate subsidiaries) over which the company has control. The company controls an entity when it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. Subsidiaries are recognized from the date on which control is transferred to the company or its intermediate holding entities. They are de-recognized from the date that control ceases.

The company applies the acquisition method to account for acquiring subsidiaries. The consideration transferred for the acquisition of a subsidiary is the fair value of assets transferred by the company, liabilities incurred to the former owners of the acquiree and the equity interests issued by the company. Identifiable assets acquired and liabilities and contingent liabilities assumed in an acquisition are measured initially at their fair values at the acquisition date, and are subsumed in the net asset value of the investment in consolidated subsidiaries. Acquisition-related costs are expensed as incurred.

Investments in consolidated subsidiaries are measured using the equity method, based on the measurement of assets, provisions and liabilities and determination of profit based on the principles applied in the consolidated financial statements. When an acquisition of an investment in a consolidated subsidiary is achieved in stages, any previously held equity interest is remeasured to fair value on the date of acquisition. The remeasurement against the book value is accounted for in the statement of income. When the company ceases to have control over a subsidiary, any retained interest is remeasured to its fair value, with the change in carrying amount to be accounted for in the statement of income.

When parts of investments in consolidated subsidiaries are bought or sold, and such transaction does not result in the loss of control, the difference between the consideration paid or received and the carrying amount of the net assets acquired or sold, is directly recognized in equity.

The remuneration paragraph is included in Note 25 of the Consolidated financial statements. The number of employees having a contract with the Company at year-end 2023 was 5 (2022: 7). All employees are based in the Netherlands.

Note B: Financing income and expenses

Financing income and expenses are specified in the table below.

Financing income and expenses

in € millions	2022	2023
Financing income - third parties	5	27
Financing income - subsidiaries	53	62
Financing expense - third parties	(75)	(145)
Financing expense - subsidiaries	(39)	(144)
Net interest on net debt	**(56)**	**(200)**
Other items	(15)	1
Net other financing income / (expenses)	**(15)**	**1**
Total	**(71)**	**(199)**

Other items in 2023 and 2022 mainly include foreign currency results.

Note C: Intangible assets

Intangible assets mainly include (internally developed) software.

Intangible assets

in € millions	Other intangibles
Balance at January 1, 2022	
Cost of (internally developed) intangibles	113
Accumulated amortization	(22)
Carrying value at January 1, 2022	**91**
Movements in 2022	
Additions	26
Amortization	(18)
Total movements	**8**
Cost of (internally developed) intangibles	139
Accumulated amortization	(40)
Balance at December 31, 2022	**99**
Movements in 2023	
Additions	18
Amortization	(19)
Impairments	(1)
Total movements	**(2)**
Cost of (internally developed) intangibles	153
Accumulated amortization	(56)
Balance at December 31, 2023	**97**

Note D: Financial fixed assets

Movements in financial fixed assets

	Subsidiaries			
in € millions	Share in capital	Loans*	Other non-current assets	Total
Balance at December 31, 2021	**10,475**	**1,572**	**120**	**12,167**
Impact IAS 29 Hyperinflation Türkiye	16	—	—	16
Balance at January 1, 2022	**10,491**	**1,572**	**120**	**12,183**
Investments/acquisitions/capital contributions	458	—	2	460
Divestments/capital repayments/dividends	(1,058)	—	—	(1,058)
Net income from subsidiaries	440	—	—	440
Equity-settled transactions	12	—	—	12
Cash flow hedges	(3)	—	—	(3)
Loans granted	—	554	—	554
Loans transferred from long-term to short-term		(460)		(460)
Repayment of loans	—	(48)	—	(48)
Post-retirement benefits	(290)	—	—	(290)
Deferred tax assets	—	—	21	21
Changes in exchange rates	(180)	18	—	(162)
Balance at December 31, 2022	**9,870**	**1,636**	**143**	**11,649**
Investments/acquisitions/capital contributions	40	—	—	40
Divestments/capital repayments/dividends	(287)	—	—	(287)
Net income from subsidiaries	693	—	—	693
Equity-settled transactions	14	—	—	14
Cash flow hedges	34	—	—	34
Loans granted	—	492	—	492
Loans transferred from long-term to short-term	—	(1,082)	—	(1,082)
Repayment of loans	—	(385)	—	(385)
Post-retirement benefits	(111)	—	—	(111)
Deferred tax assets	—	—	(12)	(12)
Changes in exchange rates	(55)	(26)	—	(81)
Balance at December 31, 2023	**10,198**	**635**	**131**	**10,964**

* Re-presented 2022 subsidiary balances to reflect contractual arrangements rather than the expected settlement date.

Investments in subsidiaries are measured using the equity method of accounting.

Intercompany loans are priced at arm's length, taking factors like the credit quality of AkzoNobel and the counterparty, country and currency risks into consideration. The fair value of the loans to subsidiaries approximates the book value.

Following an assessment in 2023, loans to subsidiaries, receivables from subsidiaries, and the long- and short-term portion of debt to subsidiaries were presented to reflect the contractual arrangements rather than the expected settlement dates. Therefore the balances for 2022 were similarly re-presented.

Loans to subsidiaries that will mature between 2 and 5 years amounted to €616 million (2022: €1,552 million). An amount of €19 million will mature after 5 years (2022: €84 million).

Other non-current assets include the subordinated loan granted to the Pension Fund APF in the Netherlands valued at €90 million (2022: €89 million). Using a level 3 fair valuation method (discounted cash flow), a fair value of €98 million (2022: €93 million) was determined for this loan. For information on valuation methods, see Note 26 Financial risk management of the Consolidated financial statements.

Other non-current assets further contain €39 million deferred tax assets (2022: €51 million). Akzo Nobel N.V. is head of the Dutch fiscal unity for corporate income tax. Members of the fiscal unity reflect taxes in their accounts as if they are taxable on a standalone basis and are charged or credited accordingly by the company.

Note E: Short-term receivables

Short-term receivables

in € millions, at December 31	2022	2023
Receivables from subsidiaries*	1,260	1,948
FX contracts	18	14
Other receivables	3	20
Total	**1,281**	**1,982**

* Re-presented 2022 subsidiary balances to reflect contractual arrangements rather than the expected settlement date. Refer to note D for more details.

Short-term receivables are expected to be settled within one year. Receivables from subsidiaries include interest to be received on intercompany loans of €19 million (2022: €17 million) and the current portion of a loan to a subsidiary maturing in 2024 with a value of €1.1 billion. The fair value of the receivables from subsidiaries approximates the book value.

Note F: Shareholders' equity

Statement of changes in equity

in € millions	Subscribed share capital	Legal reserves: Cash flow hedges	Legal reserves: Other legal reserves	Legal reserves: Cumulative translation reserves	Actuarial gains & losses	Other reserves	Undistributed results	Shareholders' equity
Balance at December 31, 2021	**91**	**(19)**	**275**	**(493)**	**(2,613)**	**7,435**	**749**	**5,425**
Impact IAS 29 Hyperinflation Türkiye*	**—**	**—**	**—**	**—**	**—**	**16**	**—**	**16**
Balance at January 1, 2022	**91**	**(19)**	**275**	**(493)**	**(2,613)**	**7,451**	**749**	**5,441**
Changes in exchange rates in respect of subsidiaries	—	—	—	(163)	—	—	—	(163)
Cash flow hedges	—	(15)	—	—	—	—	—	(15)
Post-retirement benefits	—	—	—	—	(289)	—	—	(289)
Net income	—	—	—	—	—	—	352	352
Comprehensive income	**—**	**(15)**	**—**	**(163)**	**(289)**	**—**	**352**	**(115)**
Dividend	—	—	—	—	—	—	(347)	(347)
Equity-settled transactions	—	—	—	—	—	14	—	14
Share buyback	(4)	—	—	—	—	(656)	—	(660)
Addition to other reserves	—	—	21	—	—	456	(477)	—
Balance at December 31, 2022	**87**	**(34)**	**296**	**(656)**	**(2,902)**	**7,265**	**277**	**4,333**
Changes in exchange rates in respect of subsidiaries	—	—	—	(55)	—	—	—	(55)
Cash flow hedges	—	34	—	—	—	—	—	34
Post-retirement benefits	—	—	—	—	(111)	—	—	(111)
Net income	—	—	—	—	—	—	442	442
Comprehensive income	**—**	**34**	**—**	**(55)**	**(111)**	**—**	**442**	**310**
Dividend	—	—	—	—	—	—	(338)	(338)
Equity-settled transactions	—	—	—	—	—	17	—	17
Share buyback	(2)	—	—	—	—	2	—	—
Addition to other reserves	—	—	16	—	—	(2)	(14)	—
Balance at December 31, 2023	**85**	**—**	**312**	**(711)**	**(3,013)**	**7,282**	**367**	**4,322**

* As per June 2022, Türkiye has been identified as a hyperinflationary economy. IAS 29 "Financial Reporting in Hyperinflationary Economies" has been applied for our activities in Türkiye as from January 1, 2022. Refer to Note 7 Financing income and expenses in the Consolidated financial statements for details on the financial impact from applying IAS 29. The opening balance adjustment includes a tax charge of €4 million.

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 2023 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% 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.

Unrestricted reserves at year-end

in € millions	2022	2023
Shareholders' equity at year-end	4,333	4,322
Subscribed share capital	(87)	(85)
Subsidiaries' restrictions to transfer funds	(190)	(213)
Reserve for development costs	(106)	(99)
Unrestricted reserves	**3,950**	**3,925**

In February 2022, a €500 million share buyback program was announced, which was completed in 2022. As at December 31, 2022, a total of 7.3 million shares had been acquired under this program, of which 3.4 million were cancelled. The remaining 3.9 million shares were cancelled in 2023. For further details on weighted average number of shares, refer to Note 9 Earnings per share in the Consolidated financial statements.

Of the shareholders' equity of €4.3 billion (2022: €4.3 billion), €3.9 billion (2022: €4.0 billion) was unrestricted and available for distribution, subject to the relevant provisions of our Articles of Association and Dutch law.

Legal reserves include the €213 million reserve relating to earnings retained by subsidiaries after the year 1983, to the extent that there are limitations to arrange profit distributions, and a €99 million reserve for capitalized development costs.

Dividend

Our dividend policy is to pay a stable to rising dividend.

In 2023, an interim dividend of €0.44 (2022: €0.44) per common share was paid. We propose a 2023 final dividend of €1.54 (2022: €1.54) per common share, which would equal a total 2023 dividend of €1.98 (2022: €1.98).

Note G: Net debt

Analysis of net debt by category

in € millions, at December 31	2022	2023
Bonds issued	2,934	2,933
Debt to subsidiaries*	100	—
Long-term borrowings	**3,034**	**2,933**
Current portion of long-term borrowings	—	500
Debt to credit institutions	2,399	1,574
Debt to subsidiaries*	4,068	4,276
Other	4	3
Short-term borrowings	**6,471**	**6,353**
Total borrowings	**9,505**	**9,286**
Short-term investments	(290)	(198)
Cash and cash equivalents	(643)	(615)
Net debt	**8,572**	**8,473**

* Re-presented 2022 subsidiary balances to reflect contractual arrangements rather than the expected settlement date. Refer to note D for more details.

Multi-currency revolving credit facility

We have a multi-currency revolving credit facility of €1.3 billion which runs until 2027. 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 2023 and 2022, this facility had not been drawn.

Long-term borrowings

At year-end 2023, bonds issued amounted to €2,933 million (2022: €2,934 million); a specification is included in the table below.

Bonds issued

in € millions, at December 31	2022	2023
1 3/4% 2014/24 (€500 million)	499	–
1 1/8% 2016/26 (€500 million)	498	499
1 1/2% 2022/28 (€600 million)	597	598
1 5/8% 2020/30 (€750 million)	745	745
2% 2022/32 (€600 million)	595	595
4% 2023/33 (€500 million)	–	496
Total	**2,934**	**2,933**

For the fair value of the bonds issued, refer to Note 26 Financial risk management in 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 2023, the fair value of the bonds included in long-term and short-term borrowings was €3,275 million (2022: €2,633 million).

