

REPORT 20 21

**Grow & Deliver
strategy on
track**

**Our commitment to
future generations:
People. Planet.
Paint.**

Science-based
sustainability
targets driving
innovation

*Pushing
boundaries with
Paint the Future*



Everything we do starts with People. Planet. Paint.

Transforming our world

We're in a unique position to show how passionately we care about society, the world we live in and making new discoveries. By using our pioneering spirit and centuries of paints and coatings expertise, we can deliver the sustainable and innovative solutions that our customers, communities – and the planet – are increasingly relying on.

That's why everything we do starts with People. Planet. Paint. It's all about making a difference, both big and small. So the things our products can do may surprise you, whether they're applied to boats, buildings, cars, planes, phones, walls or wood.

And we never stand still. Because there are industries to reinvent, environments to care for and horizons to expand. As global pioneers, it's in our nature to keep learning, keep discovering and keep innovating.





www.akzonobel.com

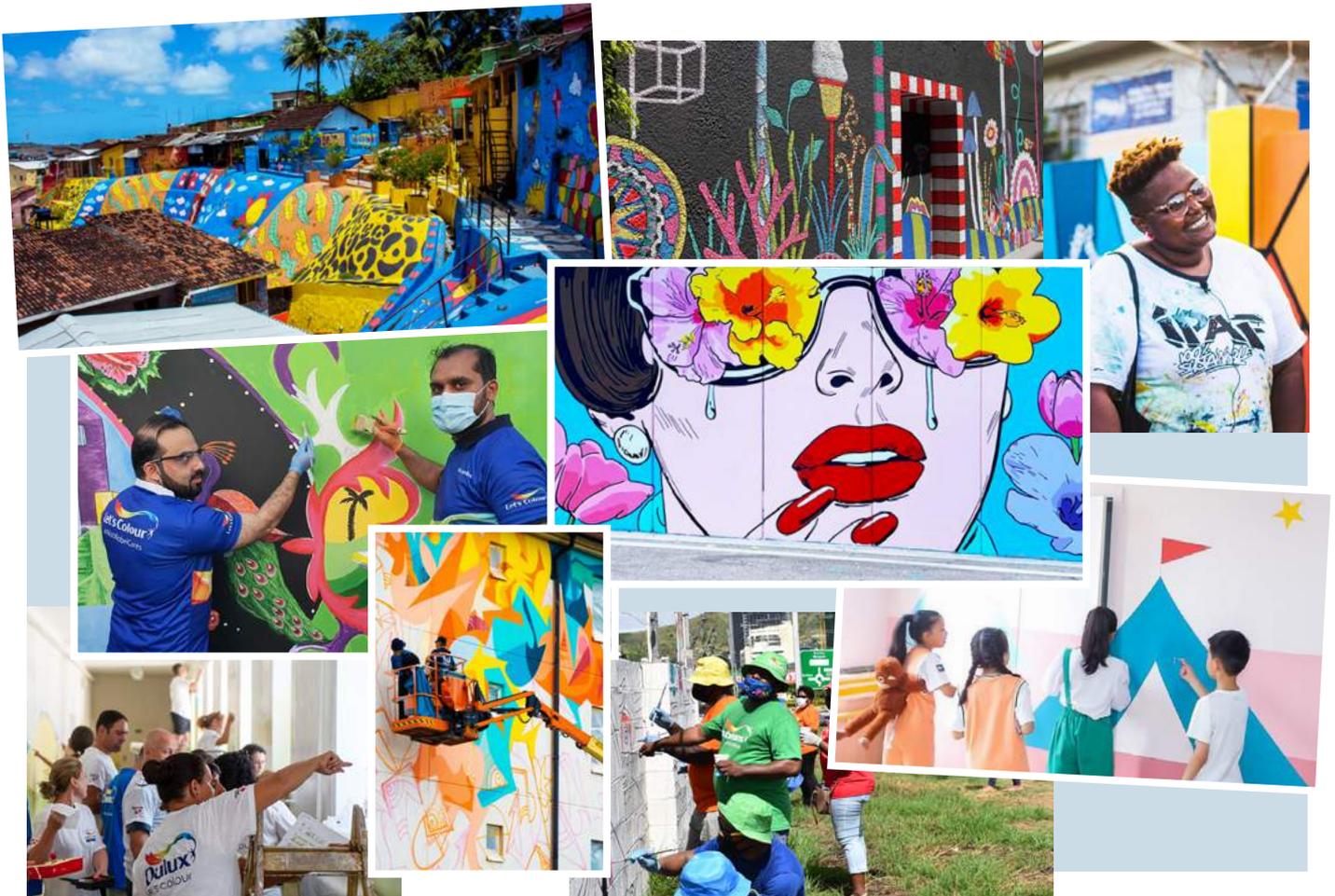
A commitment to the future

AkzoNobel has a long and proud heritage. A history of making things happen. We're always evolving, embracing new ideas. Yet some things never change. Like being an employer of choice. A responsible global citizen. A pioneer. They're the foundations of what we stand for – with People. Planet. Paint. as our beating heart.

People. Planet. Paint. is also our commitment to future generations. A promise that we'll keep innovating to address key global issues. If we can, we'll find a way.

We have the courage and the belief. That's why we've set ourselves science-based sustainability targets. It's about making a genuine and lasting difference and remaining at the forefront of our industry.

- People** We care about people and communities, a passion that's reflected in our commitment to safety, integrity and sustainability.
- Planet** We challenge ourselves and our partners every day to be better global citizens and protect the future of our planet.
- Paint** We keep pushing boundaries to develop pioneering paint solutions that make a world of difference.



2021 RESULTS AT A GLANCE

Revenue by destination

North America
12%

EMEA
50%

South America
8%

Financial summary

€9,587 mln revenue

€1,118 mln operating income

€1,092 mln adjusted operating income

€4.48 earnings per share

32,800 employees

Sustainable solutions

39%

Ambition 2030: >50%

Sustainable solutions development in % of revenue



2021



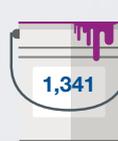
2030 ambition

Adjusted EBITDA

€1,436 mln

Target: €2 billion in 2023

Adjusted EBITDA development in € millions



2019



2020



2021

CONTENTS

About AkzoNobel	Inside cover
2021 results at a glance	2
CEO statement	4
How we created value	6
Strategy and operations	12
Sustainability statements	29
Leadership and governance	55
Financial information	90

Glossary	150
Index	152
Appendix	153

Case studies:	
Voyage of discovery	10
Bringing light to the darkness	19
Building more resilience	46
Circular vision becoming a reality	54
Art Foundation's 25 th anniversary	79



Disclaimer

This PDF of AkzoNobel's annual report is derived from the official version of the company's Report 2021. The European Single Electronic Filing format (the ESEF reporting package) is the official version. The ESEF reporting package is available on our [Report 2021 website](#). In case of discrepancies between this PDF version and the ESEF reporting package, the latter prevails. The auditor's report and assurance report of the independent auditor included in this PDF version relate only to the ESEF reporting package.

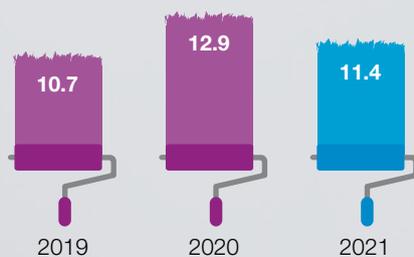
Return on sales (ROS)

11.4%

Target: Deliver an average annual 50 basis points increase over the period 2021-2023

Return on sales development

in %



Return on investment (ROI)

16.0%

Return on investment development

in %



Case study videos

This Report 2021 includes case studies that highlight some of our activities during the year. The videos are not covered by any procedures performed by the independent auditor and are not considered part of the management report.

Alternative performance measures (APM)

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



2021 was another challenging year. While 2020 was marked by sudden shifts in demand across our paints and coatings market segments, 2021 was affected in a very different way.

This time, the ongoing impact of COVID-19 – combined with several extreme weather events early in the year – caused significant disruption across our supply chains. The overall availability and movement of raw materials was a real challenge for the whole paints and coatings industry. This resulted in significant shortages of key raw materials, which is still ongoing, and an unprecedented cost increase compared with 2020.

So 2021 was a real stress test for the operational resilience and can-do attitude we've been fostering over the last few years. We found ourselves climbing an unexpectedly high mountain as the business environment became increasingly difficult. However, our teams had the summit in sight, and while they were somewhat tired, I'm happy to report they're also in good spirits, as we're in an excellent position to accelerate along the other side of the slope.

Although we were dealing with incoming supply chain disruption and inflation, demand for our paints and coatings remained strong. The vast majority of our markets continued to rebound well and we were able to expand our position in significant target markets. I'm very proud of how our teams demonstrated their new-found resilience. Our commercial teams responded quickly with pricing initiatives to compensate for the huge

“The reinvention of AkzoNobel as a focused paints and coatings company, which started in 2017, is clearly on track to make us the reference in our industry.”

raw material cost inflation. Meanwhile, our procurement, R&D and supply chain colleagues worked hard to continue serving customers in the face of the severe supply chain disruption.

As a result, despite these massive headwinds, we were able to safeguard our profitability and stay on track for defending or strengthening our market positions – our Grow & Deliver strategy has remained on course.

A notable example of our “Grow” mindset was our Powder Coatings business, which delivered another strong year of double-digit revenue growth. There were some exciting developments around electric vehicles, low temperature and UV-curing for powder on wood and the increasing trend of moving from liquid to powder, for example in the US architectural market.

We also achieved multiple proof points of growth across our Decorative Paints businesses. For example, in North Asia, we added the availability of Dulux to another 11,200 stores, delivered double-digit growth in the premium market segment and improved our profitability. In addition, we announced the acquisition of Colombia-based paints and coatings company Grupo Orbis, which will further expand our long-term leadership position in South and Central America.

From a “Deliver” perspective, we continued to improve our operational efficiency and effectiveness. Much of this work has involved streamlining end-to-end processes, reducing unproductive product portfolio complexity and simplifying how we run the company in general. For example, almost 95% of the company now operates on just four major ERP systems.

The reinvention of AkzoNobel as a focused paints and coatings company, which started in 2017, is clearly on track to make us the reference in our industry.

We’ve kept a sharp focus on the business fundamentals, including cost discipline and cash generation.

Another key focus area is sustainability, which has been a core value for many years. So it was with a great sense of pride that we were one of the first recipients of the inaugural Terra Carta Seal – the only paints and coatings company to receive the honor. It’s recognition of the positive action we’re taking, driven largely by the fact that sustainability is embedded in our culture and fundamental to the way we operate. In 2021, we also committed to science-based sustainability targets, signaling our intention to take stronger action to tackle climate change. We’re excited that this commitment will be an enormous innovation driver for what we do throughout our entire value chain with our customers and suppliers over the next few years.

Given our passion for making a genuine difference to customers, communities and the environment, we took a logical step in elevating People. Plant. Paint. to give it a much wider and deeper meaning for the company. So rather than only focusing on how we talk about sustainability, People. Planet. Paint. is now at the heart of everything we do. We’ve put solving globally relevant challenges at our very core, but recognize that we can’t do it alone. So it’s great to see how our teams are leading the way in collaborative innovation. Our Paint the Future innovation ecosystem is going from strength to strength, with a highly successful regional event staged in China in the first half of 2021, while our second global startup challenge bootcamp and finals event is set for 2022.

That collaborative spirit also featured prominently in several other highlights during the year. This included the results of the research phase of Operation Night Watch being announced (a partnership

with the Rijksmuseum in Amsterdam, the Netherlands). Meanwhile, our work with the Advanced Research Center Chemical Building Blocks Consortium (ARC CBBC) in the Netherlands – which strives to bridge bio-based sciences to competitively create paints and coatings building blocks – continues to excite and delight as we strive to remain a frontrunner in innovation. The work we’re doing with Nobel Prize winner Ben Feringa is particularly promising.

Of course, none of this would have happened without the 32,800 AkzoNobel employees around the world, who responded magnificently to the extreme challenges we faced in 2021. They held everything together inside our company and made sure that we stayed close to our customers, to help them get through their own tough times. And it was great to achieve more progress in organizational health, with our score improving once again (the participation rate reached an all-time high), suggesting that engagement is strong within the company and that we’re in great shape for 2022.

So a heartfelt thank you to the whole organization. For myself and the whole Executive Committee, it’s a real privilege – and fun – to be part of this journey as we advance further towards becoming the frontrunner in our industry.

Thierry Vanlancker

CEO and Chair of the Board of Management and Executive Committee

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

Financial overview

Pricing up 7%. Revenue was 12% higher, and 14% higher in constant currencies. Volumes were 7% higher, mainly due to the impact of the recovery from COVID-19 on end market demand.

Operating income was up 16% at €1,118 million (2020: €963 million). Significant price increases and volume increases contributed to offset raw material cost inflation and supply constraints. Operating income further includes net positive identified items of €26 million, mainly related to gains from the Brazil ICMS case and UK pensions past service credit (see Note 4 in the

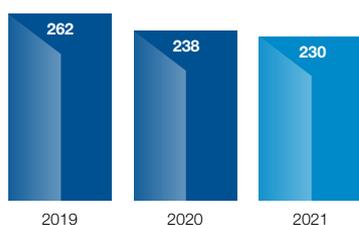
Revenue from third parties

in € millions



Innovation investment

research and development expenses in € millions



Research and development expenses expected to remain similar as % of revenue for the period 2022-23.