In May 2023, a bond was issued with a nominal value of €500 million, with a coupon of 4%, maturing in 2033.

The average effective interest rate of the bonds included in long-term borrowings outstanding at year-end 2023 was 2% (year-end 2022: 1.6%).

At year-end 2023 and 2022, none of the borrowings was secured by collateral.

Short-term borrowings

In November 2024, a bond of €500 million will mature. This bond is classified as short-term borrowing. At year-end 2023 and 2022, none of the borrowings was secured by collateral.

At year-end 2023, our debt to credit institutions amounted to €1,574 million (2022: €2,399 million). For the fair value of the debt to credit institutions, refer to Note 26 Financial risk management in the Consolidated financial statements. Debt to credit institutions includes our commercial paper program. 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 €0.8 billion commercial paper outstanding at year-end 2023 (2022: €1.3 billion) against an average interest rate of 4.1% (2022: 1.6%). At year-end 2023, we had short-term bank loans outstanding of €800 million (2022: €1.1 billion) against a 3-month Euribor plus a mark-up rate (2022: 3-month Euribor plus a mark-up rate). None of these facilities contain financial covenants.

Short-term investments

At year-end 2023, we had short-term investments outstanding for an amount of €198 million (2022: €290 million). Short-term investments almost entirely consist of time deposits, money market funds and marketable securities with a lifetime at investment date longer than three months but shorter than twelve months.

Cash and cash equivalents

Cash and cash equivalents are specified in the table below.

Cash and cash equivalents

in € millions, at December 31	2022	2023
Cash on hand and in banks	293	334
Deposits and money markets funds with a maturity less than three months	350	281
Included under cash and cash equivalents in the balance sheet	**643**	**615**

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.

Note H: Other current liabilities

Other current liabilities

in € millions, at December 31	2022	2023
Payables to subsidiaries*	23	167
FX contracts	60	12
Other suppliers	2	12
Interest payable	33	46
Other liabilities	3	9
Total	**121**	**246**

* The fair value of the payables to subsidiaries approximates the book value.

Other current liabilities are expected to fall due in less than one year.

Note I: Financial instruments

At year-end 2023, Akzo Nobel N.V. had foreign exchange contracts outstanding to buy currencies for a total of €1.3 billion (year-end 2022: €1.7 billion), while contracts to sell currencies totaled €1.3 billion (year-end 2022: €1.5 billion). The contracts mainly relate to US dollars, pound sterling and Thai baht and all have maturities within one year. These contracts were partly offset by the foreign exchange contracts concluded with subsidiaries; fair value changes are recognized in the statement of income, or recognized in other comprehensive income in case hedge accounting is applied. For information on risk exposure and risk management, see Note 26 Financial risk management in 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 and Irish consolidated companies (Article 403 of Book 2 of the Dutch Civil Code and section 357(1) of the Irish Companies Act 2014, respectively). These debts at year-end 2023 aggregate to €0.6 billion (2022: €0.6 billion), and 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 AkzoNobel, Nouryon and Nobian continue to cooperate to get this resolved.

Additionally, at year-end 2023, guarantees were issued on behalf of consolidated companies for an amount of €0.4 billion (2022: €0.4 billion). The debts and liabilities of the consolidated companies underlying these guarantees are included in the consolidated balance sheet.

Akzo Nobel N.V. and two of its subsidiaries are currently defending 2 claims brought by INPEX Operations Australia Pty Ltd and JKC Australia LNG Pty Ltd relating to the Ichthys Onshore Project in Darwin, Western Australia. A trial has been listed in the Federal Court of Australia, commencing June 17, 2024. The claims are contested and AkzoNobel denies liability in respect of both of these claims.

Note K: Independent auditor's fees

Our independent auditor, PricewaterhouseCoopers Accountants N.V., has rendered, for the period to which the audit of the financial statements relates, in addition to the audit of the consolidated financial statements, mainly statutory audit services for controlled entities.

Fees PricewaterhouseCoopers Accountants N.V. 2023

			2023
in € millions	In the Netherlands	Network outside the Netherlands	Total
Audit of the financial statements	4.3	5.2	9.5
Other audit services	0.2	0.1	0.3
Tax services	–	–	–
Other non-audit services	–	–	–
Total	**4.5**	**5.3**	**9.8**

Fees PricewaterhouseCoopers Accountants N.V. 2022

			2022
in € millions	In the Netherlands	Network outside the Netherlands	Total
Audit of the financial statements	3.7	5.5	9.2
Other audit services	0.3	0.1	0.4
Tax services	–	–	–
Other non-audit services	–	–	–
Total	**4.0**	**5.6**	**9.6**

Amsterdam, February 26, 2024

The Board of Management

Greg Poux-Guillaume
Maarten de Vries

The Supervisory Board

Ben Noteboom
Ester Baiget
Hans Van Bylen
Byron Grote
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 €104 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 €338 million (to be increased by dividend on shares issued in 2024 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 €1.98 per share, of which €0.44 was paid earlier as an interim dividend. The final dividend of €1.54 per share will be made available from May 7, 2024.

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 the Supervisory Board of Akzo Nobel N.V.

Report on the audit of the financial statements 2023

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, 2023, and of its result and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted in 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, 2023, 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 2023 of Akzo Nobel N.V., Amsterdam, the Netherlands. The financial statements comprise 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, 2023
- The following statements for 2023: the Consolidated statement of income, of comprehensive income, of changes in equity and of cash flows
- The Notes to the Consolidated financial statements, including a summary of material accounting policies and other explanatory information

The Company financial statements comprise:

- The Balance sheet as at December 31, 2023
- The Statement of income for the year then ended
- The notes, comprising a summary of 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 regulations in the Netherlands. Furthermore, we have complied with the "Verordening gedrags- en beroepsregels accountants" (VGBA, Dutch Code of Ethics).

Our audit approach

We designed our audit procedures with respect to the key audit matters, fraud and going concern, and the matters resulting from that, in the context of our audit of the financial statements as a whole and in forming our opinion thereon. The information in support of our opinion, such as our findings and observations related to individual key audit matters, the "audit approach fraud risks" and the "audit approach going concern", was addressed in this context, and we do not provide separate opinions or conclusions on these matters.

Overview and context

Akzo Nobel N.V. is a global paints and coatings company headquartered in the Netherlands. 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 risk 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 addition, we paid attention to, among others, the assumptions underlying the physical and transition risk related to climate change. In Note 1 of the Consolidated financial statements, the Group describes areas of judgment in applying accounting policies and the key sources of estimation uncertainty. We considered the valuation of the post-retirement benefit provisions and the valuation of deferred tax assets to be key audit matters as set out in the section “Key audit matters” of this report, given the significant estimation uncertainty, the judgmental nature, the magnitude of the balances involved and the related higher inherent risk of material misstatement.

The Group executed over the past years a wide range of (finance) transformation projects. These projects continued in 2023, with the goal to align to the Group’s evolving operating model, focusing on end-to-end processes and to increase operational efficiencies and effectiveness. Inherently, transformation processes encompass changes in the organization, systems, processes and controls.

We therefore evaluated the impact of these transformation projects on our audit. Due to the significance to the Group and the impact on our audit procedures, we included “Ongoing transformation projects of the organization, systems, processes and controls” as a key audit matter, as set out in the section “Key audit matters” of this report.

Global market conditions were volatile in 2023 in terms of consumer confidence, (hyper) inflation and geopolitical developments. This resulted in different trends on the various (geographical) business areas of the Group. Certain areas showed recovery in terms of revenue and volume growth, other markets faced price pressure and/or the impact of softening demand. Total revenue showed relatively low volatility on a year-on-year basis. Overall, operating income increased.

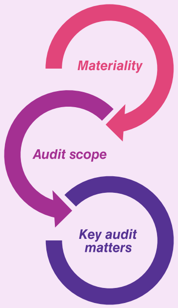
We considered the impact of these global geopolitical and macro-economic developments on our audit approach, including our scoping, materiality and risk assessment. Furthermore, we assessed the impact on significant management accounting judgments and future business and cash flow projections underpinning asset recoverability assessments, deferred tax asset recoverability, key assumptions used in the valuation of post-retirement benefit provisions, and the going concern assumption. We concluded the impact of the geopolitical and macro-economic developments on the Group’s results of operations to be an area of focus that is not a separate key audit matter.

Climate change is an area of interest to a wide group of stakeholders. Akzo Nobel N.V. assessed the potential effects of climate change and developed plans to meet the Group’s announced emissions reduction commitments. The Group considered, among others, physical risks, such as those associated with water scarcity, flooding and weather events, as well as transition risks that can lead to changes in technology, market dynamics and regulations. Management also assessed the resulting impact on the financial position, including underlying assumptions and estimates. As part of our audit risk assessment, we gained an understanding of the Group’s strategy and sustainability targets, evaluated the potential impact on the financial statements and discussed the assessment and governance thereof with management. We concluded the impact of climate change to be an area of focus that is not a key audit matter.

Other areas of focus that we do not consider to be key audit matters were related to the impairment testing of goodwill and other intangibles with indefinite useful lives, accounting for the unwinding of the cash flow hedge in relation to the previously anticipated acquisition of Kansai Paints Africa, testing of the underlying assumptions of the other provisions and testing of the effectiveness of information technology general controls (ITGCs).

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.

The outline of our audit approach was as follows:



Materiality

- Overall materiality: €41.5 million (2022: €43.75 million)

Audit scope

- We conducted audit work at 48 components in 18 countries (2022: 49 components in 18 countries)
- Site reviews were physically conducted in five countries (2022: four countries) and virtually to one country (2022: three countries). In total, this covered 29 components (2022: 39 components)
- Audit coverage: 62% of consolidated revenue (2022: 64%), 71% of consolidated total assets (2022: 72%) and 79% of consolidated profit before tax (2022: 67%)

Key audit matters

- Ongoing transformation projects of the organization, systems, processes and controls
- Valuation of post-retirement benefit provisions
- Valuation of deferred tax assets

Materiality

The scope of our audit was 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.

Overall group materiality	€41.5 million (2022: €43.75 million)
Basis for determining materiality	We used our professional judgment to determine overall materiality. As a basis for our judgment, we used 5% of a three-year average of profit before tax, including the current year results.
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 the most relevant metric for the financial performance of the Group and is a metric widely used within the industry. Consistent with the methodology applied in prior year, we applied a three-year average of profit before tax. In evaluating the approach taken, we considered among others, the impact of the macro-economic developments, including hyperinflation, and geopolitical tension and conflicts across the globe, as described in the section “Overview and context” and the impact thereof on the financial results of the Group in addition to management's expectations and budget in the coming years. We reaffirmed that applying a three-year average is an appropriate basis for the current year audit that appropriately reflects the Group’s scale of operations for the year. Applying a multi-year average benchmark for materiality responds to adverse economic trends and volatility in profit before tax from year to year. On this basis, we concluded that applying a three-year average is a more appropriate basis for the current year audit, and also better reflects the Group’s scale of operations for the year. Furthermore, we used a 5% threshold, based on our professional judgment, noting it is within the range of commonly acceptable thresholds and the predominant threshold used for companies with similar characteristics
Component materiality	Based on our judgment, we allocate materiality to each component in our audit scope that is less than our overall group materiality. The range of materiality allocated across components was between €8 million and €39 million.

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 Supervisory Board that we would report to them misstatements identified during our audit above €2 million (2022: €2 million), as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

The scope of our group audit

Akzo Nobel N.V. is the parent company of a group of entities. It is 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, performed sufficient work on the financial statements to enable us to provide 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 21 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 financially significant to the Group. We further subjected 17 components to specific focused audit procedures on individual financial statement line items, such as revenue, cost of sales, inventories, trade and other receivables, post-retirement benefit provisions, tax, cash and cash equivalents and short-term investments, based on the relative size or related higher inherent risk of material misstatement. Additionally, we selected ten components for audit procedures to achieve appropriate audit coverage on specific financial line items in the Consolidated financial statements.