Summary of financial outcomes*

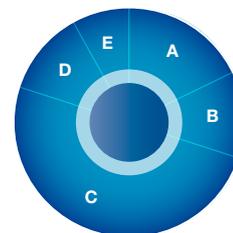
in € millions	2020	2021	Δ%
Revenue	8,530	9,587	12%
EBITDA*	1,324	1,469	11%
Adjusted EBITDA*	1,442	1,436	-
Operating income	963	1,118	16%
Identified items*	(136)	26	
Adjusted operating income*	1,099	1,092	(1%)
OPI margin*	11.3	11.7	
ROS*	12.9	11.4	
Average invested capital*	6,834	6,829	
ROI (%)*	16.1	16.0	
Capital expenditures	258	288	
Net debt	1,034	2,340	
Leverage ratio (net debt/EBITDA)*	0.8	1.6	
Number of employees	32,200	32,800	
Net cash from operating activities	1,220	605	
Net income attributable to shareholders	630	829	
Weighted average number of shares (in millions)	191.4	185.0	
Earnings per share from total operations (in €)	3.29	4.48	
Adjusted earnings per share from continuing operations (in €)*	3.88	4.07	

* Alternative performance measures: Please refer to reconciliation to the most directly comparable IFRS measure in Note 4 of the Consolidated financial statements.

Revenue by destination in %

A North Asia	18
B South Asia Pacific	12
C EMEA	50
D North America	12
E South America	8

Based on full-year 2021.

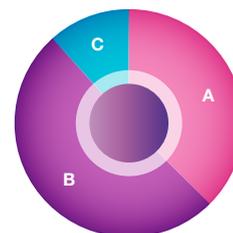


Capital expenditures 2021:

total €288 million

A Decorative Paints	108
B Performance Coatings	147
C Corporate and other	33

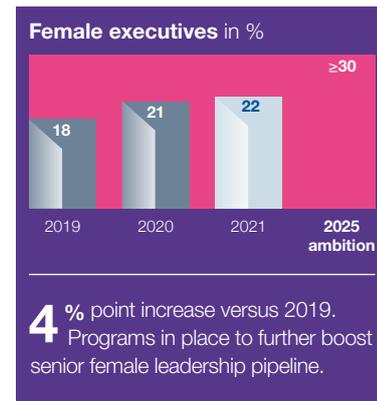
Capital expenditures are expected to be around €300 million per year for the period 2022-23.



PEOPLE



Numbers include AkzoNobel employees and temporary workers.



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

Consolidated financial statements for more details). OPI margin improved to 11.7% (2020: 11.3%). Adjusted operating income was 1% lower at €1,092 million (2020: €1,099 million). ROS at 11.4% (2020: 12.9%).

Business revenue

- Decorative Paints pricing up 6%. Revenue up 12% and 13% higher in constant currencies. Volumes up 6%, mainly due to higher end market demand
- Performance Coatings pricing up 8%. Revenue was 13% higher and 15% higher in constant currencies. Volumes were 8% higher, mainly due to end market demand recovery in all markets

Acquisitions

In March 2021, the acquisition of Titan Paints in Spain was completed, strengthening our paints business and footprint in Spain. In June 2021, the intended acquisition of Colombia-based paints and coatings company Grupo Orbis was announced. The deal is expected to be completed in the first quarter of 2022.

Cost of sales

Raw material and other variable costs increased €769 million, adjusted for the impact of volume changes, compared with 2020. The increase was mainly driven by raw material inflation, which is expected to gradually ease by mid-2022.

Operating income and adjusted operating income

Operating income was up 16% at €1,118 million (2020: €963 million). Significant price increases and volume increases contributed to offset raw material cost inflation and supply constraints. Operating

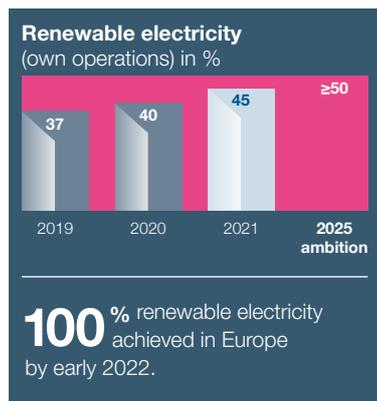
income further includes net positive identified items of €26 million, mainly related to gains from the Brazil ICMS case and UK pensions past service credit (refer to Note 4 in the Consolidated financial statements for further details), partly offset by transformation initiatives (2020: €136 million negative identified items, mainly relating to transformation initiatives). OPI margin improved to 11.7% (2020: 11.3%). Adjusted operating income was 1% lower at €1,092 million (2020: €1,099 million). ROS at 11.4% (2020: 12.9%).

- Decorative Paints performance improved, mainly due to strong demand across all regions and one-off gains, with volumes up 6% compared with full-year 2020. OPI margin was up at 16.1% (2020: 15.5%). Adjusted operating income higher at €598 million (2020: €573 million) and ROS at 15.0% (2020: 16.1%)
- Performance Coatings operating income decreased, mainly due to higher raw material prices. OPI margin at 11.6% (2020: 13.4%). Adjusted operating income at €648 million (2020: €700 million). ROS at 11.6% (2020: 14.1%)
- Other activities improved €81 million to €172 million negative (2020: €253 million negative), mainly resulting from lower negative identified items

Net financing income and expenses

Net financing expenses decreased by €30 million, mainly due to one-off interest income from the Brazil ICMS case (see Note 4 in the Consolidated financial statements).

PLANET



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

Income tax

The effective tax rate was 22.3% (2020: 26.2%). The decrease compared with the previous year is mainly related to the impact from the Brazil ICMS and UK ACT cases (refer to Note 4 in the Consolidated financial statements), in combination with a net re-recognition of deferred tax assets. All of these were booked as an identified item. Excluding identified items, the effective tax rate in 2021 was 24.9% (2020: 25.6%).

Dividend in €

2019	2020	2021
1.90	1.95	1.98 ¹

¹ Proposed

Earnings per share total operations

2019	2020	2021
2.53	3.29	4.48

Adjusted earnings per share from continuing operations in €

2019	2020	2021
3.10	3.88	4.07

Dividend

The dividend policy remains unchanged and is to pay a stable to rising dividend. In 2021, an interim 2021 dividend of €0.44 per common share (2020: €0.43) was paid. A final 2021 dividend of €1.54 (2020: €1.52) per share is proposed, which would equal a total 2021 dividend of €1.98 (2020: €1.95).

Share buyback

On October 21, 2020, a €300 million share buyback program was announced, which was completed in 2021. On February 16, 2021, a €1 billion share buyback program was announced, which was completed in January 2022. This program started in April 2021. As at December 31, 2021, a total of 8.6 million shares had been acquired under this program, of which 5.9 million were cancelled.

Cash flows and net debt

Net cash from operating activities in 2021 resulted in an inflow of €605 million (2020: inflow of €1,220 million). This decrease in inflow was mainly driven by an outflow in relation to changes in working capital, changes in other provisions and income tax paid, partially offset by higher profit for the year.

At December 31, 2021, net debt was €2,340 million versus €1,034 million at year-end 2020. The increase in net debt was mainly due to share buybacks (€1,135 million), dividend paid (€391 million) and capital expenditures (€288 million), offset by net cash generated from operating activities (€605 million). The net debt/EBITDA leverage ratio at December 31, 2021, was 1.6 (December 31, 2020: 0.8).

PAINT



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

Invested capital

Invested capital at December 31, 2021, totaled €7.1 billion, up €0.7 billion from year-end 2020. This increase was mainly caused by higher operating working capital (trade) and investments in non-current assets.

Sustainability progress

We've now set all our sustainability ambitions for 2025 and 2030 and are already making strong progress towards achieving them. This progress is highlighted in the People. Planet. Paint. charts in this section.

Employees

In 2021, the number of employees increased by 2% to 32,800 people (year-end 2020: 32,200 people). Acquisitions in 2021 added around 400 people.

COVID-19

The ongoing pandemic situation was closely monitored in 2021 and appropriate measures were taken to continue serving customers and control spend, while at the same time keeping the organization intact and able to respond quickly to changes in end market demand.

AkzoNobel has a strong balance sheet and solid cash position. At December 31, 2021, cash and cash equivalents were €1.2 billion and financial leverage (net debt/EBITDA) was 1.6. AkzoNobel is committed to retain a strong investment grade credit rating.

In 2021 and 2020, a detailed assessment was performed of potential valuation adjustments to the overall asset base, either due to the direct impact of COVID-19 or due to its impact on future profitability, which did not lead to significant valuation adjustments.

The ongoing pandemic situation was closely monitored in 2021 and appropriate measures were taken to continue serving our customers and control spend.

Goodwill and intangible asset impairment tests in both years have been performed based on adjusted forecasts. Recoverability of deferred tax assets has also been reassessed based on these adjusted forecasts. Furthermore, an assessment was performed with regard to the allowance for impairment of trade receivables, also taking into account potential additional risk associated with COVID-19.

The impact of the pandemic on the Consolidated financial statements has been considered for each of the relevant notes, and additional disclosures have been provided in case COVID-19 had a material impact on a specific section. Refer to the Consolidated financial statements for further details.

In our 2021 and 2020 figures, all COVID-19 related impacts have been treated as normal operations; none of these impacts has been included in identified items. Employee benefit costs in 2020 included €33 million compensation related to government support measures for COVID-19. For 2021, this number is not material.

Outlook

AkzoNobel targets to grow at or above its relevant markets, in line with its Grow & Deliver strategy. Trends differ per region and segment, while raw material cost inflation and supply constraints are expected to gradually ease by mid-2022. Plans are in place to deliver the €2 billion adjusted EBITDA target for 2023, and an average annual 50 basis points increase in return on sales over the period 2021-2023. AkzoNobel targets a leverage ratio of 1-2 times net debt/EBITDA and commits to retain a strong investment grade credit rating.

Voyage of discovery

It sounds like something out of a fantastical Jules Verne novel, but the Polar Pod – a manned oceanographic platform which will drift around Antarctica – is about to become very real.



watch video

It's the brainchild of French explorer and environmentalist Jean-Louis Etienne, who will lead a pioneering scientific expedition to study the Antarctic Circumpolar Current, which has a major influence on the Earth's climate.

“The Polar Pod is a fantastic example of how we’re prepared to go to the ends of the Earth to help our customers.”

AkzoNobel has been brought on board as exclusive paints and coatings partner and will support the 1,000-ton platform for the next five years, from construction through to the completion of its three-year mission, which is expected to start in December 2023.

Standing 100 meters high, the Polar Pod won't be motorized, so it will be zero emission, silently driven by the circumpolar current – like an ocean-

going satellite – as it gradually makes its way around the Antarctic continent.

It will be supported by a dedicated offshore supply vessel, Perseverance (pictured below), which will be protected by our products. Permanently assigned to the mission, it will leave the nearest port to join the platform on its drift course as it crosses the Indian, Pacific and Atlantic Oceans.

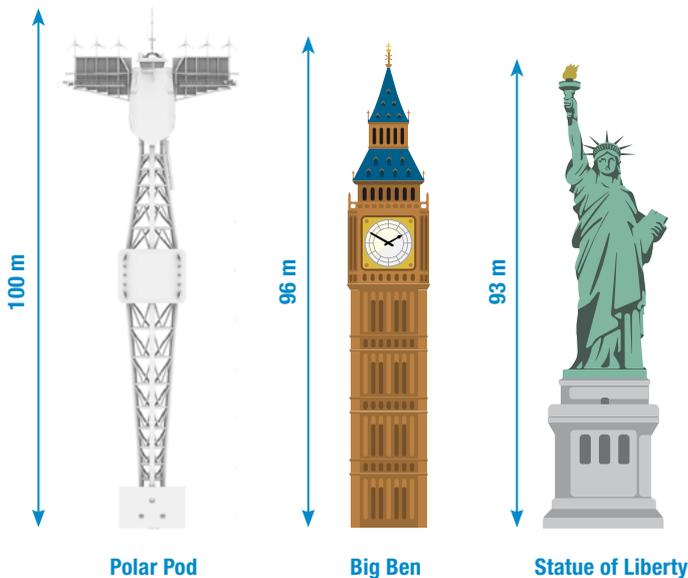
“Partnering with the Polar Pod expedition is a great way for us to help advance scientific knowledge of the pivotal role the Southern Ocean plays on the Earth's climate and marine biodiversity,” explains AkzoNobel CEO, Thierry Vanlancker. “We're looking forward to supporting the team and raising awareness of the program as the mission begins to gather momentum.”

Adds Jean-Michel Gauthier, Director of the company's Marine and Protective Coatings business: “As an industry leader in sustainability and a global market leader in marine and yacht

coatings, lowering our environmental impact on the planet is a key aspect of our strategy.”

Operating in an area that sailors refer to as the Furious Fifties, the Polar Pod will gather data and carry out long-term observations that will be transmitted to researchers, oceanographers, climatologists and biologists at 43 scientific institutions in 12 countries. Studies will include: air/ocean exchange measurements, in particular related to carbon; wave dynamics; plankton collection and evaluation of the impact of acidification; acoustic inventory of marine fauna; validation at sea of satellite measurements and aerial observation of marine life.