In total, in performing these procedures, we achieved the following coverage on the financial line items:

Revenue	62%
Total assets	71%
Profit before tax	79%

None of the remaining components represented more than 5% of total group revenue, total group assets or profit before tax. For those remaining components we performed, among other procedures, analytical procedures to corroborate our assessment that there was no significant risk of material misstatements 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. Top-up testing was 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 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, among others, our risk analysis, materiality and the scope of the work. We explained to the component audit teams the structure of the Group, the main developments that were 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 that could be of relevance for the financial statements.

The group engagement team attended physical or virtual 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 financially most significant components are selected on a rotational basis (at least every three years) and other components are selected, depending on specific considerations which include, among others, audit observations, specific risks identified and other major events. In the current year, components in the following countries were selected: United States, China, Germany, United Kingdom, Italy and Indonesia.

The group engagement team performed the audit work on the consolidation, financial statement disclosures and a number of more complex areas 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, testing of purchase price allocation for the acquisition of the Huarun business in China, share-based payments, valuation of deferred tax assets, group level other provisions and contingent liabilities, treasury, ITGCs and the Company financial statements. By performing the procedures outlined above at the components, combined with additional procedures exercised at group level, we have been able to obtain sufficient and appropriate audit evidence on the Group's financial information, to provide a basis for our opinion on the financial statements.

Audit approach fraud risks

As in all of our audits, we identified and assessed the risk of material misstatement of the financial statements due to fraud. Together with our forensic specialists, we evaluated fraud risk factors with respect to financial reporting fraud, misappropriation of assets and bribery and corruption.

As a starting point, we obtained an understanding of the entity and its environment and the elements of the system of internal control relating to fraud risks. We conducted interviews with members of the Board of Management, the Executive Committee, the Supervisory Board and others within the Group, including the Internal Audit and Integrity and Compliance function, to obtain an understanding of the Group's fraud risk assessment and the processes for identifying and responding to the risk of fraud and the internal control that management has established to mitigate these risks. Akzo Nobel N.V. has an integrity and compliance program, which includes a governance and organization structure, policies and procedures around risk management, policy management, communication, training and education, a competition law program, privacy program, anti-bribery and anti-corruption program, third party risk management program, monitoring, grievance and investigation procedures, and reporting. The Group also has an Export Controls and Sanctions team in place. We considered management's own risk assessment and response to the risk of fraud, management's monitoring of the system of internal control and how the Supervisory Board exercises oversight, as well as the outcomes thereof.

As described in the auditing standards, management override of controls and risk of fraud in revenue recognition are presumed significant audit risks.

Inherently, management of a company is in a unique position to perpetrate fraud because of its ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. The ongoing transformation projects of the organization, systems, processes and controls, which we consider a key audit matter, also inherently, increases the risk of management override of controls. We addressed this risk by, among other procedures, evaluating journal entries, transactions outside the normal course of business and considering whether there was evidence of potential bias by management when making assumptions and estimates that may represent a risk of material misstatement due to fraud. We tested journal entries by selecting, on a risk-based approach through data analysis, certain entries posted along with sufficient and appropriate supporting evidence. To address the assessed risk of significant transactions outside the normal course of business, we performed, among others, procedures over the acquisition of the Huarun business in China. The audit procedures to respond to the assessed risk of management bias include, among others, evaluation of the design and the implementation of internal controls that intend to mitigate fraud risks (including management's fraud risk assessment, the Code of Conduct and whistle blower procedures), review of legal confirmations and correspondence with regulatory bodies, and retrospective review of prior year's estimates. For examples of key assumptions and estimates, refer to the key audit matters "Valuation of post-retirement benefit provisions" and "Valuation of deferred tax assets".

Furthermore, we, together with our forensic specialists, assessed matters reported through the Group's SpeakUp! program and complaints procedures and results of management's investigation of such matters if deemed applicable, and discussed this with the Audit Committee.

With regard to the risk of fraud in revenue recognition, based on our risk assessment procedures, we concluded that this risk is related to the occurrence of revenue transactions, due to the Group's strategy to continuously grow and expand market share. We performed procedures over this risk, including evaluation of the design and implementation of relevant internal controls, tracing a sample of revenue transactions to the supporting documents, and validating unusual journal entries.

We incorporated an element of unpredictability in our audit. During the entire audit, we remained alert to indications of fraud and considered the impact on our audit, if any. Furthermore, we considered the outcome of our other audit procedures and evaluated whether any findings were indicative of fraud or non-compliance with laws and regulations.

Based on our risk assessment and audit procedures performed, we did not identify indications of fraud that resulted in material misstatements in the financial statements.

Audit approach going concern

As disclosed in Note 1 of the Consolidated financial statements, management performed their assessment of the Company's ability to continue as a going concern for at least 12 months from the date of preparation of the financial statements and has not identified events or conditions that may cast significant doubt on the Company's ability to continue as a going concern (hereafter: going concern risk). Our procedures to evaluate management's going concern assessment included, among others:

- Considering whether management's going concern assessment included relevant information of which we were aware as a result of our audit and inquiring with management regarding management's most important assumptions underlying its going concern assessment
- Analyzing the financial position per balance sheet date, such as financial leverage and cash positions, in relation to the financial position per prior year balance sheet date to assess whether events or circumstances exist that may lead to a going concern risk, and liquidity management as disclosed in Note 26 of the Consolidated financial statements
- Evaluating management's current budget, including expected future cash flows in comparison with last year, market developments, developments in the macro-economic environment, climate-related developments and the relevant information of which we are aware as a result of our audit, including, among others, the cash flow projections
- Performing inquiries of management as to their knowledge of going concern risks beyond the period of management's assessment

Our procedures did not result in outcomes contrary to management's assumptions and judgments used in the application of the going concern assumption.

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 describe the key audit matters and include a summary of the audit procedures we performed on those matters.

Key audit matter	Our audit work and observations
Ongoing transformation projects of the organization, systems, processes and controls.	
Over the past years, the Group executed a wide range of transformation projects, which included centralization of finance activities in global business service hubs and simplification of the IT environment, impacting the Group's systems, processes and controls relevant for financial reporting. These projects continued in 2023, with the goal to align to the Group's evolving operating model, focusing on end-to-end processes and to increase operational efficiencies and effectiveness. The Group's overall approach to governance, risk management and internal controls, its processes, outcomes, financial reporting and disclosures is subject to oversight by the Audit Committee. The Audit Committee considered the impact of changes to systems, processes and controls, such as the IT landscape rationalization and the centralization of accounting operations and related internal controls in (global) business service hubs. Inherently, transformation processes encompass changes in the organization, processes and culture and as such contribute to the risk of management override of controls, which is a presumed audit risk in our audit. Given the possible pervasive impact this may have on our audit, we considered this a key audit matter.	We evaluated the impact of the transformation projects on systems, processes and controls on our audit. During our audit, we updated our understanding of the ongoing transformation projects relevant to our audit. We held discussions with management, global process owners, functional management and with the business service hubs management 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 implementation of the controls in place, we also performed walkthroughs on selected controls. Furthermore, throughout the year we attended the Audit Committee meetings where their considerations of the internal controls were observed. We used this information as part of our risk assessment procedures, including the evaluation of potential risk of fraud or error, and for the determination of the scope of our audit. For new and changed IT systems and related ITGCs, we involved our IT audit specialists. We obtained an understanding of the project governance and change validation approach and we tested data migration and IT general controls. We used data analytics to identify unexpected journal entries. From the procedures performed, we did not have material findings with respect to the balance sheet positions and results recorded and disclosed.

Key audit matter	Our audit work and observations
Valuation of post-retirement benefit provisions. *Note 18* The post-retirement benefit provisions consist of defined benefit obligations (€9.51 billion) more than offset by plan assets (€10.07 billion). The largest pension plans are the ICI Pension Fund (ICIPF) and the Akzo Nobel (CPS) Pension Scheme in the UK, which together account for 86% of the defined benefit obligation (DBO) and 90% of the plan assets. We consider the valuation of the largest post-retirement benefit provisions to be a key audit matter because positions are significant to the Group and the assessment process is complex and involves significant management judgment, which could be subject to management bias. The actuarial assumptions used include demographic assumptions (rates of employee turnover, disability, early retirement and mortality) and financial assumptions (discount rate, future salary development, benefit increases/indexation and inflation). Pension positions are also influenced by buy-in transactions. The Group's disclosures are included in Note 18 to 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 and the valuation methodologies applied, as well as the objectivity and competence of the Group'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 (discount rate, price inflation and life expectancy) by performing independent testing over the assumptions and methodologies used and comparing to the published actuarial tables, among others, with support of our actuarial experts. We paid particular attention to the discount rate as disclosed by the Group in Note 18, 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). In addition, we obtained third party confirmations on plan assets. Furthermore, we tested the buy-in transaction as disclosed in Note 18 to the Consolidated financial statements and we verified the appropriate accounting. We also assessed the adequacy of the Group's disclosure in that note. Our procedures did not result in material findings with respect to the valuation and disclosure of post-retirement benefit provisions at December 31, 2023.

Key audit matter	Our audit work and observations
Valuation of deferred tax assets. *Note 8* The Group operates globally and is therefore subject to income taxes in various tax jurisdictions. The assessment of the valuation of deferred tax assets in Germany, the Netherlands and the UK, resulting from net operating losses, tax credits and temporary differences, is significant to our audit as the positions are significant to the Group, calculations are complex and involve high estimation uncertainty and judgmental assumptions, which could be subject to management bias. The key assumptions include long term projections, tax planning strategies and local fiscal regulations. The Group's disclosures concerning income taxes are included in Note 8 to the Consolidated financial statements.	With respect to the valuation of deferred tax assets, 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 developments of the budget compared to the actual results in light of the recent macro-economic developments and forecast 2023. We also performed look-back testing by comparing the development of last year's budget and estimates to the actual results for the year • We also assessed the applicable local fiscal regulations and developments, in particular those related to changes in the statutory income tax rates and settlement rules, as well as interest limitation rules, ability to execute tax planning strategies, and specific requirements of settlement of withholding taxes in the Netherlands, since these are key assumptions underlying the valuation of the deferred tax assets. We analyzed the tax positions and evaluated the assumptions and methodologies used • We have read relevant correspondence with local tax authorities • In addition, we assessed the adequacy of the Group's disclosures on deferred tax assets and assumptions used Our procedures did not result in material findings with respect to the valuation of deferred tax assets, recorded and related disclosures at December 31, 2023.

Report on the other information included in the annual report

The annual report contains other information. This includes all information in the annual report in addition to the financial statements and our auditor’s report thereon.

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 all the information regarding the directors’ report and the other information that is required by Part 9 of Book 2 and regarding the Remuneration report required by 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 the 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 procedures 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. The Board of Management and the Supervisory Board are responsible for ensuring that the Remuneration report is drawn up and published in accordance with sections 2:135b and 2:145 subsection 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements and ESEF

Our appointment

We were appointed as auditors of Akzo Nobel N.V. on April 29, 2014, by the Supervisory Board. This followed the passing of a resolution by the shareholders at the Annual General Meeting held on April 29, 2014, and effective January 1, 2016. Our engagement has been renewed annually.

European Single Electronic Format (ESEF)

Akzo Nobel N.V. has prepared the annual report in ESEF. The requirements for this are set out in the Delegated Regulation (EU) 2019/815 with regard to regulatory technical standards on the specification of a single electronic reporting format (hereinafter: the RTS on ESEF).

In our opinion, the annual report prepared in XHTML format, including the marked-up financial statements as included in the reporting package by Akzo Nobel N.V., complies, in all material respects with the RTS on ESEF.

The Board of Management is responsible for preparing the annual report, including the financial statements in accordance with the RTS on ESEF, whereby the Board of Management combines the various components into a single reporting package.

Our responsibility is to obtain reasonable assurance for our opinion on whether the annual report in this reporting package complies with the RTS on ESEF.

We performed our examination in accordance with Dutch law, including Dutch Standard 3950N "Assurance-opdrachten inzake het voldoen aan de criteria voor het opstellen van een digitaal verantwoordingsdocument" (assurance engagements relating to compliance with criteria for digital reporting).

Our examination included, among others:
- Obtaining an understanding of the Group’s financial reporting process, including the preparation of the reporting package
- Identifying and assessing the risk that the annual report does not comply in all material respects with the RTS on ESEF and designing and performing further assurance procedures responsive to those risks to provide a basis for our opinion, including:
  - Obtaining the reporting package and performing validations to determine whether the reporting package containing the Inline XBRL instance document and the XBRL extension taxonomy files have been prepared in accordance with the technical specifications as included in the RTS on ESEF
  - Examining the information related to the financial statements in the reporting package to determine whether all required mark-ups have been applied and whether these are in accordance with the RTS on ESEF

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 or its controlled entities, for the period to which our statutory audit relates, are disclosed in Note K 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 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

In preparing 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, and is not a guarantee that an audit conducted in accordance with the Dutch Standards on Auditing will always detect a material misstatement when it exists. Misstatements may arise due to fraud or error. They are considered 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 26, 2024

PricewaterhouseCoopers Accountants N.V.

Original has been signed by Fernand Izeboud RA

Appendix to our auditor's report on the financial statements 2023 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 skepticism throughout the audit in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit consisted, among other procedures, of the following:
- Identifying and assessing the risk 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 Group'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 to 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, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

LIMITED ASSURANCE REPORT OF THE INDEPENDENT AUDITOR

To: The Board of Management and the Supervisory Board of Akzo Nobel N.V.

Assurance report on the selected non-financial performance indicators in the Sustainability statements of the annual report 2023

Our conclusion

Based on the procedures performed and evidence obtained, nothing has come to our attention that causes us to believe that the selected non-financial performance indicators in the Sustainability statements of the annual report 2023 of Akzo Nobel N.V. over 2023 are not prepared, in all material respects, in accordance with the Akzo Nobel N.V. Reporting Principles Sustainability statements 2023.

What we have examined

The object of our assurance engagement concerns the following selected non-financial performance indicators for the year ended December 31, 2023, marked with the symbol '▶' in the Sustainability statements of the annual report 2023 (hereafter: the Indicators) of Akzo Nobel N.V. (hereafter: AkzoNobel or the Company), Amsterdam, the Netherlands:

- Total energy use (1,000 TJ)
- Total energy use (GJ per ton of production)
- Renewable energy (own operations) (%)
- Renewable electricity (own operations) (%)
- Greenhouse gas emissions - Direct CO_2(e) emissions (Scope 1) (kilotons)
- Greenhouse gas emissions - Direct CO_2(e) emissions (Scope 1) (kg per ton of production)
- Greenhouse gas emissions - Indirect CO_2(e) emissions (Scope 2) (kilotons)
- Greenhouse gas emissions - Indirect CO_2(e) emissions (Scope 2) (kg per ton of production)
- Total greenhouse gas emissions - Scope 1 and Scope 2 combined CO_2(e) emissions – Market based (kilotons)
- Total greenhouse gas emissions - Scope 1 and Scope 2 combined CO_2(e) emissions – Market based (kg per ton of production)
- Volatile organic compounds (VOC) (kilotons)
- Volatile organic compounds (VOC) (kg per ton of production)
- Total waste (kilotons)
- Total waste (kg per ton of production)
- Circular use of materials (%)
- Total reusable waste (kilotons)
- Total reusable waste (kg per ton of production)
- Total non-reusable waste (kilotons)
- Total non-reusable waste (kg per ton of production)
- Hazardous waste total (kilotons)
- Hazardous waste total (kg per ton of production)
- Hazardous waste non-reusable (kilotons)
- Hazardous waste non-reusable (kg per ton of production)
- Hazardous waste to landfill (kilotons)
- Non-hazardous waste to landfill (kilotons)
- Total waste to landfill (kilotons)
- Total freshwater use (million m^3)
- Total freshwater use (m^3 per ton of production)
- Total freshwater consumption (excluding water related to product) (million m^3)
- Total freshwater consumption (excluding water related to product) (m^3 per ton of production)
- Suppliers participating in sustainability program (% against baseline)
- Suppliers in sustainability program – under development (% against baseline)
- Suppliers in sustainability program – in line with our expectation (% against baseline)
- Sustainable solutions (% of revenue)
- Cradle-to-grave carbon footprint (Scope 1, 2 and 3) (million tons)
- Scope 3 upstream selected categories (million tons)
- Scope 3 downstream selected categories (million tons)
- Scope 3 - upstream and downstream combined (million tons)
- Fatalities employees (number)
- Total reportable injury rate employees/temporary workers (per 200,000 hours)
- Lost time injury rate employees/temporary workers (per 200,000 hours)
- Occupational illness rate employees (per 200,000 hours)
- Fatalities contractors (temporary workers plus independent) (number)
- Total reportable injury rate contractors (per 200,000 hours)
- Lost time injury rate contractors (per 200,000 hours)
- Life-changing injuries (number)
- Loss of primary containment - Level 1 (number)
- Loss of primary containment - Level 2 (number)
- Regulatory actions – Level 4 (number)
- Security incidents Level 3 (number)
- Female executives (%)

Some Indicators have a different reporting period than the calendar year 2023. When this is the case, it is indicated in the annual report and in AkzoNobel's Reporting Principles Sustainability statements 2023.

The basis for our conclusion

We conducted our examination 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 examination" 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 AkzoNobel 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).

PwC applies the "Nadere voorschriften kwaliteitssystemen" (NVKS, Regulations for quality systems) and accordingly maintains 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.

Reporting criteria
The reporting criteria applied for the preparation of the Indicators are the AkzoNobel Reporting Principles Sustainability statements 2023, developed by the Company, as disclosed in section "Basis for preparation" of the annual report 2023 and further elaborated in the document "Reporting Principles Sustainability statements 2023", which was made available online[1] at www.akzonobel.com/en/about-us/sustainability-/reporting-principles-.

The absence of an established practice on which to draw, to evaluate and measure non-financial performance indicators allows for different, but acceptable, measurement techniques, and can affect comparability between entities, and over time.

Consequently, the Indicators need to be read and understood together with the reporting criteria used.

Responsibilities for the Indicators and the examination thereof

Responsibilities of the Board of Management and the Supervisory Board
The Board of Management of AkzoNobel is responsible for the preparation of the Indicators in accordance with AkzoNobel's Reporting Principles Sustainability statements 2023, 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 examination
Our responsibility is to plan and perform our examination 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 Indicators included in the Sustainability statements of the annual report 2023. 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.

Procedures performed
We have exercised professional judgement and have maintained professional skepticism throughout the examination in accordance with the Dutch Standard 3000A, ethical requirements and independence requirements.

Our examination consisted, among other things, of the following:

- Evaluating the appropriateness of the reporting criteria used, their consistent application and related disclosures to the Indicators. This includes the evaluation of the reasonableness of estimates made by the Board of Management
- Through inquiries, obtaining an understanding of internal control relevant to the examination 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 of the Indicators where misleading or unbalanced information or a material misstatement, whether due to fraud or error, is likely to arise. Designing and performing further assurance procedures aimed at determining the plausibility of the Indicators responsive to this risk analysis. These procedures consisted, among others, of:
  - Interviewing management (and/or relevant staff) at corporate level 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 resulting in the Indicators
  - Determining the nature and extent of the procedures for locations. For this, the nature, extent and/or risk profile of these locations are decisive. Based thereon we selected locations to visit, being Vilafranca, Spain; Dongguan, China; and Colón, Uruguay. Of these, one was a physical visit and two were virtual. These visits are aimed at, on a local level, observing parts of AkzoNobel's Health, Safety, Environment and Security (HSE&S) audits, validating source data and obtaining

[1] 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 Sustainability statements 2023 when presented on AkzoNobel's website after the date of this assurance report.

through inquiries a general understanding of the control environment, processes and information relevant to the preparation of the Indicators
  - Obtaining assurance evidence that the Indicators reconcile to underlying records of the Company
  - Reviewing, on a limited test basis, relevant internal and external documentation
  - Considering the amount and trends of the Indicators submitted for consolidation at corporate level
- Considering the consistency of the Indicators with the information in the annual report which is not included in the scope of our review
- Considering whether the Indicators as a whole are clearly and adequately disclosed in accordance with the applicable reporting criteria

We communicated with the Supervisory Board and the Board of Management regarding, among other matters, the planned scope and timing of the review and significant findings that we identified during our review.

Amsterdam, February 26, 2024
PricewaterhouseCoopers Accountants N.V.

Original has been signed by Fernand Izeboud RA

FINANCIAL SUMMARY

Consolidated statement of income

in € millions, for the year ended December 31	2014	2015	2016[3,4]	2017	2018	2019[5]	2020	2021	2022	2023
Revenue	14,296	14,859	9,434	9,612	9,256	9,276	8,530	9,587	10,846	10,668
Operating income	987	1,573	923	825	605	841	963	1,118	708	1,029
Adjusted operating income[1]	1,072	1,462	928	905	798	991	1,099	1,092	789	1,074
Financing income and expenses	(156)	(114)	(91)	(78)	(52)	(76)	(69)	(39)	(124)	(272)
Income tax	(252)	(416)	(234)	(253)	(118)	(230)	(241)	(246)	(214)	(296)
Results from associates	21	17	18	17	20	20	25	26	18	27
Profit/(loss) for the period from continuing operations	**600**	**1,060**	**616**	**511**	**455**	**555**	**678**	**859**	**388**	**488**
Discontinued operations	18	6	436	393	6,274	22	(7)	6	(10)	(5)
Non-controlling interests	(72)	(87)	(82)	(72)	(55)	(38)	(41)	(36)	(26)	(41)
Net income, attributable to shareholders	**546**	**979**	**970**	**832**	**6,674**	**539**	**630**	**829**	**352**	**442**
Common shares, in millions at year-end	246.0	249.0	252.2	252.6	256.2	199.6	190.6	181.6	174.4	170.6
Dividend[2]	212	222	239	1,287	390	1,423	366	365	347	338
Number of employees at year-end	47,200	45,600	36,300	35,700	34,500	33,800	32,200	32,800	35,200	35,200
Average number of employees	48,200	46,100	36,200	36,200	34,900	34,200	33,000	32,700	35,100	34,900
Employee Benefits	2,824	2,728	1,794	1,935	1,976	1,875	1,850	1,773	1,960	2,008
Average revenue per employee (in €1,000)	297	322	261	266	265	271	258	293	309	306
Average operating income per employee (in €1,000)	20	34	25	23	17	25	29	34	20	29
Ratios										
ROS%[1]	7.5	9.8	9.8	9.4	8.6	10.7	12.9	11.4	7.3	10.1
OPI margin%[1]	6.9	10.6	9.8	8.6	6.5	9.1	11.3	11.7	6.5	9.6
ROI%[1]	10.9	14.0	14.4	13.9	12.6	14.1	16.1	16.0	9.8	13.0
Net income in % of shareholders' equity	9.5	15.1	14.8	14.2	56.4	8.5	11.0	15.3	8.1	10.2
Employee benefits in % of revenue	19.8	18.4	19.0	20.1	21.3	20.2	21.7	18.5	18.1	18.8
Interest coverage (operating income / net interest on net debt)	8.6	16.2	13.2	12.3	8.0	14.3	18.5	18.0	8.1	8.4
Per share information										
Net income	2.23	3.95	3.87	3.31	26.19	2.53	3.29	4.48	2.01	2.59
Adjusted earnings per share	2.81	4.02	3.80	4.40	1.91	3.10	3.88	4.07	2.45	3.07
Shareholders' equity	23.53	26.04	25.99	23.22	46.19	32.33	30.26	30.32	25.43	25.33
Highest share price during the year	60.77	74.81	64.74	82.64	82.70	91.86	91.60	107.80	98.50	78.82
Lowest share price during the year	47.63	55.65	50.17	59.11	68.82	69.12	48.50	83.50	56.22	61.42
Year-end share price	57.65	61.68	59.39	73.02	70.40	90.69	87.86	96.50	62.56	74.82

1 Refer to the glossary for definitions.
2 Cash dividend paid to shareholders of AkzoNobel.
3 Re-presented to present the Specialty Chemicals business as discontinued operations.
4 Re-presented to the new adjusted earnings per share definition, which no longer excludes post-tax amortization charges.
5 Includes the impact of the adoption of IFRS 16 "Leases".