Continues Vanlancker: “This is a really exciting partnership and a fantastic example of how we’re prepared to go to the ends of the Earth to help our customers and discover pioneering ways to become even more sustainable.”



STRATEGY AND OPERATIONS

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

Strategy	13
Innovation	15
Decorative Paints*	16

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

Performance Coatings*	20
-----------------------	----

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

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

For more details on key 2021 figures, see the previous How we created value pages and the segment information in Note 3 of the Consolidated financial statements.

Rob Birza | Floating Circles VIII, 2018 |
egg tempera on canvas | 130 x 100 cm |
Collection AkzoNobel Art Foundation

THE NEXT PHASE OF OUR TRANSFORMATION

Grow & Deliver



Ambitions for 2021-2023*

- ↗ Revenue growth at least in line with our relevant markets
- ↗ ROS^o (return on sales) improvement of an average 50 basis points per year
- ↗ Adjusted EBITDA of €2 billion for 2023

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

AkzoNobel is a truly global, high-performing paints and coatings company with a proud heritage which can be traced back to 1792. Our world class portfolio of established brands is trusted by customers around the world and we continue to be guided by a strong set of core values – safety, integrity and sustainability. In fact, our People. Planet. Paint. approach to sustainable business has now become the overarching mantra for everything we do.

Our Grow & Deliver strategy balances growth with further profitability improvement, building on the strong foundation we now have in place. Ultimately, our goal is to be the frontrunner – both in terms of size and performance – among leading players in the industry.

Our fundamentals remain the same: passion for paint, precise processes, powerful performance, proud people; while key behaviors guide our ways of working: be customer focused, execute with discipline, deliver on commitments, take ownership.

Growth drivers

We're well placed in the approximately €140 billion paints and coatings industry. Our balanced geographic presence and strong portfolio of brands – with leading positions in most market segments – offers multiple opportunities for growth.

We have a significant presence in the higher-growth South Asia Pacific region, where we generate around 12% of total revenue. We're the leader in the fast-growing and sustainable powder coatings market, which currently accounts for 14% of our revenue. Other market segments and regions also offer exciting growth opportunities, such as packaging coatings – being driven by a shift away from single use plastics to metal cans – along with aerospace coatings, yacht coatings and our Decorative Paints business in South America.

Strategic mandates – per market segment and region – are used to provide clear direction for each of our businesses, including relative priorities for growth and profitability improvement.

Market segments and regions representing around one third of our total revenue have clear growth mandates. For example, we're growing our Decorative Paints business in China by leveraging our premium Dulux brand to serve customers in a greater number of cities with more innovative and sustainable solutions.

With stakeholders increasingly demanding more sustainable solutions, we're well placed to capitalize on this trend by leveraging our widely recognized leadership position when it comes to sustainability. Sustainable solutions already account for 39% of revenue and we have a target to increase this to more than 50% by 2030. We're creating a more efficient company while lowering our carbon footprint and

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



Passion for paint

Be customer focused



Precise processes

Execute with discipline



Powerful performance

Deliver on commitments



Proud people

Take ownership



It's not just the livery of this China Southern Airlines "Youth Zhuhai" themed Boeing 737-800 that's breathtaking. So is the lightning fast speed it took to paint it. With only 14 days and 34 new colors to develop, our color lab in India and Aerospace Coatings production team in DongGuan, China, rose to the challenge.

are proud to have set science-based carbon reduction targets for our full value chain – a truly fact-based approach.

Innovation is therefore fundamental to our success (see page 15). For us, this means going beyond when it comes to providing customers with products and services, as well as understanding and anticipating their changing needs and expectations. Revenue from new product introductions was around 20% during the past five years. Our industry-leading Paint the Future collaborative innovation ecosystem is just one example of how our pioneering spirit is helping us to continue pushing boundaries.

We have a strong balance sheet and clear capital allocation priorities, providing a solid platform for adding to organic growth – in a disciplined way – with targeted acquisitions, which are both value-creating and aligned with our strategic mandates. In 2021,

we completed the acquisition of Titan decorative paints in Spain, while New Nautical Coatings was added to our presence in yacht coatings, and we announced the acquisition of Grupo Orbis, to expand our presence in South America.

Delivering performance improvement

To help drive our Grow & Deliver strategy, we're evolving our operating model, moving from functional excellence in silos to driving cross-functional collaboration, with an emphasis on end-to-end processes and becoming even more customer focused.

Strong margin management is particularly important when facing significant raw material cost inflation. We're building on our experiences from 2017-2018, with faster and even more robust pricing initiatives for 2021-2022 and setting ourselves up to deal with future cycles.

We're building product management capabilities, which are necessary to deliver the products our customers desire and win in the market – at the most competitive cost, with less complexity and increased collaboration with our suppliers.

Creating a world class supply chain requires more efficiency and effectiveness – built on strong planning processes – in order to meet customer needs with superior service levels. Meanwhile, our manufacturing network will be optimized via three supply models: simple and efficient, managed complexity, agile and adaptive.

We're also continuing with several initiatives, for example integrating our systems and applications, designed to deliver seamless business services that are effective and cost competitive, allowing for greater focus on what matters most.



* Profit = adjusted EBITDA

Stepping up our collaborative innovation

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



“Collaborative innovation will play a major role in helping us to meet our own sustainability ambitions – and those of our customers.”

Klaas Kruithof,
Chief Technology
Officer

In early 2020, we made a commitment to reduce the carbon footprint of our own operations by 50% by 2030. This year, we extended that ambition to include our entire value chain (see page 40). However, this will only be possible if we innovate and collaborate with our value chain partners. The good news is that several initiatives are already underway.

Maintaining the momentum

Building on the success of our industry-first Paint the Future startup challenge, we maintained the momentum by staging a fully virtual challenge event attended by 90 suppliers, which resulted in around 100 possible solutions being submitted.

Meanwhile, our regional startup challenge in China yielded 210 submissions and reached an audience of more than 178 million. Four winning teams entered the accelerator program. We also launched a second global startup challenge, which attracted 245 submissions. Unfortunately, due to the pandemic, we had to postpone the bootcamp and finals event planned for November 2021 until early 2022.

Our ambition is to emulate the success of the first global challenge in 2019, which has since resulted in exciting go-to-market developments for two of the winning companies: we’ve partnered with Qlayers following a series of commercial successes for their robotic paint application, and we successfully reached the pilot phase for a new pre-deco filler based on Alucha’s circular raw material (see case study in the Sustainability statements).

Collaboration was also a prime objective for founding the ARC Chemical Building Block Consortium, which was set up in 2016 together with various partners, including a number of Dutch universities. We’re seeing some very interesting leads starting to emerge, such as a new photochemistry-based technology for

producing novel (coatings) polymers. This research was published in Science magazine – the peer-reviewed academic journal of the American Association for the Advancement of Science – with Nobel Prize laureate Ben Feringa (pictured below) as co-author.

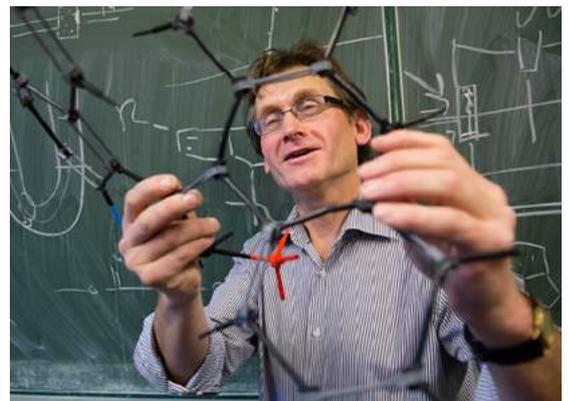
Our partnership with the Rijksmuseum in Amsterdam, the Netherlands, on Operation Night Watch also continued. One of our main projects has focused on unlocking the secrets behind Rembrandt’s famous impasto technique – the way he was able to apply paint to give an almost 3D effect. Using the most modern analytical and digital techniques, we’ve been able to design paint formulations that mimic those used by the 17th century master.

Product and service innovation in 2021

Let’s take a quick look at some of the innovations we launched during the year. We pioneered a new “Tinder-style” digital tool for finding your ideal decorative paint color match. By swiping a range of interior colors and designs, the intelligent software provides customers with a perfect palette of their favorite shades.

We also brought several products to market with anti-viral properties; developed advanced technologies to protect the motors, battery systems and storage units used in electric vehicles; and introduced chrome-free primers to the coil market in China.

Another notable launch was the Intertrac HullCare sustainable hull management package from our Marine and Protective Coatings business, which you can read about in more detail on page 24.





“Despite significant headwinds, we delivered double-digit growth through an engaged team, reliable supply and the launch of new products and services.”

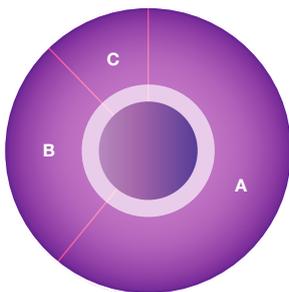
Oscar Wezenbeek, Director of Decorative Paints South East and South Asia



“I’m proud of our resilience in driving profitable growth, while building our capability and capacity to support our strategy, despite the major raw material impact.”

Mark Kwok, Director of Decorative Paints North Asia

Decorative Paints revenue by destination in %

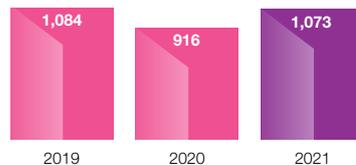


A EMEA	61
B Asia Pacific	27
C South America	12

2021 SUMMARY

We continued to drive balanced profitable revenue growth in North Asia, where we achieved strong double-digit growth in the premium market segment, in addition to our overall product growth. This was mainly driven by robust innovation in sustainable products and services and geographic expansion, which added the availability of Dulux to another 11,200 stores in 96 cities. Double-digit growth was also achieved in South East and South Asia – helping to offset the ongoing COVID-19 challenges – mainly driven by: programs to onboard new stores and painters (more than 5,000 stores were added); the use of digital services to enhance customer experience; and the launch of innovative products with sustainable benefits for our consumers.

Revenue in € millions



Key brands



2021 HIGHLIGHT

We successfully launched the regional China Paint the Future event (pictured below). A total of 210 submissions were received, with 17 entrants taking part in the two-day accelerator event. Four winners were invited to collaborate with the company on sustainable business opportunities: Mech-Mind, an AI+3D vision robotic solutions provider; Corpt, a recyclable packaging solutions provider; Ginet, an inorganic non-metal powder solutions provider; and Archifiction, a digital 3D spatial platform creator for immersive virtual reality.

OTHER KEY DEVELOPMENTS

- Dulux launched its first-ever asthma and allergy-friendly paint, with dual certification from the International Allergy Standard Ltd. and the Chinese paint industry expertise group
- Installed a total of around 8,000 solar panels at our Shanghai and Guangzhou sites in China
- Won the Chinese paint industry’s first-ever Green Product and Green Building Material certification
- Our Dulux Professional range was used at the new Universal Studios theme park in Beijing
- Supplied products for Hong Kong International Airport’s Sky City project
- Continued to support customers, painters, employees and their families in the South East and South Asia region during the COVID-19 crisis. This included distributing digital tablets to over 300 under-privileged children and offering access to specialist doctors through tele-medicine in India
- Launched the Dulux Promise guarantee program in India, Indonesia, Malaysia, Pakistan and Vietnam
- Introduced India’s first United States Department of Agriculture (USDA) certified bio-based paint. Dulux Better Living Air Clean Biobased contains 26% bio-based content
- Sadolin premium woodcare products were launched in India and Vietnam

2021 SUMMARY

We delivered a very strong set of results, despite the extremely turbulent business environment. The first six months were dominated by the impact of COVID-19 in Europe, with high demand for DIY (do-it-yourself) paint. This was followed by substantial raw material shortages and price increases, which we countered with our own strong pricing actions in the second half of the year. This enabled us to continue our brand and customer support, and maintain our investments in innovation and sustainability.

2021 HIGHLIGHT

In March, we completed the acquisition of 100% of the shares of Industrias Titan S.A.U. (Titan Paints), strengthening our paints business and footprint in Spain to become one of the market references in the region. The transaction included three production facilities and seven logistics and service centers for decorative paints, including one of the most modern manufacturing plants for water-based paints in Europe, located near Barcelona. The business shares our commitment to sustainable product innovation, with much of its portfolio having received recognition for environmental performance.

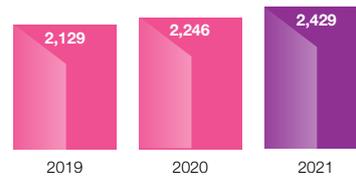
Key brands



“2021 was a year when the agility of our team was really tested. Eventually, we delivered a very strong set of results under very turbulent and rapidly changing conditions.”

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

Revenue in € millions



OTHER KEY DEVELOPMENTS

- Dulux launched its new Heritage and Simply Refresh paint ranges in the UK. The Heritage collection was inspired by classic shades from the history of British architecture and design, while Simply Refresh is a one-coat range which makes decorating as easy and as fast as possible
- Flexa EasyCare was launched in the Netherlands. The washable interior paint range is tough, durable and keeps walls stain-free for longer
- Our Dulux brand celebrated its 90th anniversary, having been first introduced in the UK back in 1931
- We teamed up with one of the world's most colorful sporting events by becoming Official Supplier to the 2021 Tour de France (pictured). It was an opportunity to engage with new and existing audiences and customers, with both organizations sharing proud and exciting histories
- Reached the pilot phase for a new circular exterior filler through a partnership with Dutch company Alucha, one of the winners of our inaugural Paint the Future startup challenge (see case study in the Sustainability statements)
- Our Dulux Professional range was rolled out in Poland, where Dulux is already a leading brand in the consumer segment
- Expanded our direct retailer channel in Turkey – which has grown 50% in the last two years – by adding more small-scale retail stores
- Set up a direct-to-consumer home delivery service in France and the Netherlands by introducing new “click and paint” fulfillment centers

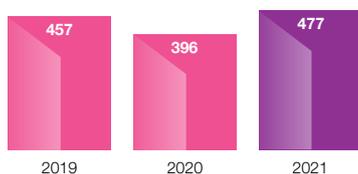




“We’ll continue to build on our strong foundations, with the acquisition of Grupo Orbis further expanding our long-term position in South and Central America.”

Daniel Campos, Director of Decorative Paints South America

Revenue in € millions



Key brands



2021 SUMMARY

We achieved a very strong performance, despite the pandemic and exchange rate volatility, as we continued to make progress towards the company’s Grow & Deliver strategy. Results were driven by growth in the premium market segment, innovation, strong commercial initiatives – including an improved shopping experience – and investment in branding campaigns. Consumers continued to invest in home renovation through DIY (do-it-yourself) solutions and professional painter services.

2021 HIGHLIGHT

We reached an agreement to acquire Colombia-based paints and coatings company Grupo Orbis. Completion is subject to regulatory approvals and is expected in the first quarter of 2022. Present in ten countries in South America, Central America and the Antilles, Grupo Orbis has consolidated revenue of around €260 million. The transaction includes the Pintuco paints and coatings business, Andercol and Poliquim (resins) and Mundial (distribution and services). It will expand our long-term position across South America by establishing us as a frontrunner in the Andean region and in Central America, where several countries are high on the global growth rankings for the next decade.

OTHER KEY DEVELOPMENTS

- Our premium interior wall paints continued to grow market share, with Coral Decora leading our growth in Brazil. We also expanded it as a “Design” range in Argentina and Uruguay. Albalatex and Incalex Design offer three expert finishes and four special effects to give a multi-sensory experience
- Commercial initiatives continued to stimulate growth. In Brazil, category management drove shopping experience improvement in 1,000 stores. In Argentina, our Decorative Paints-owned franchise chain opened its 200th store
- In Brazil, consumer and painter brand preference growth for AkzoNobel reached the highest levels since measurement started
- The Centenario Stadium in Uruguay, which hosted the first-ever FIFA World Cup in 1930, was renovated with the help of our Inca brand. We supplied 12,000 liters of paint, which was used on surfaces throughout the historic venue, including the exterior, the stands, the changing rooms, the tunnel and the interior warm-up areas
- In Uruguay, our Inca brand supported the Solís Theater in Montevideo in its drive to promote diversity by donating paint for a colorful rainbow artwork which was installed outside the venue



This is the iconic Obelisk in Buenos Aires, Argentina, which was built to mark the fourth centenary of the city’s first foundation. The historic monument celebrated its 85th anniversary in 2021 and was renovated to mark the occasion. Our Alba brand was heavily involved in the project, which was organized by CEPRARA (the Chamber of Related Painters and Restorations of the Argentine Republic) and the city government.



watch video



Bringing light to the darkness

The power of paint and partnerships helped bring energy and optimism back to a US city which was rocked by an explosion on Christmas Day 2020.

Let's Color Nashville – part of our AkzoNobel Cares program – brought together businesses, organizations, artists and volunteers to help transform some of the many boarded up buildings that still bear the scars of the terrible event.

We partnered with customers Hoover Paint Stores and LKQ Corporation – along with Nashville's Civic Design Center, Swipe Right Art and the Community Foundation of Middle of Tennessee – to replace the plain plywood boards with more artistic window panels and bring some

much-needed color back to the Second Avenue neighborhood.

"Let's Color Nashville is a critical project for our downtown businesses to heal and unite," said Gary Gaston, CEO of the Civic Design Center. "We're excited to join with AkzoNobel in returning the positive inspiration that boosts the downtown community spirit."

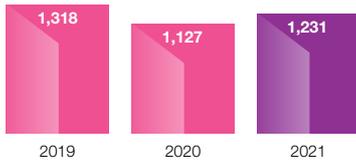
Added Ashley Bergeron, who curated the artists and artworks: "Art absolutely heals. There's no question. I think art is the number one communicator that people can understand in a simple way. This is our small gift back to the community, so when the building owners come back to salvage what they can salvage, they're walking by beauty instead of a reminder of the mess and the trouble."

AkzoNobel supplied around 1,800 liters of wood primer paint from its site in High Point, North Carolina, which was used as the basecoat for boards temporarily covering 30 commercial windows. Teams of volunteers then created vibrant artwork to help brighten up the blighted downtown area.

Said AkzoNobel volunteer, Jauckque Buford: "Let's Color Nashville defines what it means to be a member of this community and the power of paint is a way for us to demonstrate our unity and love for each other. That's who we are."

Although the windows will eventually be repaired and the artistic panels will come down, they won't be thrown away. They'll be gifted to the local community.

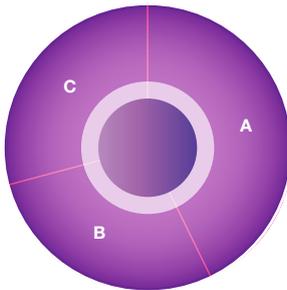
Revenue in € millions



Key brands



Revenue by destination in %



A EMEA	43
B Americas	28
C Asia Pacific	29

2021 SUMMARY

It was a strong year for many of our activities, despite having to face a series of external challenges. Our Consumer Electronics and Film businesses both had a record year, while there was an impressive recovery in Aerospace Coatings and we increased prices across all our market segments. Our teams showed great resilience as we pushed ahead with the company’s Grow & Deliver strategy, once again proving that teamwork can overcome many hurdles. We’re well prepared to keep that momentum going.

2021 HIGHLIGHT

We introduced innovative film technology that allows automotive manufacturers to hide radar sensors behind decorative metallic parts. The radar-transparent bright film – perfected by working together with our customers – means vehicle makers no longer have to worry about hiding sensors behind solid metal, which can block the signals of safety features such as anti-collision warnings. Demand exceeded expectations and we’ve already been specified as a global supplier of emblems by one of the world’s biggest car brands – with lots of potential to grow this particular market.

OTHER KEY DEVELOPMENTS

- Signed partnership deals to supply refinish products to a number of leading car manufacturers, including Daimler, Nissan and Toyota in China; and Citroën and MG in India
- Sikkens Autosurfer UV and Autoclear Pro Xpress were awarded Best Innovation prizes in the Automotive Aftermarket category at the World Auto Forum
- Our Carbeat digital production management application expanded its presence significantly
- Launched ColorSurfaces edition 17, our annual color trend collection designed to spark the imagination of customers in the automotive, aerospace and consumer electronics markets
- Secured an exclusive agreement with French insurance company ASSERCAR to become a recommended supplier for their vehicle repair network through our Sikkens and Lesonal brands
- Automotive market demand for film on metal was high, while consumer electronics companies continued to see the value of decorative and eco-friendly film offerings
- Dell awarded its first-ever Waterborne Paint Development Partner award to our Consumer Electronics business. It acknowledges our crucial role in Dell’s transformation from solvent-based to water-based coatings technology
- Smartphone manufacturer Samsung approved our solution for the A32, A52 and A72 in its Galaxy series
- Aerospace Coatings continued to work with Dutch students on a project to develop an airplane powered by liquid hydrogen
- Secured an agreement with Airbus, which also covers products from our recently acquired Mapaero range



The bright film technology we’ve developed allows better and more consistent transmission of signals that ultimately help people to drive more safely.



“Despite the extreme external environment, impacted by raw material shortages and COVID-19, we delivered a solid performance, thanks to the agility and hard work of our teams.”

Patrick Bourguignon,
Director of Automotive
and Specialty Coatings



Adding color to the skies

Our Aerospace Coatings business showcased its unique expertise by supplying high-performance products for a series of unique liveries throughout the year.

Alaska Airlines wanted to create a livery to embody its values and symbolize its commitment to education and advancing racial equity. The design – inspired by Alaska Airline employees and the United Negro College Fund (UNCF) – features profiles of the next generation of leaders: the children, grandchildren and mentees of the airline’s employees.

Meanwhile, Southwest Airlines in the US wanted to celebrate its 50th anniversary by creating a very special livery named Freedom One. It was developed as a tribute to all of Southwest’s employees, as well as honoring veterans and all those currently serving in the US Armed Forces. We provided our HS2111 chrome-free primer and Aerodur 3001/3002 basecoat/clearcoat system.

And in China, a bespoke livery was created to inspire the creativity of the aviation industry’s future talent in the region. We donated products and expertise to the “Soaring with your dream” program as part of a long-standing partnership with Boeing. The aircraft, which is housed at the Boeing 737 Completion Center in Zhoushan, is used for training students in the art of painting liveries and one-off designs.



“Strong revenue and volume growth across all our market segments, allied with extraordinary supply challenges, meant we had to fully focus on keeping customers’ lines running, while recovering raw material cost surges.”

Simon Parker,
Director of Industrial
Coatings

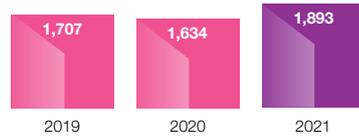
2021 SUMMARY

A massive – and successful – task across our global markets was ensuring our customers’ production lines kept running while resolving huge challenges with raw materials, freight and shipping. Our customers experienced high demand due to an initial post-COVID-19 surge, notably in commercial construction and home refurbishment. The continued trend towards endlessly recyclable aluminum cans also played its part in the upturn. A major feature of the year was the rise in the cost of raw materials and the corrective price actions required to ensure we could continue to provide excellent service and value. Product, service and technology breakthroughs continued at pace, as did our investment in supply and manufacturing infrastructure.

2021 HIGHLIGHT

We introduced a new range of chromate-free primers to help Chinese steel companies comply with regulatory changes restricting the use of chrome pigments commonly found in traditional high-performance primers. Our COILTEC CF primer range will provide greater reassurance and continuity for steel companies in China and across

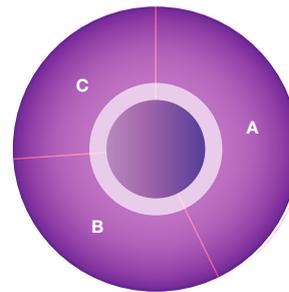
Revenue in € millions



Key brands



Revenue by destination in %



A EMEA	43
B Americas	31
C Asia Pacific	26



Asia, while maintaining the highest levels of product performance. The new range is the latest in a long line of sustainable solutions and environmentally focused innovations from AkzoNobel developed for the building products industry.

OTHER KEY DEVELOPMENTS

- Introduced a full portfolio of products for the ends of beverage cans in Asia, which quickly helped us win more business. The portfolio includes our industry-leading Vitalac 820 beverage can ends external technology, and our newly launched beverage ends internal technology to capture more of the Asian metal packaging market
- Converted AkzoNobel's 2022 Color of the Year, Bright Skies, into a color palette that brings current color trends to our wood coatings customers
- Our GripPro Heat A020/H020 adhesive for manufacturers of laminated structural beams was launched to reduce workplace and final product formaldehyde emissions, while maintaining seasonal productivity
- Launched scratch and stain resistant technology for luxury vinyl tiles, which increases efficiency and productivity for flooring manufacturers, while maintaining the desired appearance
- Introduced a new e-commerce platform for our distribution businesses to enhance the customer experience and provide 24/7 access to online ordering, tracking and all relevant information
- New digital tools for our TRINAR coil coating products were introduced, which are designed to make them more accessible to architects and specifiers
- Several landmark buildings are being constructed using our products, including One Chicago Tower in the US, Merdeka 118 in Malaysia and the Toranomom-Azabudai Project in Japan
- Enhanced our social media platforms to strengthen brand presence and drive engagement with partners, customers and end-users around the world



High Point upgrade signals growth intent

A €50 million investment in our North American Wood Coatings site in High Point, North Carolina, was completed in 2021.

The extensive upgrade included installing state-of-the-art production technology, along with building a new raw materials warehouse, research lab and technical application center. As well as making production more flexible and efficient, it will further strengthen our market position and enable us to better serve our wood coatings customers and partners in the region.

"This investment clearly signals our intentions," said AkzoNobel CEO, Thierry Vanlancker.

"We're looking to accelerate our growth in the region and High Point has a vital role to play as we continue to build and expand market positions across our wood coatings portfolio."