FINANCIAL SUMMARY

Consolidated balance sheet

In € millions at December 31	2014	2015	2016[1]	2017	2018	2019[2]	2020	2021	2022	2023
Intangible assets	4,142	4,156	4,413	3,409	3,458	3,625	3,554	3,690	4,072	4,081
Property plant and equipment	3,835	4,003	4,190	1,832	1,748	1,700	1,621	1,800	1,968	1,994
Right-of-use assets	—	—	—	—	—	374	324	304	291	302
Other non-current assets	2,148	2,125	1,736	1,894	1,965	2,541	2,614	2,736	2,166	2,137
Total non-current assets	**10,125**	**10,284**	**10,339**	**7,135**	**7,171**	**8,240**	**8,113**	**8,530**	**8,497**	**8,514**
Inventories	1,545	1,504	1,532	1,094	1,139	1,139	1,159	1,650	1,843	1,649
Trade and other receivables	2,743	2,741	2,787	1,964	2,141	2,133	1,994	2,339	2,447	2,483
Current tax assets	88	69	59	62	74	63	55	149	168	134
Short-term investments	—	—	—	—	5,460	138	250	58	336	265
Cash and cash equivalents	1,732	1,365	1,479	1,322	2,799	1,271	1,606	1,152	1,450	1,513
Assets held for sale	66	—	—	4,601	—	—	—	—	—	—
Total current assets	**6,174**	**5,679**	**5,857**	**9,043**	**11,613**	**4,744**	**5,064**	**5,348**	**6,244**	**6,044**
Shareholders' equity	5,790	6,484	6,553	5,865	11,834	6,350	5,746	5,425	4,333	4,322
Non-controlling interests	477	496	481	442	204	218	204	211	215	224
Total equity	**6,267**	**6,980**	**7,034**	**6,307**	**12,038**	**6,568**	**5,950**	**5,636**	**4,548**	**4,546**
Provisions	2,143	1,865	1,938	964	899	981	896	812	554	584
Long-term borrowings	2,527	2,161	2,644	2,300	1,799	2,042	2,771	1,994	3,332	3,165
Other non-current liabilities	412	360	367	285	368	391	467	567	561	557
Total non-current liabilities	**5,082**	**4,386**	**4,949**	**3,549**	**3,066**	**3,414**	**4,134**	**3,373**	**4,447**	**4,306**
Short-term borrowings	811	430	87	973	599	169	119	1,556	2,543	2,398
Trade and other payables	3,407	3,473	3,475	2,794	2,645	2,406	2,580	2,948	2,801	2,933
Current tax liabilities	227	243	229	118	225	196	162	216	236	211
Current portion of provisions	494	451	422	241	211	231	232	149	166	164
Liabilities held for sale	11	—	—	2,196	—	—	—	—	—	—
Total current liabilities	**4,950**	**4,597**	**4,213**	**6,322**	**3,680**	**3,002**	**3,093**	**4,869**	**5,746**	**5,706**
Average Invested capital[3]	9,871	10,475	6,422	6,494	6,340	7,026	6,834	6,829	8,062	8,233
Capital expenditures[4]	588	651	634	613	184	214	258	288	292	286
Depreciation	477	487	206	202	181	293	297	281	281	277
Operating Working Capital[5,6]	1,418	1,385	1,405	927	898	1,068	878	1,247	1,760	1,524
Net debt	1,606	1,226	1,252	1,951	(5,861)	802	1,034	2,340	4,089	3,785
Ratios										
Equity/non-current assets	0.62	0.68	0.68	0.88	1.68	0.80	0.73	0.66	0.54	0.53
Inventories and receivables/other current liabilities	1.20	1.16	1.18	1.07	1.17	1.28	1.17	1.31	1.47	1.36
Operating working capital as % of revenue[6]	10.1	9.7	10.2	10.2	9.7	11.9	9.9	13.0	0.2	15.1

[1] 2016 is re-presented to present the Specialty Chemicals business as discontinued operations.
[2] Includes the impact of the adoption of IFRS 16 "Leases".
[3] Refer to glossary for definition.
[4] Capital expenditures include investments in intangible assets as from 2018.
[5] 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 re-presented for this change of definition for some €240 million.
[6] Operating working capital is measured against four times fourth quarter revenue.

Segment statistics

in € millions, for the year ended December 31	2014	2015	2016	2017	2018	2019[1,2]	2020	2021[3]	2022[4]	2023
Decorative Paints										
Revenue[1]	3,909	4,007	3,835	3,898	3,699	3,670	3,558	3,979	4,344	4,300
Operating income	248	345	366	334	308	425	551	622	388	500
Adjusted operating income	248	345	357	351	346	418	573	580	393	500
ROS%	6.3	8.6	9.3	9.0	9.4	11.4	16.1	14.6	9.0	11.6
OPI margin%	6.3	8.6	9.5	8.6	8.3	11.6	15.5	15.6	8.9	11.6
Average invested capital	2,824	2,959	2,783	2,803	2,798	3,106	2,799	2,872	3,677	3,755
ROI%	8.8	11.7	12.8	12.5	12.4	13.4	20.5	20.2	10.7	13.3
Capital expenditures	143	158	107	112	50	62	77	108	91	99
Average number of employees	15,500	15,100	14,800	14,700	14,100	12,900	12,100	12,500	13,800	14,200
Average revenue per employee (in €1,000)	252	265	259	265	262	284	294	318	315	303
Average operating income per employee (in €1,000)	16	23	25	23	22	33	46	50	28	35
Performance Coatings										
Revenue[1]	5,589	5,955	5,665	5,775	5,587	5,549	4,957	5,603	6,499	6,368
Operating income	545	792	735	668	577	565	665	616	448	698
Adjusted operating income	545	792	759	669	629	688	700	614	497	685
ROS%	9.8	13.3	13.4	11.6	11.3	12.4	14.1	11.0	7.6	10.8
OPI margin%	9.8	13.3	13.0	11.6	10.3	10.2	13.4	11.0	6.9	11.0
Average invested capital	2,480	2,692	2,586	2,860	3,066	3,325	3,388	3,520	3,895	3,725
ROI%	22.0	29.4	29.4	23.4	20.5	20.7	20.7	17.4	12.8	18.4
Capital expenditures	143	147	159	129	107	113	146	147	167	165
Average number of employees	21,000	19,700	19,300	19,800	19,200	18,000	17,500	17,000	18,000	17,400
Average revenue per employee (in €1,000)	266	302	294	292	291	308	283	330	361	366
Average operating income per employee (in €1,000)	26	40	38	34	30	31	38	36	25	40

[1] The 2019 figures are restated to represent revenue from third parties instead of group revenue.
[2] Includes the impact of the adoption of IFRS 16 “Leases”.
[3] Operating income and adjusted operating income (and related measures) per segment for 2021 have been updated to reflect changes in the financial reporting structure related to a narrower definition of corporate activities and corporate costs in corporate and other activities.
[4] Revenue, operating income, adjusted operating income, average invested capital (and related measures) for 2022 have been updated to reflect changes in the financial reporting structure.

Regional statistics

The Netherlands

In € millions	2019	2020	2021	2022	2023
Revenue by destination	359	342	335	319	315
Revenue by origin	484	434	445	409	409
Capital expenditures	42	46	45	45	34
Average invested capital	1,622	1,713	1,701	2,038	2,013
Number of employees at year-end	2,400	2,300	2,400	2,300	2,300

UK

In € millions	2019	2020	2021	2022	2023
Revenue by destination	838	838	882	900	1,013
Revenue by origin	951	975	1,034	1,092	1,097
Capital expenditures	16	15	26	24	15
Average invested capital	850	623	553	503	609
Number of employees at year-end	3,200	3,000	3,000	3,000	3,000

Other EMEA countries

In € millions	2019	2020	2021	2022	2023
Revenue by destination	3,308	3,147	3,591	3,814	3,659
Revenue by origin	3,093	2,994	3,385	3,584	3,536
Capital expenditures	66	75	74	71	87
Average invested capital	1,816	1,899	1,916	2,087	2,059
Number of employees at year-end	11,000	11,000	11,300	11,100	10,700

North America

In € millions	2019	2020	2021	2022	2023
Revenue by destination	1,246	1,114	1,163	1,416	1,379
Revenue by origin	1,278	1,126	1,194	1,445	1,403
Capital expenditures	32	43	37	42	29
Average invested capital	707	689	784	899	817
Number of employees at year-end	3,100	3,000	3,100	3,100	3,100

Latin America

In € millions	2019	2020	2021	2022	2023
Revenue by destination	709	601	744	1,298	1,278
Revenue by origin	674	588	724	1,282	1,262
Capital expenditures	11	11	15	16	22
Average invested capital	350	290	315	823	1,070
Number of employees at year-end	2,400	2,300	2,400	5,100	5,200

China

In € millions	2019	2020	2021	2022	2023
Revenue by destination	1,268	1,205	1,418	1,396	1,400
Revenue by origin	1,271	1,198	1,389	1,387	1,392
Capital expenditures	15	24	30	32	36
Average invested capital	908	852	876	878	887
Number of employees at year-end	4,900	4,500	4,400	4,300	4,600

Other Asian countries and Pacific

In € millions	2019	2020	2021	2022	2023
Revenue by destination	1,548	1,282	1,454	1,703	1,624
Revenue by origin	1,525	1,215	1,416	1,647	1,569
Capital expenditures	32	44	61	62	63
Average invested capital	773	768	684	834	778
Number of employees at year-end	6,800	6,100	6,200	6,300	6,300

GLOSSARY

AGM or EGM
Annual General Meeting of shareholders; Extraordinary General Meeting of shareholders.

Alternative Performance Measures (APMs)
Performance measures which are not defined by IFRS and which exclude the so-called Identified items. Alternative Performance Measures include, but are not limited to, adjusted operating income, (adjusted) EBITDA, adjusted earnings per share, ROS and ROI.

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
Capital expenditures is 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. 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.

Code of Conduct
Defines our core values and how we work; incorporates fundamental principles on issues such as business integrity, labor relations, human rights, health, safety, environment and security and community involvement.

Comprehensive income
Comprehensive income is 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
Constant currencies calculations exclude the impact of changes in foreign exchange rates by retranslating the prior year local currency amounts into euros at the current year's foreign exchange rates.

CSRD
Corporate Sustainability Reporting Directive.

(Adjusted) earnings per share
Earnings per share are 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.

(Adjusted) EBITDA
EBITDA is operating income excluding depreciation and amortization.

Adjusted EBITDA is operating income excluding depreciation, amortization and identified items.

EMEA
Europe, Middle East and Africa.

Emissions and waste
We report emissions to air, land and water for those substances that may have an impact on people or the environment: CO_2, NOx and SOx, VOCs, hazardous and non-hazardous waste. Definitions are in the Sustainability statements.

ESG
Environmental, social and governance.

Huarun business
The acquired Chinese decorative paints business of Sherwin-Williams.

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.

(Average) invested capital
Invested capital is total assets (excluding cash and cash equivalents, short-term investments, investments in associates, the receivables from pension funds in an asset position, and assets held for sale) less current income tax payable, deferred tax liabilities and trade and other payables.

Average invested capital is the average of the monthly invested capital balances for the last 12 months.

Latin America
Excludes Mexico.

Leverage ratio
Leverage ratio is net debt divided by EBITDA; calculated as the total of the last 12 months.

Lost time injury rate (LTIR)
The number of lost time injuries per 200,000 hours worked. Full definitions are in the Sustainability statements.

Net debt
Net debt is defined as long-term borrowings plus short-term borrowings less cash, cash equivalents and short-term investments.

North America
Includes Mexico.

North Asia
Includes, among others, China, Japan and South Korea.

(Adjusted) operating income
Operating income is defined in accordance with IFRS and includes identified items (to the extent these relate to operating income). Adjusted operating income excludes identified items.

Free cash flow
Free cash flow is net generated cash from/(used for) operating activities, minus capital expenditures.

OPI margin
Operating income as a percentage of revenue.

R&D
Research and development.

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.

ROS (return on sales)
ROS is adjusted operating income as a percentage of revenue.

Shareholders' equity per share
Akzo Nobel N.V. shareholders' equity divided by the number of common shares outstanding at year-end.

South Asia Pacific
Includes South East Asia and Asia Pacific.

SSPs
Shared Socio-economic Pathways are scenarios that help model future changes, including climate change.

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.

Reporting principles Sustainability statements

Our reporting principles describe in detail the definitions, methods and major assumptions for all sustainability metrics reported in our annual report and on our website. The full version is available on our website via https://www.akzonobel.com/en/about-us/sustainability-/reporting-principles

Environmental

Energy use
The energy use of AkzoNobel in absolute measures (1,000 TJ) and per ton of production. Energy is expressed as "primary" energy, or fuel equivalents, used on our sites and to generate electricity/heat for our sites. Production is output from each designated production unit (external and internal sales). Energy use is also expressed on a regional basis as % of total energy use.

Percentage renewable energy
Percentage renewable energy used in our operations. Renewable energy (in fuel equivalent) is the sum of energy used from renewable electricity, biomass, renewable steam and hot water. Energy is expressed as "primary" energy, or fuel equivalents. Expressed as the share of renewable energy AkzoNobel uses in its own operations relative to the total energy used. We use an average efficiency factor of 40%.

Percentage renewable electricity
Percentage renewable electricity used in our operations. Renewable electricity is electricity that is generated from inexhaustible resources, such as wind, solar, hydro, biomass and tidal. Expressed as the share of total renewable electricity (own generated plus imported from grid) AkzoNobel uses in its own operations relative to the total electricity used.

Greenhouse gas emissions – Scope 1 (direct) and Scope 2 (Indirect)
The total greenhouse gas emissions from processes and combustion at our facilities and indirect emissions from purchased energy in absolute measures (Mt CO_2e) and kg CO_2e per ton of production. Emissions from transport in own operations is very limited and therefore not material compared to other Scope 1 and 2 emissions. As transport is not material to Scope 1 and 2, these scopes exclude transport. We measure and report CO_2 in line with the GHG Protocol. The other gases from the GHG Protocol are considered immaterial and not actively measured. For Scope 2 we make a distinction between market based and location based, the latter as from 2023.

Volatile organic compounds
Volatile organic compound emissions in absolute measures (kilotons) and kg per ton production. Volatile organic compounds (VOCs) are emitted as gases from certain solids or liquids, for instance from solvent-based paints.

Total waste
Total waste in absolute measures (kilotons) and kg per ton production. Waste is reported as total weight, not dry weight. Waste is any material arising from our routine operations which is not incorporated into final products and not directly released to atmosphere or direct to surface water.

Circular use of materials
The amount of materials reused by AkzoNobel and third parties (reusable waste plus by-products) divided by the total waste plus by-products (percentage).

Hazardous waste
Hazardous waste is waste that is classified and regulated as such according to the national, state, provincial or local legislation in place. Locations in countries where no appropriate legislation exists should consult their regional HSE&S manager for advice on hazardous waste classification of the different types of wastes generated.

Total waste to landfill
All hazardous and non-hazardous non reusable waste (in absolute measures (kilotons) and kg per ton production) as it leaves our premises in the reporting period, sent for disposal to landfill.

Total fresh water use and consumption
Fresh water use as absolute measure (million m^3) and m^3 per ton production.

Extraction recorded as surface, ground and potable water Use recorded as cooling, process and other use (e.g. hygiene, grounds)

The majority of water is used for cooling and returned to the original source, slightly heated. Fresh water consumption as absolute measure (million m^3) and m^3 per ton production. Freshwater consumption is the fresh water use minus cooling water and water in product. Cooling water is excluded as it is extracted and returned from the same basin only with a potentially altered temperature (chemically unchanged).

Suppliers signed Business Partner Code of Conduct (% of spend)
Percentage product related (PR) spend (measured in euro value) with suppliers (raw materials and packaging) who have signed our business partner Code of Conduct. Percentage non-product related (NPR) spend (measured in euro value) with suppliers who have signed our Business Partner Code of Conduct. Our Business Partner Code of Conduct states that we want to do business with business partners who endorse our ethical values and our social and environmental standards. We therefore require suppliers to sign our Business Partner Code of Conduct, which is based on the AkzoNobel Code of Conduct.

Suppliers sustainability risk analysis (baseline)
Number of suppliers who have been identified as risk to AkzoNobel due to their spend level (>€250,000), country risk (sensitive and emerging countries using EcoVadis' country risk profile) and/or category risk. Spend levels are based on the prior reporting year, which means for the 2023 annual report, 2022 spend levels were used.

Suppliers participating in sustainability program
Number of suppliers who performed an EcoVadis online assessment or TfS onsite audit (in % of baseline as indicated under "Sustainability risk analysis").

Suppliers in sustainability program – in line with expectations
Number of suppliers who meet our expectation in the EcoVadis assessment (in % of baseline as indicated under "Sustainability risk analysis"): 45 total score and human right and labor score of 50.

Suppliers in sustainability program – under development
Suppliers who have performed the EcoVadis assessment but who are not yet meeting our expectation. Suppliers have 3 years to reach the minimum EcoVadis scores (see "Suppliers in line with our expectation").

Sustainable solutions
A measure of the sustainability of our products, which have customer/consumer sustainability benefits, as percentage of our revenue. For 2023 and 2022, the reporting period for sustainable solutions is equal to the calendar year. A sustainable solution is a product or solution that has a sustainability benefit in one or more of the following sustainability criteria, when compared to other products or solutions which provide a similar functional effect/benefit to the user: reduced carbon and energy, health and well-being, less waste, reduced/reused and renewed material use and longer-lasting performance. A sustainable solution does not have any adverse effects in any of these sustainability criteria throughout the value chain.

Cradle-to-grave carbon footprint (Scope 1, 2 and 3)
Our CO_2(e) footprint in million tons of CO_2(e) including Scope 1 (own operations), Scope 2 (energy use) and Scope 3 (upstream) and Scope 3 (downstream). The

footprint includes the six main greenhouse gases defined in the Greenhouse Gas Protocol.

Upstream: category 1 – purchased goods and services. Downstream: category 10 – processing of sold products, category 11 – use of sold products, category 12 – end-of-life treatment of sold products.

The climate change impact of VOC emissions is included in the cradle-to-grave footprint, due to the impact VOC emissions have within the paints and coatings industry.

Social

Overall employee engagement index and Employee Net Promoter score (eNPS)
Work engagement is defined as the employee's approach to their workplace. It's the level of commitment to the organization's goals and values, and the motivation to contribute to organizational success with an enhanced sense of well-being.

eNPS stands for Employee Net Promoter Score. It is a universal way of measuring employee satisfaction and engagement. eNPS is measured with one question; "How likely is it that you would recommend your employer to a friend or acquaintance?" It is the only question in the survey for which the answer options range from 0 to 10 and not 1 to 5. (10 indicating "Extremely likely" and 0 indicating "Not at all likely"). The purpose of eNPS is to get a quick overview of the employees' satisfaction.

The eNPS is calculated: eNPS = % Promoters - % Detractors.

Female executives
Percentage of women at executive level. Executive level includes all employees with an executive position grade at AkzoNobel and its subsidiaries, including the members of the Executive Committee who are not members of the Board of Management. Executive level further includes the members of the board of management and the supervisory board of each of Akzo Nobel Nederland B.V., Akzo Nobel Decorative Coatings B.V., Akzo Nobel Car Refinishes B.V. and International Paint (Nederland) B.V. The company's executives are considered as AkzoNobel's sub top as referred to in the Dutch Gender Diversity Bill implemented in 2022.

Total reportable injury rate (TRR)
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. Temporary workers are reported with employees, since day-to-day management is by AkzoNobel. The classifications of injuries are in line with OSHA guidelines.

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

Life-changing injuries
Life-changing injuries are injuries to employees, temporary workers and contractors that are considered life-changing. This includes (but is not limited to): coma, some level of permanent disability (including loss of sight or hearing), organ removal, the requirement for ongoing multiple surgeries, lingering trauma, any amputation of digits or limbs, skin grafts and the insertion of plates, pins or screws. This category also includes fatalities.

Occupational illness rate employees
The total number of reportable occupational illness cases for the reporting period per 200,000 hours worked. This parameter is reportable for employees. Occupational illness is defined as any abnormal condition or disorder other than one resulting directly from an accident caused by, or mainly caused by, work-related factors over a period of time rather than an instantaneous event and recognized during the reporting year as part of national schemes or regulations. Occupational illness rate employees includes illness related to mental health caused by work conditions.

Loss of primary containment – Level 1 and 2
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. Refer to the full reporting principles on our website for further details.

Regulatory actions Level 4
Formal legal notification with fines above €100,000 (Level 4).

Security incident Level 3
"Serious incident" is an incident which has the clear potential to meet or meets incident criteria Level 1, 2 or 3. Refer to the full reporting principles on our website for further details.

AkzoNobel Cares (number of projects and number of people empowered)
Social impact programs effort; consists of four programs: "Let's Colour", SOS Children's Villages, Education Fund and local AkzoNobel CSR projects (e.g. CSR in India and Pintuco Foundation in Colombia). Reported are: Number of local community members empowered with new skills and number of projects. AkzoNobel Cares projects are defined as a separate activity benefiting people in communities, involving AkzoNobel employees or funding, reported to the central AkzoNobel Cares team quarterly. The local community members empowered with new skills are people with vulnerable backgrounds, including young people at risk, who are trained in painting, professional and life/soft skills as a result of project/activity/participation delivered by AkzoNobel employees or through financial donations.