Known as the "Home Furnishings Capital of the World", High Point has been home to AkzoNobel's US wood coatings activities since 1955. Covering 37 acres, it produces a wide range of products to serve the furniture, flooring and building products market segments, as well as the company's Chemcraft distributors.



“I’m proud of our teams, who excelled in supporting customers and navigating global supply chain disruptions, while continuing to develop sustainable innovations, contributing to the industry’s net zero ambition.”

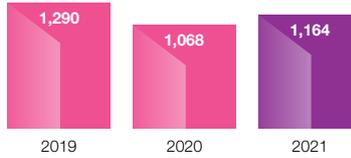
Jean-Michel Gauthier,
Director of Marine and
Protective Coatings

2021 SUMMARY

It was a year of transition for our markets following the COVID-19 outbreak in 2020. While some countries started to re-open, it was at different speeds around the world. Many economies continued to experience various stages of containment, which was reflected in the activity across our main marine and protective markets. Orders for new ships improved compared with the previous year, albeit from the bottom of the cycle, while the recreational boating market continued to be buoyant. This gives us confidence in the fundamentals of our yacht market. 2020 was a low in terms of oil and gas investment, and although this improved by comparison in 2021, the revival in oil and gas was tempered by a gradual demand side recovery and improving commodity prices.

Although global supply chain disruptions brought different challenges to those we experienced in 2020, demand for our high quality products, services and people expertise remained positive. Our teams worked quickly and effectively to remain proactive and support continuity on our customers’ projects. We continued to work closely with industry partners to find new ways of delivering product and service innovations, which provided both financial and sustainability improvements for our customers, as well as the wider industry.

Revenue in € millions



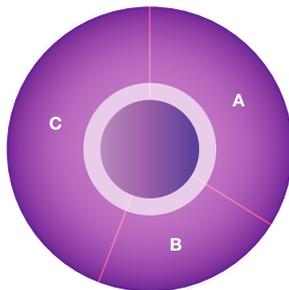
Key brands



2021 HIGHLIGHT

We continued to find new ways to support customers and the marine industry’s net zero ambition with the introduction of the most sustainable hull management package yet – Intertrac HullCare. By combining our high-performance coatings with industry-leading cleaning technology, customers can extend dry docking cycles to ten-year intervals, as well as saving up to 34,000 tons in emissions and as much as €4.6 million in fuel per vessel (depending on the vessel size and type).

Revenue by destination in %



A EMEA	34
B Americas	22
C Asia Pacific	44



Our Yacht Coatings business partnered with the Water Revolution Foundation to work together on neutralizing the footprint of the yacht industry while preserving the world’s oceans. The business will share its expert knowledge and insight to help create a more sustainable yacht industry. The code of conduct is made up of ten commitments that will make a real difference in reducing the environmental footprint of the superyacht industry and restoring the world’s oceans. Photography: Bilgin Yachts.



OTHER KEY DEVELOPMENTS

- Celebrated the 140th anniversary of our International brand
- Introduced Interzone 954GF, which is designed to boost steel asset protection for high impact and high abrasion areas in challenging mining and energy generation projects (including wind)
- Partnered with 2019 Paint the Future winners Qlayers to enable robotic application for tank exteriors using our International coatings (pictured above)
- Reduced surface preparation costs and boosted productivity for our fire protection customers in Australia and New Zealand with the qualification of Interchar 3120 for application over black steel
- Responded to customer demand by introducing Intergard 9700, a range of high durability, solvent-free uni-primers
- Launched Intergard 5150LWT for navy vessels, which saves up to 25% in weight compared with alternative deck coatings. Also introduced Intershield 6GV, which uses low-solar-absorption technology to help reduce heat loads on steel surfaces and save energy
- Our Yacht business completed the integration of New Nautical Coatings, which was acquired at the end of 2020. Also launched our new “That feeling” campaign



Podium finish for ocean racing team

Valuable data about the health of our seas was collected by the AkzoNobel Ocean Racing team as it grabbed a well-deserved podium finish in The Ocean Race Europe.

Specialized sampling equipment was installed on board the team's VO65 – one of just three boats to carry the instruments – as part of a project supported by the United Nations Decade of Ocean Sciences for Sustainable Development.

Powered by our International brand, the AkzoNobel boat was one of seven VO65s that sailed from Lorient in France to Genoa in Italy, with stops in Cascais, Portugal, and Alicante, Spain, along the way. Our products were used on all areas of the vessel.

2021 SUMMARY

We made a strong start to the year, with demand recovering rapidly around the world as markets bounced back from the impact of COVID-19. During the second half of 2021, we experienced significant supply chain disruption and increasing raw material costs. However, growth in architectural and industrial markets was very strong, while demand in automotive was impacted by chip shortages. We focused strongly on maintaining our service levels to customers, while defending margins in our value chain.

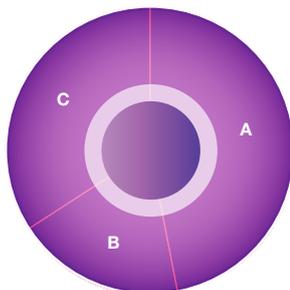
Revenue in € millions



Key brands



Revenue by destination in %



A EMEA	47
B Americas	19
C Asia Pacific	34



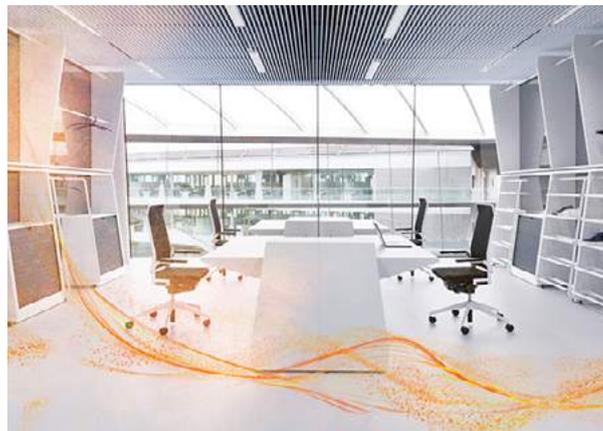
“We responded and adapted to the external challenges, once again demonstrating our ability to significantly outgrow our markets. I’m very proud of what our teams have achieved.”

Daniela Vlad, Director of Powder Coatings

Despite the turbulent conditions, we outperformed our markets significantly – both in terms of volume and price – and made major progress on the company’s Grow & Deliver strategy. We also laid out an accelerated growth path and successfully continued our multi-year Capex expansion program to support our customers and the market. Through it all, we maintained our resilience and paid extra attention to taking care of our people as the pandemic continued to have an impact.

2021 HIGHLIGHT

Our new Interpon W range of innovative powder on wood coatings achieved its first commercial successes. Designed for heat-sensitive substrates (both indoors and outdoors), it’s a smart system which enables a variety of materials to be coated in a durable, sustainable and more efficient manner. Dedicated commercial teams have been trained to provide superior service to customers making the change to powder on wood. They’re supported by a new R&D lab focused on low cure powder coatings, which was opened at our Como site in Italy.



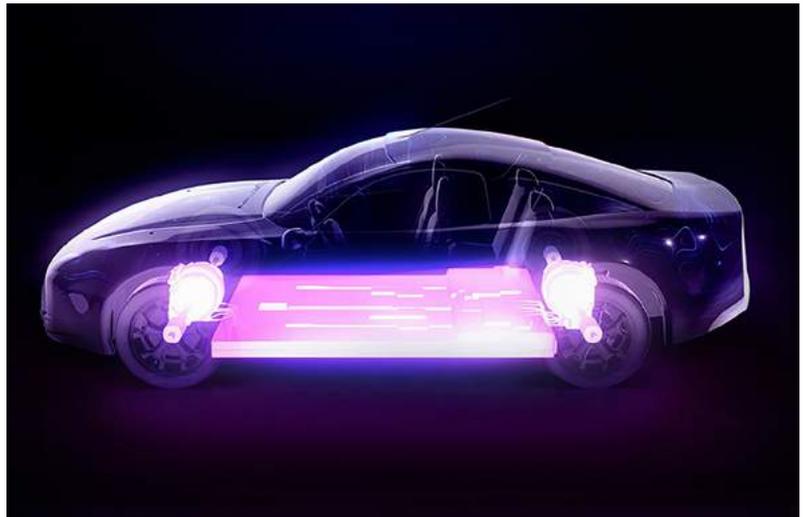
Our Interpon W powder coatings and liquid primers are an ideal solution for coating heat-sensitive substrates in a durable, efficient and more sustainable process for both indoor and outdoor use.

OTHER KEY DEVELOPMENTS

- Introduced Interpon Cr, which gives a bright metallic chrome effect
- Interpon D2015 Précis Ultra Matt was launched. It delivers an ultra matt finish in a range of colors, bringing a glint of brilliance and luminescence to architectural surfaces
- Began supplying Resicoat products for the landmark Pearl River Delta water diversion project in China, which will supply clean and safe potable water to more than 50 million people
- Significantly increased our digital media presence through targeted campaigns, helping to further grow revenues
- Inspired architects with a sophisticated take on AkzoNobel's 2022 Color of the Year, Bright Skies, with a shade called Baku. It's part of the upcoming 2022-2025 Futura Collection
- Completed the capacity expansion at Chungli in Taiwan and will relocate activities from Linkou
- Strong uptake of our Interpon Low E product range (lower energy curing), based on increasing energy prices and growing demand for sustainable solutions from customers
- Successfully converted a number of new customers to powder coatings technology, based on environmental (low VOCs, no waste) and process efficiency benefits



One of London's oldest areas now houses a new residential development which has gone way beyond common methods of reusing and recycling. The buildings of the Silk District in Whitechapel are mainly constructed from brick and reconstituted stone. Our Interpon D Stone Effect powder coatings were applied to the exteriors to imitate the look of Portland stone, limestone and brickwork – helping to preserve the natural materials.



Driving the current to power the future

As global demand for electric vehicles – and e-mobility in general – continues to accelerate, we've developed advanced technologies to help power the industry into the future.

Manufacturers of electric vehicles and components want world class solutions to help protect motors, battery systems and electrical storage units. We now offer a dedicated powder coatings portfolio, alongside a team of technical specialists to provide expert assistance.

And we're hardly newcomers to the automotive market. Our powder coatings are already used on car bodies, interiors and alloy wheels. The emergence and rapid growth of e-mobility now presents new opportunities for us to help batteries last longer and vehicles drive further.

Thanks to our renowned Resicoat brand, we have more than 50 years of experience in offering tried, tested and proven performance for a wide range of electrical insulation and high temperature solutions. So we have all the experience and expertise necessary to support the innovators of the next generation technologies that will be used in the world's most advanced electric vehicles.

F1 star drives us crazy!



Photography: David Lichtneker.



We got all revved up in September when McLaren F1 driver, Lando Norris, visited our Sassenheim site in the Netherlands ahead of the Dutch Grand Prix.

He arrived in style – in a McLaren road car – with the flying visit providing an opportunity for him to see some of the work we do as McLaren Racing’s official paints and coatings partner.

It was also a rare chance for those who work at the location to meet Lando in person and hear him talk about what it’s like to drive a car that features the colors they create.

As well as hosting a Q&A session, the British driver was given a brief tour, which included a visit to the site’s Automotive Training Center.

To help make the visit extra special, a replica McLaren F1 car was put on display at the facility for several days so everyone could enjoy taking a closer look.

- In early 2022, we extended and expanded our long-standing partnership with McLaren Racing. As well as exploring new possibilities in the areas of technological innovation and product development, the multi-year agreement also includes becoming a sustainability partner to McLaren Racing. This will enable us to incorporate our People. Planet. Paint. approach as we strive to play an active role in their sustainability journey.

SUSTAINABILITY STATEMENTS



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

Our approach to sustainable business	30
PEOPLE	32
Employees	32
Health and safety	35
AkzoNobel Cares	37
Human rights	38
PLANET	41
Carbon emissions in own operations	41
Waste and water management	42
Responsible procurement	44
PAINT	47
Sustainable solutions	47
Carbon emissions in our value chain	48
Recycled content in packaging	49
Managing sustainability	50
Sustainability performance summary	52

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

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

See page 144 for the Assurance report of the external auditor, which includes details on scoping and outcomes.

2021 sustainability highlights

PAGE 40
SBTi approval for carbon reduction target

In September, our commitment to setting science-based sustainability targets was officially validated by the Science Based Targets initiative (SBTi). We're the first paints and coatings company to have targets approved. ▶▶

PAGE 39
Membership of Responsible Mica Initiative formalized

Towards the end of the year, we formalized our partnership with the Responsible Mica Initiative, having been one of the founders when it was launched in 2017. ▶▶

PAGE 34
Dawn of a new generation

We launched an exciting new initiative in 2021 with the introduction of our NextGen Sustainability Council. ▶▶

PAGE 48
Royal recognition for our sustainability leadership

A major new sustainability award was presented to AkzoNobel by His Royal Highness The Prince of Wales at the COP26 summit held in Glasgow, Scotland. ▶▶

PAGE 41
100% renewable electricity in Europe in 2022

Our ambition to transition to 100% renewable electricity by 2030 is progressing well, with our operations in Europe having fully switched over by January 2022. ▶▶

Our approach to sustainable business

Sustainability is part of our DNA. It's a daily priority for all our employees and is integrated into everything we do.

Our holistic, dynamic approach ensures that we continue to make progress as the sustainability leader in our industry. To help us maintain and build on that position, we're always innovating; always advancing and delivering fact-based results. Collaboration is also essential if we're to achieve our ambitions, so we engage and proactively team up with stakeholders to identify opportunities and create shared value.

Our approach to sustainable business is an integral part of our commitment to People. Planet. Paint. And it's about much more than doing business sustainably. People. Planet. Paint. touches everything we do. It's a promise that we'll keep innovating to address key global issues.

Here's how each element of People. Planet. Paint. is designed to contribute in its own way:



PEOPLE We care about people and communities, a passion that's reflected in our commitment to safety, integrity and sustainability.

PLANET We challenge ourselves and our partners every day to be better global citizens and protect the future of our planet.

PAINT We keep pushing boundaries to develop pioneering paint solutions that make a world of difference.

Our ambitions

PEOPLE

Top quartile
in organizational
health score by 2025

>30%
female executives
by 2025



- 35,000 community members trained 2020-2025
- 1,000 AkzoNobel Cares projects 2020-2025

Progress by end of 2021

- 72 in organizational health score (vs 75 top quartile)
- 22% female executives
- 13,862 community members trained
- 352 AkzoNobel Cares projects

PLANET

Moving towards
zero waste
by 2030



- 100% renewable electricity by 2030
- 30% energy reduction by 2030*
- 100% of water intensive sites reusing water

Progress by end of 2021

- 21% carbon reduction in our own operations*
- 59% circular waste
- 45% renewable electricity use
- 1% energy reduction*
- 30% of water intensive sites reusing water

50% less carbon
emissions in the full
value chain by 2030*

PAINT

>50% revenue
from sustainable
solutions by 2030



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

Progress by end of 2021

- 39% of revenue from sustainable solutions

* Versus 2018 baseline.

Sustainability key drivers

The sustainability benefits we bring to our own operations and our customers are grouped into six drivers.



People and communities



Health and well-being



Reduced carbon and energy



Less waste



Reduce, reuse and renew



Longer-lasting performance

United Nations SDGs

Our approach to sustainability is designed to contribute to the global agenda represented by the UN Sustainable Development Goals. We continue to focus on those SDGs where we can have the biggest impact.



People. Planet. Paint. also enables us to make the most of our unique position. We're ideally placed to use our pioneering spirit and centuries of paints and coatings expertise to make a real difference. We can deliver the sustainable and innovative solutions that our customers, communities – and the planet – are increasingly relying on. We have the courage and the belief. That's why we've set ourselves science-based carbon reduction targets, in line with the 1.5°C pathway laid out by the Paris Agreement. So there's a deeper, wider meaning to People. Planet. Paint. It's at the center of what we stand for as a company.

We've maintained our sustainability leadership in the paints and coatings industry, based on the recognition we received from various external ESG rating agencies during the course of 2021 (see latest ratings below). Our position is further strengthened by our sustainability ambitions, which underline our commitment to being a truly sustainable company.

ESG rating agency	Key achievement
	We're considered as a "Low risk" company.
	We've received the highest possible rating for six consecutive years (AAA).
	We've maintained our score at well above the industry average, placing us in the top 3% for more than ten years.
	We've been awarded the highest possible rating, Platinum, placing us in the top 1% of more than 65,000 rated companies.
	In the latest review, our ESG performance was considered Advanced, positioning AkzoNobel in first place in the chemical industry.

More information about the ratings we've received from various external ESG rating agencies can be found on our website.

PEOPLE

We care about people and communities, a passion that's reflected in our commitment to safety, integrity and sustainability.



Looking after our people is an integral part of being sustainable. Focusing on organizational health and fostering an inclusive environment are key when it comes to growing our employees as fast as we grow our business.

Among our ambitions is for 30% of our company's executives to be female. We also want to be top quartile in our organizational health score (OHI).

Our organizational health

Change management is key to a healthy organization, which is why we launched an updated version of the High Performing Teams (HPT) program. This will support our Grow & Deliver strategy, underpinning its success and allowing us to be a high-performing organization.

Female executives
2021: 22%
Ambition – 2025: 30%

Organizational health score (OHI)
2021: 72
Ambition – 2025: Top quartile (75)

AkzoNobel Cares projects
2020-2021: 352
Ambition – 2020-2025: 1,000

Local community members trained
2020-2021: 13,862
Ambition – 2020-2025: 35,000

We've continued to build our Culture and Change network. A group of 369 volunteers around the world has been trained and equipped to support local change programs and implement global changes at a local level.

We'll continue to develop and engage them, as they've had a major impact on managing local changes and transformations. In 2021, we achieved an increase in our



A family of 16 in Poland moved into a new dream home after we helped make it a reality. Having been approached by builder Budimex, we supplied more than 300 liters of Dulux Professional and Dulux EasyCare paint, some of which was used to create artistic murals.

OHI score compared with 2020, ending the year with a score of 72 (2020: 69), just three points from top quartile.

A diverse and inclusive workplace

We're developing an increasingly engaged, diverse and capable workforce with a focus on leadership reflecting the diversity of the communities where we operate. Our three priorities are:

- Fostering an inclusive culture
- Building and expanding our internal diversity and inclusion networks
- Strengthening our leadership diversity and focus on gender balance

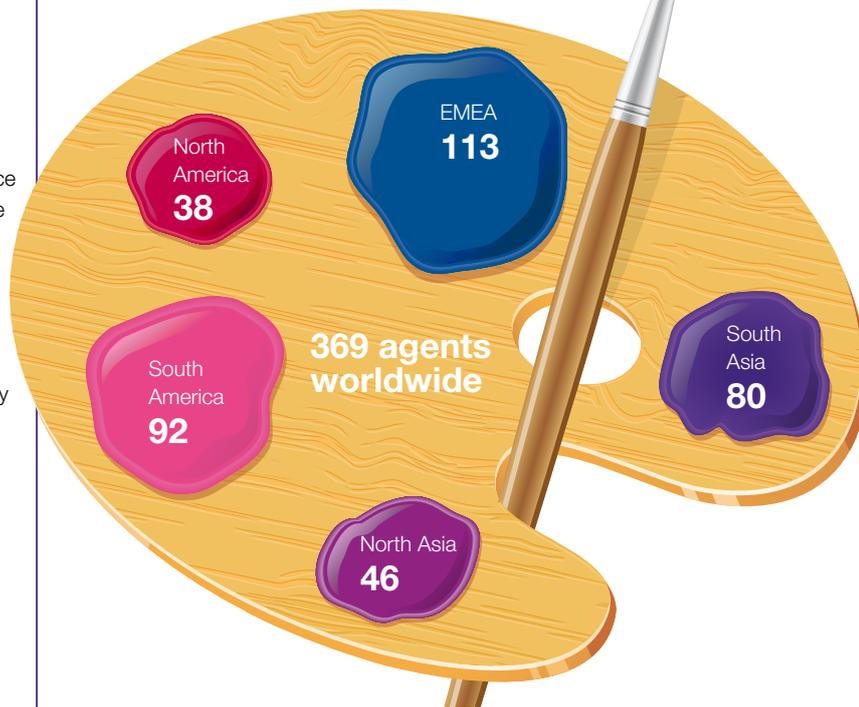
We've continued to make progress on our commitment to diversity and inclusion (D&I). We rolled out our inclusive and respectful workplace training and continued to promote "I Belong", a guide to help managers lead in an inclusive way. We've also introduced our inclusive language guidelines.

D&I has become a growing topic of interest across our organization. There's a growing number of True Colors chapters (focused on leading inclusion for our LGBTI+ colleagues) and our Women Inspired Network operates in many different countries. Our Equal Access Board has established strategic points of contact at senior executive level, who will help ensure equality in the workplace for all employees with disabilities.

In 2021, we set gender targets for all our businesses and functions to increase female representation as part of leadership accountability. This will contribute to our goal of having 30% female executives by 2025. In 2021, we had 22% female executives, with 33% in the Supervisory Board and 43% in the Executive Committee.

This year, we joined the UN Global Compact program Target Gender Equality to support our efforts in increasing female representation.

Culture and change network



Our CEO, Thierry Vanlancker, signed the program's Women Empowerment Principles to show our commitment and engagement. We also took part in the Workplace Pride benchmark to review our current LGBTI+ inclusion efforts and are pleased to be above average compared with other manufacturing companies.

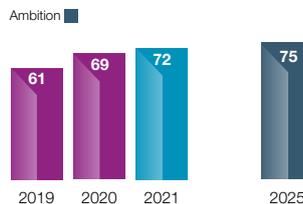
Managing and developing talent

In 2021, we continued to be recognized as a leading employer in many of our key countries, including Brazil, China, France, the Netherlands, Sweden, the UK and the US.

As part of our ongoing journey towards a sustainable and diverse leadership pipeline, we focused on planning how to develop our top talent. We launched Grow2Lead, a nine-month program to inspire and engage. It's a blended learning experience with a broad range of development activities – including virtual events, webcasts, individual and

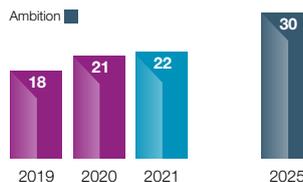
group learning assignments – which is delivered via a custom virtual learning platform. We also continue to deploy our top talent across our businesses.

>> Organizational health score (OHI)



AkzoNobel score on the organizational health index of McKinsey. Ambition is top quartile, which is determined by McKinsey every year across 1,700 companies worldwide.

>> Female executives in %



Percentage of women at executive level, a pay grade level at AkzoNobel, which excludes the Executive Committee.

Overall, employee turnover in 2021 was 14% (13% in 2020); voluntary turnover was 8% (5% in 2020). The recovery of the labor market had an impact, especially on voluntary turnover.

Last year saw a renewed focus on capability development to support our Grow & Deliver strategy, with particular regard to product management and end-to-end supply chain. We defined the skills our employees needed in these areas and then began to design learning solutions to address potential gaps.

We also continued to offer learning solutions for needs that emerged as a result of COVID-19, particularly around

resilience, digital, social and emotional skills. We transitioned how most of these learnings were delivered to a digital/virtual environment to combat travel limitations caused by the pandemic.

To further increase awareness of our approach to sustainable business, we've updated our sustainability e-learning. It focuses on our People. Planet. Paint. ambitions and how we're planning to achieve them. We also hosted several webinars and workshops to build capability and awareness around our increasing commitment to sustainability. More training modules and workshops on specific sustainability topics will be launched in 2022.



During the first few months of 2021, we announced Jilte Flapper as our Scientist of the Year for 2020. The annual award recognizes colleagues who have made a tremendous contribution to research and development over the course of their career. His vast knowledge is helping us to make better coatings that are more sustainable.

Dawn of a new generation



team to proactively identify opportunities to build on our achievements and highlight issues that could arise in the future.

Applications to join were received from across the company and 13 members were selected, with the Chair of the inaugural NGSC, Tessa Slagter (pictured), also taking a seat on our Sustainability Council.

We launched an exciting new initiative in 2021 with the introduction of our NextGen Sustainability Council (NGSC).

It's been established to bring a fresh perspective to our sustainability agenda by encouraging an appointed

"By giving future leaders the opportunity to contribute to building our sustainable future and listening to the challenges they put forward, the company is demonstrating the sort of pioneering spirit and industry leadership we can all be proud of," explains Wijnand

Bruinsma, AkzoNobel's Director of Sustainability.

Adds Tessa: "We aim to drive positive change, challenge the current thinking and increase the sustainability skills and knowledge of the NextGen Council members. It has already been a very rewarding process and we're looking forward to making an even bigger contribution."

Setting up the NGSC also demonstrates a tangible commitment to pioneering a sustainable future by considering diverse views and including as many perspectives as possible.

HEALTH AND SAFETY

As one of our core values, we put safety first in everything we do. We're committed to ensuring every day at AkzoNobel is as safe as it can be. Ultimately, our vision is to achieve zero injuries and harm through operational excellence.

We do this through initiatives in the areas of people safety and health, process safety, and security. We report, analyze and learn from all our health and safety incidents to continuously improve our safety performance. Our commitment is underpinned by our Life-Saving Rules and Golden Principle to stop work if conditions or behavior are unsafe.

People safety and health

In 2021, we focused our people safety program on forklift truck safety and safe driving in general. We also accelerated our life-critical procedures and Health, Safety, Environment and Security (HSE&S) roadmap program. We identified areas that need improvement in our own operations and put them on the roadmap with targeted plans and governance. In addition, we continued to invest in functional excellence and the development of our capability in the area of root cause analysis.

To ensure healthy working conditions for all our employees, we continue to actively manage occupational illness-related absenteeism. We've piloted a Wellness Checkpoint which supports the evaluation of psycho-social risk factors.

We've leveraged the company-wide digital compliance assurance process to underpin our industrial hygiene and occupational health approach.