APPENDIX

List of affiliated legal entities and corporations

List at December 31, 2023, 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	100
Aruba		
Arubaanse Verffabriek N.V.	Oranjestad	50.394
Australia		
Akzo Nobel Coatings (Holdings) Pty Limited	Sunshine	100
Akzo Nobel Pty Limited	Sunshine	100
Austria		
Akzo Nobel Coatings GmbH	Salzburg	100
Akzo Nobel Holding Österreich GmbH	Vienna	100
Belgium		
Akzo Nobel Paints Belgium NV	Vilvoorde	100
Auto Body Services CV (ABS)	Vilvoorde	84.615
Cleming BV	Vilvoorde	100
International Paint (Belgium) NV	Vilvoorde	100
Bolivia		
Pinturas Coral De Bolívia Ltda	Santa Cruz de la Sierra	100
Botswana		
Dulux (Botswana) (Pty) Limited	Gaborone	100
Brazil		
Akzo Nobel Ltda	São Paulo	100
Canada		
Akzo Nobel Coatings Ltd	Ontario	100
Akzo Nobel Wood Coatings Ltd	Port Hope	100
Cayman Islands		
Ichem Reinsurance Company Limited	George Town	100
ICI International Investments	George Town	100
Chile		
International Paint (Akzo Nobel Chile) Ltda	Santiago	100
China		
Akzo Nobel (China) Investment Co., Ltd.	Shanghai	100
Akzo Nobel Car Refinishes (Suzhou) Co, Ltd.	Suzhou	100
Akzo Nobel Chang Cheng Coatings (Guangdong) Co., Ltd.	Shenzhen	100
Akzo Nobel Coatings (Dongguan) Co., Ltd.	Dongguan	100
Akzo Nobel Coatings (Jiaxing) Co., Ltd.	Jiashan	100
Akzo Nobel Coatings (Tianjin) Co., Ltd.	Tianjin	100
Akzo Nobel Decorative Coatings (China) Ltd.	Guangzhou	100
Akzo Nobel Decorative Coatings (Langfang) Co., Ltd.	Langfang	100
Akzo Nobel International Paint (Suzhou) Co., Ltd.	Suzhou	100
Akzo Nobel Paints (Chengdu) Limited	Chengdu	100
Akzo Nobel Paints (Guangzhou) Limited	Guangzhou	90
Akzo Nobel Paints (Shanghai) Limited	Shanghai	100
Akzo Nobel Performance Coatings (Changzhou) Co., Ltd.	Changzhou	100
Akzo Nobel Performance Coatings (Shanghai) Co., Ltd.	Shanghai	100
Akzo Nobel Powder Coatings (Chengdu) Co., Ltd.	Chengdu	100
Akzo Nobel Powder Coatings (Langfang) Co., Ltd.	Langfang	100
Akzo Nobel Powder Coatings (Wuhan) Co., Ltd.	Wuhan	100
International Paint of Shanghai Company Limited	Shanghai	51
Valspar Coatings (Guangdong) Co., Ltd.	Guangdong	100
Colombia		
AkzoNobel Colombia S.A.S.	Medellin	100
Anhidridos y Derivados de Colombia S.A.S.	Medellin	100
Cacharreria Mundial S.A.S.	Medellin	100
Compania Global de Pinturas S.A.S.	Medellin	100
Interquim S.A.S.	Medellin	100
Oceanic Paints S.A.S.	Medellin	60
Costa Rica		
Pintuco Costa Rica PCR, S.A.	Cartago	100
Curacao		
Macomoca B.V.	Willemstad	100
Pintuco Curacao B.V.	Willemstad	100
Czech Republic		
Akzo Nobel Coatings CZ, a.s.	Prague	100
Denmark		
Akzo Nobel Deco A/S	Copenhagen	100
International Farvefabrik A/S	Herlev	100
Ecuador		
Interquimec S.A.	Quito	100
Pinturas Ecuatorianas S.A.	Guayaquil	100
Poliquim, Polimeros y Quimicos C.A.	Guayaquil	100
Egypt		
Akzo Nobel Egypt LLC	6th of October City	100
Akzo Nobel Powder Coatings S.A.E.	Giza	100
El Salvador		
Pintuco el Salvador S.A. de C.V.	San Salvador	100
Estonia		
Akzo Nobel Baltics AS	Tallinn	100
Eswatini		
Dulux Swaziland (Pty) Limited	Matsapha	100
Finland		
Oy International Paint (Finland) Ab	Helsinki	100
France		
Akzo Nobel Decorative Paints France S.A.	Thiverny	99.983
Akzo Nobel Distribution SAS	Corbas	99.983
Akzo Nobel SAS	Montataire	100
Mapaero SAS	Pamiers	100
SAS BOUCHER	Pamiers	100
Germany		
Akzo Nobel Coatings GmbH	Stuttgart	100
Akzo Nobel Deco GmbH	Wunstorf	100
Akzo Nobel GmbH	Cologne	100
Akzo Nobel Hilden GmbH	Hilden	100
Akzo Nobel Powder Coatings GmbH	Reutlingen	100
International Farbenwerke GmbH	Börnsen	100
Schramm Coatings GmbH	Offenbach am Main	100
Schramm Holding GmbH	Offenbach am Main	100

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Greece		
Akzo Nobel Anonymous Company of Paints and Related Products	Athens	100
Varnishes and Paints Industry Vivechrom Dr. Stefanos D. Pateras S.A.	Mandra Attica	79.184
Guatemala		
Pintuco Guatemala S.A.	Guatemala	100
Guernsey		
Impkemix Trustee Limited	St. Peter Port	100
Honduras		
Pintuco de Honduras, S.A.	Choloma	100
Hong Kong SAR[2]		
Akzo Nobel Chang Cheng Limited	Hong Kong	100
Akzo Nobel HK (Holdings) Limited	Hong Kong	100
Akzo Nobel Huarun Paints (HK) Holding Limited	Hong Kong	100
International Paint (East Russia) Limited	Hong Kong	51
International Paint (Hong Kong) Limited	Hong Kong	100
Hungary		
Akzo Nobel Coatings Zrt	Budapest	100
India		
Akzo Nobel Global Business Services LLP	Pune	100
Akzo Nobel India Limited	Kolkata	74.757
ICI India Research & Technology Centre	Mumbai	18.689
Indonesia		
PT Akzo Nobel Car Refinishes Indonesia	Jakarta	100
PT Akzo Nobel Wood Finishes and Adhesives Indonesia	Jakarta	100
PT ICI Paints Indonesia	Jakarta	55
PT International Paint Indonesia	Jakarta	100
Ireland		
Akzo Nobel (CR9) Limited	Dublin	100
Akzo Nobel Car Refinishes (Ireland) Limited	Dublin	100
Dulux Paints Ireland Limited[3]	Cork	100
ICI Fertilisers (Ireland) Limited	Cork	100
ICI Ireland Limited	Cork	100
Italy		
Akzo Nobel Coatings S.P.A.	Como	100
Japan		
Akzo Nobel Coatings K.K.	Tokyo	100

Kenya		
Akzo Nobel Kenya Limited	Nairobi	100
Kuwait		
International Warba Coatings Paint Mfg Co. W.L.L.	Kuwait	49
Latvia		
Akzo Nobel Baltics SIA	Riga	100
Lithuania		
Akzo Nobel Baltics, UAB	Vilnius	100
Malaysia		
Akzo Nobel Industrial Coatings Sdn Bhd	Kuala Lumpur	100
Akzo Nobel Paints (Malaysia) Sdn Bhd	Kuala Lumpur	59.949
Akzo Nobel Paints Marketing Sdn Bhd	Selangor	59.949
Colourland Paints Sdn Bhd	Selangor	59.949
International Paint Sdn Bhd	Johor Darul Takzim	70
Mauritius		
Akzo Nobel (Mauritius) Limited	Les Pailles	100
Mexico		
Akzo Nobel Performance Coatings S.A. de C.V.	Mexico City	100
Morocco		
Akzo Nobel Coatings S.A.	Casablanca	59.628
Akzo Nobel Performance Coatings Morocco S.A.R.L.	Casablanca	100
Distral Maroc S.A.	Rabat	59.608
Sadvel S.A.	Casablanca	59.625
Myanmar		
Akzo Nobel (M) Co. Ltd.	Yangon	100
Netherlands[4]		
*Akzo Nobel (C.) Holdings B.V.	Woerden	100
Akzo Nobel Assurantie N.V.	Arnhem	100
*Akzo Nobel Car Refinishes B.V.	Sassenheim	100
*Akzo Nobel Coatings International B.V.	Arnhem	100
*AKZO Nobel Decorative Coatings B.V.	Sassenheim	100
*Akzo Nobel Insurance Management B.V.	Arnhem	100
*Akzo Nobel Management B.V.	Arnhem	100
*Akzo Nobel Nederland B.V.	Arnhem	100
*Akzo Nobel Sino Coatings B.V.	Sassenheim	100
*Akzo Nobel Sourcing B.V.	Arnhem	100
*B.V. Alabastine (Holland)	Ammerzoden	100

*ICI Omicron B.V.	Rotterdam	100
ICI Theta B.V.	Rotterdam	100
*International Paint (Nederland) B.V.	Rhoon	100
*Panter B.V.	Hoofddorp	100
New Zealand		
Akzo Nobel Coatings Ltd	Avondale	100
Nicaragua		
Industrial Pintuco Nicaragua S.A.	Managua	99.910
Norway		
Akzo Nobel Coatings AS	Oslo	100
Oman		
Akzo Nobel Oman SAOC	Muscat	50
Pakistan		
Akzo Nobel Pakistan Limited	Karachi	98.198
Panama		
Centro de Pinturas Pintuco, S.A.	Panama	100
International Paint (Panama) Inc.	Mercantil	100
Kativo Chemical Industries, S.A.	Panama City	99.965
Kativo Holding Co., S.A.	Panama City	100
KCI Export Trading Ltd	Panama	100
Pinturas Mundial de Panama, S.A.	Panama	100
Papua New Guinea		
Akzo Nobel Limited	Geheru	100
Peru		
Akzo Nobel Peru S.A.C.	Lima	100
Poland		
Akzo Nobel Car Refinishes Polska Sp. z o.o.	Warsaw	100
Akzo Nobel Decorative Paints Sp. z o.o.	Warsaw	100
Akzo Nobel Industrial Coatings Sp. z o.o.	Kostrzyn Wlkp.	100
International Paint Sp. z o.o.	Gdansk	100
Portugal		
Akzo Nobel Tintas para Automoveis Lda	Carregado	100
International Paint Ibéria, Lda	Setúbal	100
Tintas Titan, S.A.	Maia	100
Qatar		
Akzo Nobel LLC	Doha	100

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Romania		
Fabryo Corporation Srl	Popesti-Leordeni	100
Russian Federation		
Akzo Nobel Dekor CJSC	Balashikha	100
OOO "Akzo Nobel Coatings"	Moscow	100
OOO "Akzo Nobel Lakokraska"	Orehovo-Zuevo	100
Saudi Arabia		
Akzo Nobel Saudi Arabia Ltd	Dammam	60
Singapore		
Akzo Nobel Paints (Singapore) Pte Ltd	Singapore	100
International Paint Singapore Pte Ltd	Singapore	100
Slovenia		
Akzo Nobel Adhezivi d.o.o.	Ljubljana	100
South Africa		
AkzoNobel South Africa (Pty) Ltd	Johannesburg	100
ICI Dulux (Pty) Ltd	Johannesburg	100
South Korea		
Akzo Nobel Industrial Coatings Korea Ltd	Ansan	100
Akzo Nobel Powder Coatings Korea Co., Limited	Ansan	100
International Paint (Korea) Ltd	Busan	60
International Paint (Research) Ltd	Geoje City	100
Spain		
Akzo Nobel Coatings, S.L.U.	Barcelona	100
Sri Lanka		
Akzo Nobel Paints Lanka (Pvt) Ltd	Colombo	40
Sweden		
Akzo Nobel Adhesives AB	Stockholm	100
Akzo Nobel Car Refinishes AB	Tyresoe	100
Akzo Nobel Decorative Coatings AB	Malmö	100
Akzo Nobel Industrial Coatings AB	Malmö	100
Akzo Nobel Industrial Finishes AB	Västervik	100
Akzo Nobel Sweden Finance AB	Malmö	100
International Färg AB	Göteborg	100
Switzerland		
Akzo Nobel Coatings AG	Neuenkirch	100
Taiwan		
Akzo Nobel Paints Taiwan Limited	Chung Li	100
International Paint (Taiwan) Limited	Kaohsiung	100