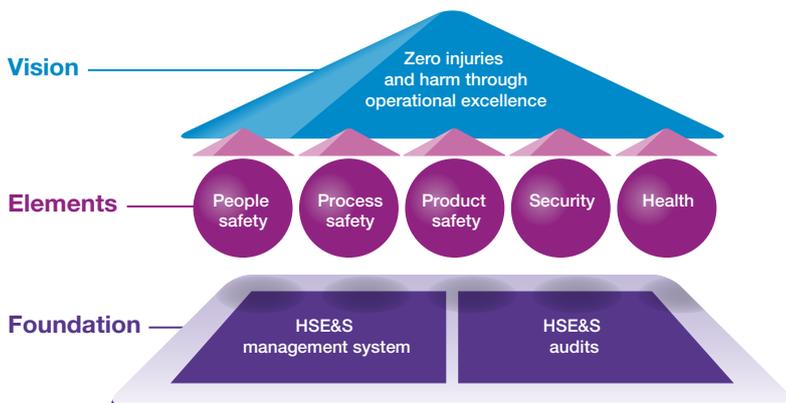
In 2021, the total reportable rate (TRR) for employees and temporary workers improved to 0.21 (2020: 0.23), meeting the target level set for 2021 (0.21). In total, 66% of our manufacturing sites have been reportable injury-free for over a year. The most frequent causes of reportable injuries are slips, trips and falls, struck by or caught in-between objects and manual handling. The most frequent injuries are strains/sprains, cuts/lacerations and fractures.

Our contractor performance improved in 2021, with a contractor reportable injury rate of 0.12 (2020: 0.17). The contractors lost time injury rate decreased to 0.08 (2020: 0.11).

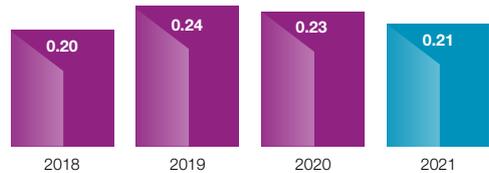
Unfortunately, there were two major incidents this year. A fatal injury involving an electronic pallet lift truck in Jakarta, Indonesia, and a pedestrian sustaining life-changing injuries after being hit by a forklift truck in Machelen, Belgium.

Process safety

In 2021, we continued our dedicated Process Safety Management (PSM) improvement project. This project is designed to strengthen our PSM program and processes to achieve leading standards in process safety. It focuses on high quality hazard studies

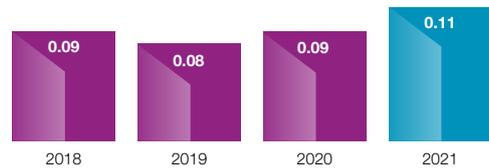


» Total reportable injury rate employees including temporary workers



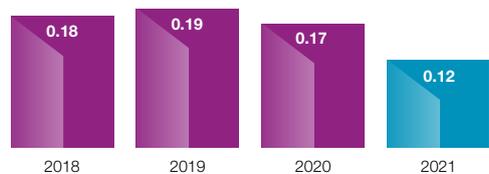
The total reportable injury rate (TRR) is the number of injuries resulting in a medical treatment case, restricted work case, lost time case or fatality, per 200,000 hours worked. In line with OSHA guidelines, temporary workers are reported with employees, since day-to-day management is by AkzoNobel.

» Lost time injury rate employees including temporary workers



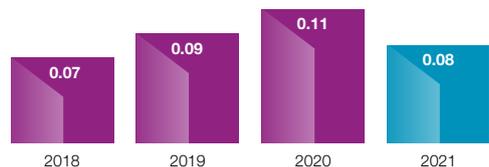
The lost time injury rate (LTIR) is the number of injuries resulting in a lost time injury per 200,000 hours worked. Temporary workers are reported together with employees, since day-to-day management is by AkzoNobel.

» Total reportable injury rate contractors



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

» Lost time injury rate contractors



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

» Process safety events

	2020	2021
Loss of primary containment – Level 1	6	5
Loss of primary containment – Level 2	52	67
Process safety event – Level 3	1,250	1,621

A loss of primary containment is an unplanned release of material, product, raw material or energy to the environment. They are divided into three categories, dependent on severity, from small, on-site spill/near misses up to Level 1.

and aims to harmonize safety critical equipment identification, introduce standards and improve capability building with critical leaders and front-line workers. This is supported by harmonized leading metrics. The project will continue in 2022.

Several activities took place to strengthen our culture of commitment-based process safety. We launched a successful global campaign to demonstrate leadership commitment and explain how all employees can contribute to process safety. We also introduced Basis of Safety (BOS) standards for resin manufacturing, aluminum bonding and high-speed dispersers that addressed these higher risk processes and defined company expectations for these activities. Various engineering standards have been adopted: for grounding and bonding; flexible hose management; and maintenance of solvent storage tanks.

We'll start 2022 by implementing a training plan for Process Safety Fundamentals – focusing on capability building of front-line workers and proactively developing task-safe behaviors. We'll also continue designing and implementing BOS and engineering standards.

Our loss of primary containment (LoPC) Level 1 and 2 (number of spills) was higher than last year. The increased focus on process safety also resulted in a higher number of Level 3 (near miss) reports. These give essential input to our continuous improvement processes. The direct causes identified by our incident investigations mainly attributed the number of spills to operational discipline (35%) and asset integrity (42%). We saw an increasing trend during 2021 in spills related to handling of drums and IBCs (intermediate bulk containers) by lift trucks. In total, 69% of our manufacturing locations didn't have LoPCs, demonstrating our vision of zero spills is achievable. However, 20% of our locations have caused 76% of our spills

over the last three years. In our roadmap approach, we focus on those locations, ensuring the improvement plans act upon the underlying root cause.

Security

Our security program protects people, information, assets and critical business processes, both on and off-site. We updated the classification for security incidents in 2021, creating four severity levels (from 0 to 3 based on severity of the impact of an incident). Incidents are also separated into three categories – crime against a person, property crime and financial crime.

Globally, there were 160 security incidents reported in 2021, broadly in line with previous years. Four were Level 3 (most severe events), of which the most severe incident was the looting of our manufacturing site in Umbogintwini (South Africa), resulting from organized political unrest in the region.

Theft and vandalism at our stores represented the highest incident sub-type – similar to wider society.

HSE&S management foundation

Our company-wide HSE&S management system is globally certified to ISO 14001 and OHSAS 18001 standards, with ongoing transfer to ISO 45001. It includes policies, procedures, best practice and learnings. In 2021, we updated the self-assessment questionnaire used for continuous improvement and audits.

HSE&S audits are performed in three-year (for high hazard sites) to five-year (other sites) cycles. Due to COVID-19, we conducted the 2021 audit plan with minor amendments, including changing over to remote (55%) and/or hybrid audits (35%) when it was not possible for (all) auditors to visit a site.

Compliance assurance is a key HSE&S priority. It's particularly important for ensuring our license to operate and

business continuity, due to the fast-changing regulatory environment in which we operate. We take a proactive approach to implementing necessary changes, from both a risk mitigation and advocacy perspective. We continue to use a company-wide digital compliance assurance process, which includes a regulatory monitoring and alert system. It also features a self-assessment tool, which helps us to identify compliance with existing regulatory frameworks and stay up-to-date with the latest changes, as well as enabling proactive responses to new requirements.

Safety Day 2021

We invest in visible safety leadership and initiatives to foster employee engagement. During our 11th annual Safety Day, the theme was “Be human – Be safe”, which focused on three key messages:

- Everyone makes mistakes – they happen because we're human
- We can design for error – we'll work to limit the consequences
- Learning is vital for improvement – ask “what failed?” rather than “who failed?”



Employees and contractor partners around the world took part in our 11th annual Safety Day. The theme in 2021 was “Be human – Be safe”. Various activities were staged at our locations, with all the appropriate social distancing measures being carefully observed.

AKZONOBEL CARES



The transformative power of paint helped residents of Manavgat in Turkey to rebuild their lives after the area was devastated by forest fires. Our Marshall brand supported efforts to restore many of the homes and buildings that were badly damaged by donating 10,000 liters of paint. As well as being used on 398 houses, the paint helped to revive various other buildings, such as schools and art centers. Twenty volunteers from AkzoNobel were also involved in the "Let's Colour" project.

Responding to COVID-19

We assessed and responded to changing circumstances throughout the year. Our regional and local response structure proved invaluable, given the major regional differences regarding the impact of COVID-19. Central health and safety guidelines remained intact, supported by our Behavior Based Safety (BBS) program. Our guidelines were expanded by promoting the need for vaccination. We also supported our employees in receiving the vaccine and gaining access to adequate medical care in case of illness. In some areas, lockdowns caused our staff to remain at company premises overnight. In other areas, return-to-office/site was introduced in phases. We continue to monitor conditions and make adjustments where necessary.

We're also supporting local communities in urgent need around the world. In Brazil, we donated food baskets to underprivileged communities struggling with unemployment. In Michigan, US, we supported the cultivation of more than 5,000 pounds of produce to meet the high demand for food. We also provided digital tools for children in India to ensure they could access online classes and continue to study while schools were closed. Meanwhile, in the UK, we supported STARS (Sexual Trauma and Recovery Services), based in Dorset. STARS offers support – such as free counseling and workshops – to help educate young people in schools, the vulnerable and victims of sexual and domestic abuse, who have been increasingly reaching out for support since the start of the pandemic.

AkzoNobel Cares

Renovation

Inspire, uplift and renovate communities

Education

Educate, (online) mentor and train future generations

"Let's Colour" program

for paints and coatings

Other education

Global partners:



Caring for society and the communities in which we operate is a vital part of our global activity. Through the social projects we run under the AkzoNobel Cares banner, our AkzoNobel volunteers work closely with partners around the world to help transform communities and make a positive impact. We aim to initiate more than 1,000 projects through AkzoNobel Cares and train more than 35,000 people in the community between 2020 and 2025.

AkzoNobel Cares is focused on uplifting and renovating communities through our "Let's Colour" initiative, as well as educating, mentoring and training future generations, unlocking possibilities for people who need them most.

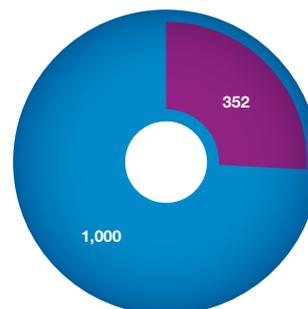
In 2021, we staged 182 projects and trained 11,193 people in the community in various disciplines, such as painting, entrepreneurship and soft skills.

"Let's Colour"

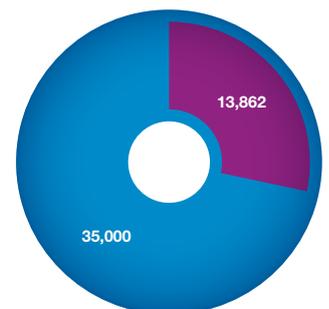
Through our "Let's Colour" program, we continued to transform lives by revitalizing communities and making living spaces more liveable and inspiring. In 2021, we donated 237,000 liters of paint to renovate community living spaces in 31 countries, with more than 1,100 employees volunteering their time. In one of the projects, we used the transformative power of paint to help residents of Manavgat in Turkey rebuild their lives after the area was devastated by forest fires. In the US,

AkzoNobel Cares

■ Number of projects 2020-2021
■ Ambition 2020-2025



■ Number of people trained 2020-2021
■ Ambition 2020-2025



HUMAN RIGHTS

we added color and revived the downtown area of Nashville, Tennessee, following the extensive damage caused by the Christmas Day explosion in 2020 (see page 19).

SOS Children's Villages

We also continued our partnership with SOS Children's Villages for a fifth year. As a member of the YouthCan! platform, we helped to create more employment opportunities for 2,236 young people at risk by providing training in painting and offering soft skills programs, mentor and traineeships. The living spaces for SOS beneficiaries were also renewed and improved. In addition, we welcomed four more countries to our global partnership, bringing the total number of countries involved to 23.

Education Fund

Through our Education Fund, we continued to support Plan International's gender-transformative STEM (Science, Technology, Engineering and Mathematics) education in rural China. AkzoNobel colleagues participated in online sessions with the students, enabling them to benefit from insights and experiences they wouldn't gain at school. The girls in particular were able to meet female role models, who gave them extra motivation to pursue a career of their own choosing.

In India, we continued to run the AkzoNobel Paint Academy in four cities, offering skills development to young people in need. Once the training is completed, participants will have opportunities to gain employment with paint contractors and automotive body shops. During 2021, we also continued to promote diversity and inclusion focused skill training to disadvantaged groups and sections of society in order to help bridge inequality. For example, we gave training to women and found them jobs as painters. Another project involved training prisoners and inmates of juvenile homes, with a number of them having gone on to start new careers as painters.

The effects of COVID-19 around the world brought a new reality and meant there were other potential human rights issues we needed to address. As a result, and in line with the United Nations Guiding Principles to continuously assess a company's salient human rights issues, we finalized our second in-depth salient human rights issues assessment. While we respect all human rights equally, we prioritized certain issues based on their severity and likelihood. These were established following internal data analysis, external trends and engagement with our stakeholders. For example, we held two (digital) workshops in China and India with external stakeholders, including NGO representatives and human rights experts.

Our salient human rights issues remain much the same, although we better understand in which part(s) of the value chain the highest risks could occur, and which ones will shape our main focus.