Thailand		
Akzo Nobel Paints (Thailand) Limited	Amphur Pakkred	100
Tunisia		
Société Tunisienne de Peintures Astral S.A.	Megrine	60
Türkiye		
Akzo Nobel Boya Sanayi ve Ticaret A.S.	Izmir	100
Akzo Nobel Kemipol Kimya Sanayi ve Ticaret A.Ş.	Izmir	51
Akzo Nobel Server Boya Sanayi ve Ticaret A.S.	Dilovası/ Kocaeli	55
International Paint Pazarlama Limited Sirketi	Istanbul	100
Marshall Boya Ve Vernik Sanayii A.S.	Dilovasi	93.609
Tekyar Teknik Yardim A.S.	Dilovasi	100
Uganda		
Akzo Nobel Uganda Limited	Kampala	100
Ukraine		
LLC "Akzo Nobel Holding Ukraine"	Kiev	100
United Arab Emirates		
Akzo Nobel Decorative Paints L.L.C.	Dubai	49
Akzo Nobel ME Coatings FZE	Jebel Ali Free Zone	100
Akzo Nobel UAE Paints L.L.C.	Dubai	48.979
United Kingdom		
Akzo Nobel (CPS) Pension Trustee Limited	Slough	100
Akzo Nobel (NASH) Limited	Slough	100
Akzo Nobel (NSC) Limited	Slough	99.902
Akzo Nobel Aerospace Coatings Limited	Slough	100
Akzo Nobel CIF Nominees Limited	Slough	100
Akzo Nobel Coatings (BLD) Limited	Slough	100
Akzo Nobel Coatings Limited	Slough	100
Akzo Nobel Decorative Coatings Limited	Slough	100
Akzo Nobel ICI Holdings	Slough	100
Akzo Nobel Industrial Coatings Limited	Slough	100
Akzo Nobel Limited	Slough	100
Akzo Nobel Packaging Coatings Limited	Slough	100
Akzo Nobel Powder Coatings Limited	Slough	100
Akzo Nobel UK Ltd	Slough	100
Cuprinol Limited	Slough	100
Dulux Limited	Slough	100
Ergon Investments International Limited	Slough	100
Ergon Investments UK Limited	Slough	100
Flexcrete Technologies Limited	Slough	100
Hammerite Products Limited	Slough	100
Holywell-Halkyn Mining and Tunnel Company Limited	Slough	96.955
I C I Finance Limited	Slough	100
ICI Chemicals & Polymers Limited	Slough	100
ICI Paints (Trade Contract) Limited	Slough	100
Imperial Chemical Industries Limited	Slough	100
International Coatings Limited	Slough	100
International Paint Limited	Slough	100
International Paints (Holdings) Limited	Slough	100
Intex Yarns (Manufacturing) Limited	Slough	100
J.P. McDougall & Co. Limited	Slough	100
Mortar Investments International Limited	Slough	100
Mortar Investments UK Limited	Slough	100
Polycell Products Limited	Slough	100
Resinous Chemicals Limited	Slough	100
Sales Support Group Limited	Slough	100
Stevenston Holdings Limited	Edinburgh	100
United States of America		
Akzo Nobel Coatings Inc.	Delaware	100
Akzo Nobel Inc.	Delaware	100
Akzo Nobel Services Inc.	Delaware	100
Blue Water Marine Paint LLC	Delaware	100
Expert Management Inc.	Delaware	100
ICI Americas Inc.	Delaware	100
International Paint LLC	Delaware	100
New Nautical Coatings Inc.	Florida	100
Uruguay		
Pinturas Inca S.A.	Montevideo	100
Vietnam		
Akzo Nobel Vietnam Limited	Binh Duong	100
Zambia		
Dulux Zambia (2005) Limited	Lusaka	100

APPENDIX

List of non-consolidated legal entities and corporations

		Ownership %[1]
Colombia		
Minerales Industriales S.A.S.	Sabaneta	40
Italy		
Metlac Holding S.r.l.	Alessandria	49
Metlac S.p.A.	Alessandria	71.667

[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] Hong Kong Special Administrative Region.
[3] Akzo Nobel N.V. has declared in writing that it guarantees the commitments entered into by Dulux Paints Ireland Limited, in conformity with section 357(1) of the Irish Companies Act 2014.
[4] 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 Dutch Civil Code.

APPENDIX – EU TAXONOMY

				Substantial Contribution Criteria						DNSH criteria ('Does Not Significantly Harm')									
Economic Activities (1)	**Code(s) (2)**	**Turnover (3)**	**Proportion of Turnover 2023 (4)**	**Climate Change Mitigation (5)**	**Climate Change Adaptation (6)**	**Water (7)**	**Pollution (8)**	**Circular Economy (9)**	**Biodiversity (10)**	**Climate Change Mitigation (11)**	**Climate Change Adaptation (12)**	**Water (13)**	**Pollution (14)**	**Circular Economy (15)**	**Biodiversity (16)**	**Minimum Safeguards (17)**	**Proportion of Taxonomy aligned (A.1.) or - eligible (A.2.) turnover, 2022 (18)**	**Category (enabling activity) (19)**	**Category (transitional activity) (20)**
		EUR	**%**	**Y; N; N/EL (b) (c)**	**Y; N; N/EL (b) (c)**	**Y; N; N/EL (b) (c)**	**Y; N; N/EL (b) (c)**	**Y; N; N/EL (b) (c)**	**Y; N; N/EL (b) (c)**	**Y/N**	**Y/N**	**Y/N**	**Y/N**	**Y/N**	**Y/N**	**Y/N**	**%**	**E**	**T**
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1. Environmentally sustainable activities (Taxonomy-aligned)																			
N/A	N/A	N/A	—%	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N	N	N	N	N	N	N	—%	N/A	N/A
Turnover of environmentally sustainable activities (Taxonomy-aligned) (A.1)	N/A	N/A	—%							N	N	N	N	N	N	N	—%		
Of which enabling		N/A	—%														—%	N/A	
Of which transitional		N/A	—%														—%		N/A
A.2 Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																			
				EL; N/EL (f)	**EL; N/EL (f)**	**EL; N/EL (f)**	**EL; N/EL (f)**	**EL; N/EL (f)**	**EL; N/EL (f)**										
N/A	N/A	N/A	—%	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL								—%		
Turnover of Taxonomy- eligible but not environmentally sustainable activities (not Taxonomy-aligned) (A.2)		N/A	0																
Total (A.1 + A.2)		€nil	—%														—%		
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
Turnover of Taxonomy- non-eligible activities (B)		€10,668 mln	100%																
Total (A + B)		€10,668 mln	100%																

				Substantial Contribution Criteria						DNSH criteria ('Does Not Significantly Harm')									
Economic Activities (1)	**Code(s) (2)**	**CapEx (3)**	**Proportion of CapEx 2023 (4)**	**Climate Change Mitigation (5)**	**Climate Change Adaptation (6)**	**Water (7)**	**Pollution (8)**	**Circular Economy (9)**	**Biodiversity (10)**	**Climate Change Mitigation (11)**	**Climate Change Adaptation (12)**	**Water (13)**	**Pollution (14)**	**Circular Economy (15)**	**Biodiversity (16)**	**Minimum Safeguards (17)**	**Proportion of Taxonomy aligned (A.1.) or - eligible (A.2.) CapEx, 2022 (18)**	**Category (enabling activity) (19)**	**Category (transitional activity) (20)**
		EUR	**%**	**Y; N; N/EL (b) (c)**	**Y; N; N/EL (b) (c)**	**Y; N; N/EL (b) (c)**	**Y; N; N/EL (b) (c)**	**Y; N; N/EL (b) (c)**	**Y; N; N/EL (b) (c)**	**Y/N**	**Y/N**	**Y/N**	**Y/N**	**Y/N**	**Y/N**	**Y/N**	**%**	**E**	**T**
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1. Environmentally sustainable activities (Taxonomy-aligned)																			
N/A	N/A	N/A	—%	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N	N	N	N	N	N	N	—%	N/A	N/A
CapEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)	N/A	N/A	—%							N	N	N	N	N	N	N	—%		
Of which enabling		N/A	—%														—%	N/A	
Of which transitional		N/A	—%														—%		N/A
A.2 Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																			
				EL; N/EL (f)	**EL; N/EL (f)**	**EL; N/EL (f)**	**EL; N/EL (f)**	**EL; N/EL (f)**	**EL; N/EL (f)**										
Production of electricity from solar PV	4.1	€1 mln	<1%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								<1%		
Water collection, treatment and supply	5.1	€1 mln	<1%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								<1%		
Construction of new buildings	8.1	N/A	—%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								1%		
CapEx of Taxonomy- eligible but not environmentally sustainable activities (not Taxonomy-aligned) (A.2)		€2 mln	<1%														1%		
Total (A.1 + A.2)		€2 mln	<1%														1%		
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
CapEx of Taxonomy- non-eligible activities (B)		€486 mln	>99%																
Total (A + B)		€488 mln	100%																

				Substantial Contribution Criteria						DNSH criteria ('Does Not Significantly Harm')									
Economic Activities (1)	**Code(s) (2)**	**OpEx (3)**	**Proportion of OpEx 2023 (4)**	**Climate Change Mitigation (5)**	**Climate Change Adaptation (6)**	**Water (7)**	**Pollution (8)**	**Circular Economy (9)**	**Biodiversity (10)**	**Climate Change Mitigation (11)**	**Climate Change Adaptation (12)**	**Water (13)**	**Pollution (14)**	**Circular Economy (15)**	**Biodiversity (16)**	**Minimum Safeguards (17)**	**Proportion of Taxonomy aligned (A.1.) or - eligible (A.2.) OpEX, 2022 (18)**	**Category (enabling activity) (19)**	**Category (transitional activity) (20)**
		EUR	**%**	**Y; N; N/EL (b) (c)**	**Y; N; N/EL (b) (c)**	**Y; N; N/EL (b) (c)**	**Y; N; N/EL (b) (c)**	**Y; N; N/EL (b) (c)**	**Y; N; N/EL (b) (c)**	**Y/N**	**Y/N**	**Y/N**	**Y/N**	**Y/N**	**Y/N**	**Y/N**	**%**	**E**	**T**
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1. Environmentally sustainable activities (Taxonomy-aligned)																			
N/A	N/A	N/A	—%	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N	N	N	N	N	N	N	—%	N/A	N/A
OpEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)	N/A	N/A	—%							N	N	N	N	N	N	N	—%		
Of which enabling		N/A	—%														—%	N/A	
Of which transitional		N/A	—%														—%		N/A
A.2 Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																			
				EL; N/EL (f)	**EL; N/EL (f)**	**EL; N/EL (f)**	**EL; N/EL (f)**	**EL; N/EL (f)**	**EL; N/EL (f)**										
Remediation of contaminated sites and areas		€11 mln	3%	N/EL	N/EL	N/EL	EL	N/EL	N/EL								—%		
OpEx of Taxonomy- eligible but not environmentally sustainable activities (not Taxonomy-aligned) (A.2)		€11 mln	3%														—%		
Total (A.1 + A.2)		€11 mln	3%														—%		
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
OpEx of Taxonomy- non-eligible activities (B)		€384 mln	97%																
Total (A + B)		€395 mln	100%																

COLOPHON

Disclaimer

In this Report 2023, great care has been taken in drawing up the properties and qualifications of the product features. No rights can be derived from these descriptions. The reader is advised to consult the available product specifications themselves. These are available through the relevant business units. In this publication the terms “AkzoNobel” and “the company” refer to Akzo Nobel N.V. and its consolidated companies in general. The company is a holding company registered in the Netherlands. Business activities are conducted by operating subsidiaries throughout the world. The terms “we”, “our” and “us” are used to describe the company; in the individual business overviews within the Strategy and operations section, they mainly refer to the business concerned. Throughout this Report 2023, reference is made to documents on AkzoNobel’s website. This linked information is not considered to be part of the annual report.

Safe harbor statement

This Report 2023 contains statements which address such key issues as AkzoNobel’s growth strategy, future financial results, market positions, product development, products in the pipeline and product approvals. Such statements should be carefully considered, and it should be understood that many factors could cause forecast and actual results to differ from these statements. These factors include, but are not limited to, price fluctuations, currency fluctuations, developments in raw material and personnel costs, pensions, physical and environmental risks, legal issues, and legislative, fiscal, and other regulatory measures, as well as significant market disruptions, such as the impact of pandemics. Stated competitive positions are based on management estimates, supported by information provided by specialized external agencies.

Brands and trademarks

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