For example, "Negative impact on local communities" is now a stand-alone issue instead of a sub-issue under Health and Safety (the negative impacts can be broader than just health and safety). Our next steps include assessing our human rights initiatives and addressing them together with AkzoNobel's other functions and businesses. We've also created a new, more diverse Human Rights Committee, with a more robust governance (see Integrity and compliance management), and updated our human rights position statement.

Health and safety

Our top priority is the safety of our people, those we work with and those who our products are offered to. This means we carry out due diligence on thousands of raw materials – some of which are high risk – looking at how they can impact our people, our sites and the communities around them. In 2021, building on the existing Priority Substances Program and extending the

Salient human rights issues

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



With the help of our Taubmans brand, a sprawling wall in Port Moresby, Papua New Guinea, was completely transformed. The 100-meter-long concrete surface was brought to life by 13 AkzoNobel volunteers and 25 young people we trained in the local community. They used 212 liters of paint during the "Let's Colour" project, creating a colorful mural with modern, traditional and cultural motifs.

focus to other sustainability-related raw material topics, we initiated the Raw Material Sustainability Group (RMSG).

Working conditions

We take our commitment to providing good working conditions seriously, both for our employees and those visiting our sites. For example, we're introducing our own Global Working Hours standard, ensuring that everywhere in the world, we're working a safe number of hours, even if local laws allow people to work longer. We're also reinforcing our efforts to integrate water, sanitation and hygiene assessments and audits into our Health, Safety and Security suite to ensure good sanitary conditions, the importance of which has been re-emphasized by COVID-19.

Discrimination and harassment

Everyone should be comfortable in their working environment and feel they're treated with dignity and respect. In 2021, we signed up to the UN Women's Empowerment Principles. Our plans for the immediate future include rolling out a global "trusted person" network, which involves having a trusted person at each location with over 100 employees. We're also aiming for at least 90% of online employees to complete inclusive behavior training and 70% of sites to have run our inclusive behavior workshop.

Impact on local communities

We aim to be a good neighbor and contribute to the well-being of communities. We work closely with local neighborhoods to manage the social impact of our business activities, address any concerns about our operations and enhance

the benefits we're able to bring. We're currently conducting due diligence into our sites to identify where we have risks in order to address any possible negative impact.

Modern slavery

We have zero tolerance for modern slavery, such as child or forced labor, and conduct relevant due diligence into our high risk supply chains. In 2021, we conducted in-depth research into our raw materials portfolio and added barytes, calcium carbonate, copper, fluorspar and talcum to our human rights due diligence in the supply chain. These were added to cobalt, mica minerals and tin, which were already in scope. We've surveyed all suppliers that directly, or indirectly, supply us these materials. By the end of the year, we had an 85% response rate. For cobalt and tin, we surveyed all 132 identified suppliers, using templates from the Responsible

Minerals Initiative. Of those suppliers who confirmed using high risk materials necessary for the functionality of the product, 90% disclosed their smelters. In total, 87% of these smelters were either listed as active or conformant smelters in the Responsible Minerals Assurance Process. Suppliers with a "conflict-free statement", but who didn't disclose the smelters in their supply chain, haven't been included, since our due diligence is based on the Organization for Economic Cooperation and Development Guidance for Responsible Mineral Supply Chains. For the other materials, a third party sent out surveys to 180 suppliers to increase transparency of these supply chains. The results gave us further insight into our supply chain complexity and risks. We can now set up new actions, such as planning mine audits where insufficient controls seem to be in place.

Note: Not all of these goods are purchased directly, but are contained in the raw materials we buy.

Membership of Responsible Mica Initiative formalized

Towards the end of the year, we formalized our partnership with the Responsible Mica Initiative (RMI), having been one of the founders when it was launched in 2017. The RMI's mission is to establish a fair, responsible and sustainable mica supply chain in India that's free of child labor by 2030.

Used in a wide range of industries, mica minerals are mined extensively in India, where a variety of factors contribute to poor working conditions, including the use of child labor. Our leverage to change the situation is somewhat limited, due to our position in the supply chain – several steps away from the mica mines and processing



units – and the relatively small amount of indirect mica sourcing.

Rather than deciding to stop sourcing products that contain mica from India – thereby eliminating the risk of indirectly sourcing products containing mica mined and processed under poor working conditions – we opted to increase our leverage through our RMI membership and do our utmost to bring about change.

Following the RMI's pilot year, we continued to focus on

the issue and a commitment was made to conduct serious due diligence and look for creative ways to contribute to the initiative – which has now resulted in full membership.

"Formalizing our membership demonstrates that we take our responsibility to respect human rights across our value chain very seriously and we're determined to be part of the solution," says Anja Verbeke, AkzoNobel's Global Director of Integrity and Compliance.

AkzoNobel closely monitors how mica is sourced and works hard to ensure that the supply chain which uses the mineral is made transparent, traceable and sustainable.

SBTi approval for carbon reduction target



One of the year's most significant developments in our ongoing drive to help tackle climate change was gaining official validation for our science-based sustainability targets from the Science Based Targets initiative (SBTi).

It confirmed our status as the first paints and coatings company to receive this approval and is a clear signal of our intent.

The commitment we've made covers the full value chain and is aligned with the Paris Agreement – which aims to limit global warming and ensure that global temperature rise doesn't exceed 1.5°C above pre-industrial levels. This includes our own operations (Scope 1 and 2), as well as Scope 3 upstream and downstream. Scope 3 covers purchased goods and services, application and use of our products, and end-of-life.

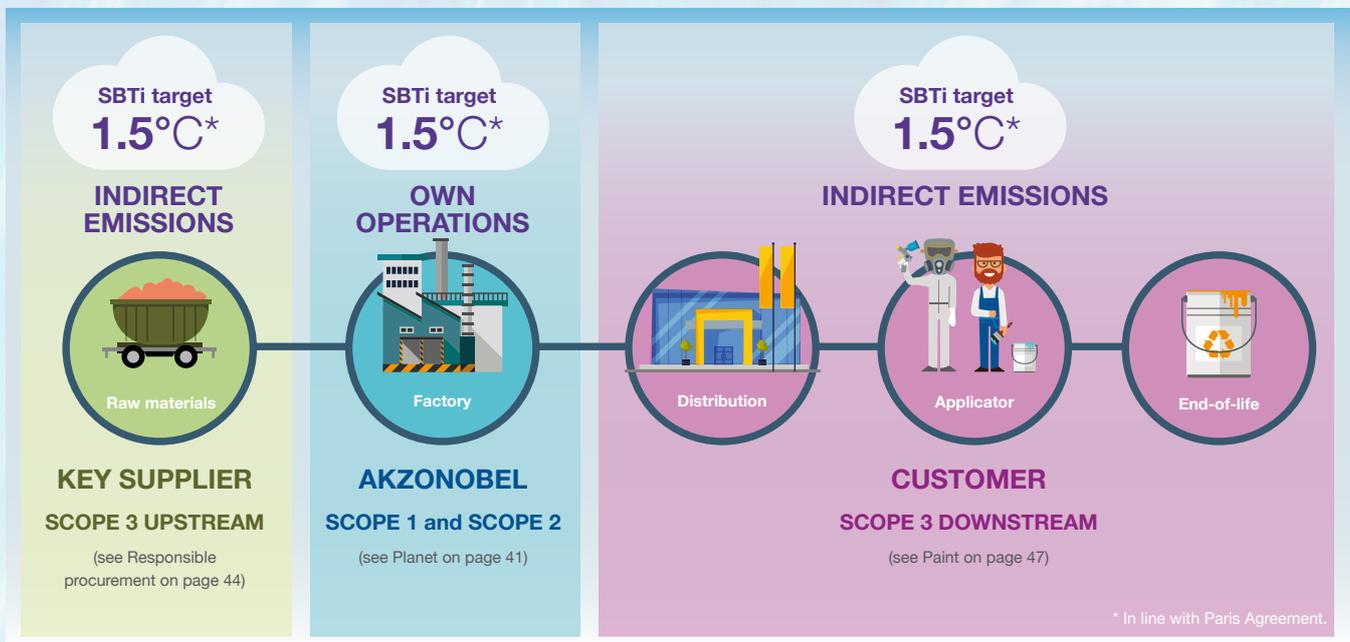
We set the carbon reduction target for our own operations in early 2020 – we've targeted a 50% reduction by 2030 – and remain well on track, having reduced our footprint by 21% in 2021 (baseline 2018).

"We're proud to be the first company in our industry to receive SBTi approval for our carbon reduction target," says AkzoNobel CEO, Thierry Vanlancker. "It's a clear signal that we're committed to taking stronger action to tackle climate change and will be an enormous innovation driver for what we do in our supply chain and with our customers."

"Successfully combating the impact of climate change is everyone's responsibility. So we have to work with all our value chain partners to transition to lower carbon alternatives."

We're already looking for innovative ways to tackle the issue and have a clear plan to reach our Scope 1 and 2 commitment by transitioning to 100% renewable electricity and reducing our energy by 30% compared with 2018.

For Scope 3, we're taking action by increasing our sustainable solutions, while our pioneering Paint the Future collaborative ecosystem approach continues to gather momentum. It's focused on engaging with suppliers and customers around the world to collectively find solutions to the challenge of cutting carbon emissions by 50%.



PLANET

We challenge ourselves and our partners every day to be better global citizens and protect the future of our planet.



CARBON EMISSIONS IN OWN OPERATIONS

We're committed to halving our carbon emissions by 2030, so we're constantly striving to improve our energy efficiency and conversion to renewable electricity. In 2021, we reduced carbon emissions in our operations by 3% (relative) versus 2020, mainly through conversion to renewable electricity and footprint optimization. This means we've achieved a reduction of 21% compared with the 2018 baseline – bringing us closer to our 2025 interim ambition of 25%.

Renewable electricity

By 2030, we aim to have shifted to 100% renewable electricity at all our locations. We've been installing solar panels at multiple sites and purchasing renewable electricity with certificates of origin. Our current total share of renewable electricity use is 45% globally, approaching our 2025 interim target of 50%. In total, 44 of our locations now use 100% renewable electricity, with 23 sites using solar panels as a supplementary source of energy. We plan to increase this number in the near future.

Energy reduction

We're aiming to cut our energy use by 30% by 2030 (baseline 2018). Initiatives such as using LED lighting systems,

replacing chillers, optimizing compressed air systems and shutdown management have contributed greatly to this already.

So far, we've reduced energy per ton of production by 1% (relative) versus our 2018 levels. In 2021, our overall relative energy use remained at 1.83 TJ per ton of production, compared with 2020. However, due to the centralization of electricity procurement, part of the stores organization was elevated above the materiality threshold and was therefore included in our energy reporting as of 2021. This resulted in an increase of 3.5%, leading to the reported 1.89 TJ per ton of production. Structural energy efficiency improvements were offset by adverse effects (including product mix and inefficiencies due to raw material shortages), resulting in a 0.5% net increase. We also installed thermal oxidizers to reduce VOC emissions, as well as solvent recovery units to reduce our waste. Although these improvement projects led to an increase in energy use, they positively impacted our VOC emissions reduction and waste circularity (see Waste management).

Driving energy efficiency and using more renewable electricity across all our sites globally will have a significant impact on reducing our carbon emissions from our own operations – and will ultimately help to mitigate climate change.

Volatile organic compounds

The production of paints and coatings means we have emissions of volatile organic compounds (VOCs), which is included in our cradle-to-grave carbon footprint. We achieved a 6% (relative) improvement versus 2020 in VOC emissions per ton of product in our own operations, and a total of 41% (relative) versus the 2018 baseline.



* Compared with 2018 baseline.

100% renewable electricity in Europe in 2022

Our ambition to transition to 100% renewable electricity by 2030 is progressing well, with our operations in Europe having fully switched over by January 2022.

Converting to renewable electricity is key to our overall ambition of halving carbon emissions in our own operations by 2030.

We first announced our ambition in 2020, with several

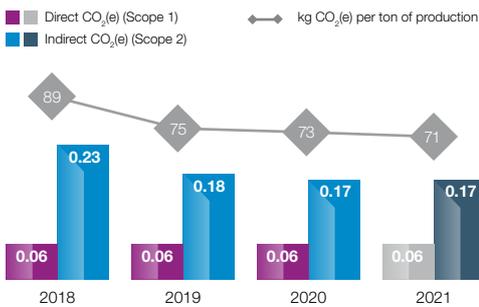
European countries among the first to achieve the 100% milestone, including the Netherlands, the UK, Belgium, Estonia, Ireland, Spain, Germany and Sweden. We've since added more countries to the list, notably France, Poland, Russia and Italy.

Reaching 100% renewable electricity in Europe brings our total share to 45%, close to meeting our 2025 interim global target of 50%.



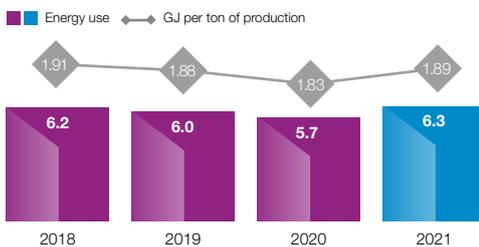
WASTE AND WATER MANAGEMENT

Greenhouse gas emissions in million tons



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

Energy use in 1000 TJ



2021 numbers include a baseline shift of 199 TJ, or 3.5%, due to central procurement of electricity, elevating part of the stores organization above the materiality level.

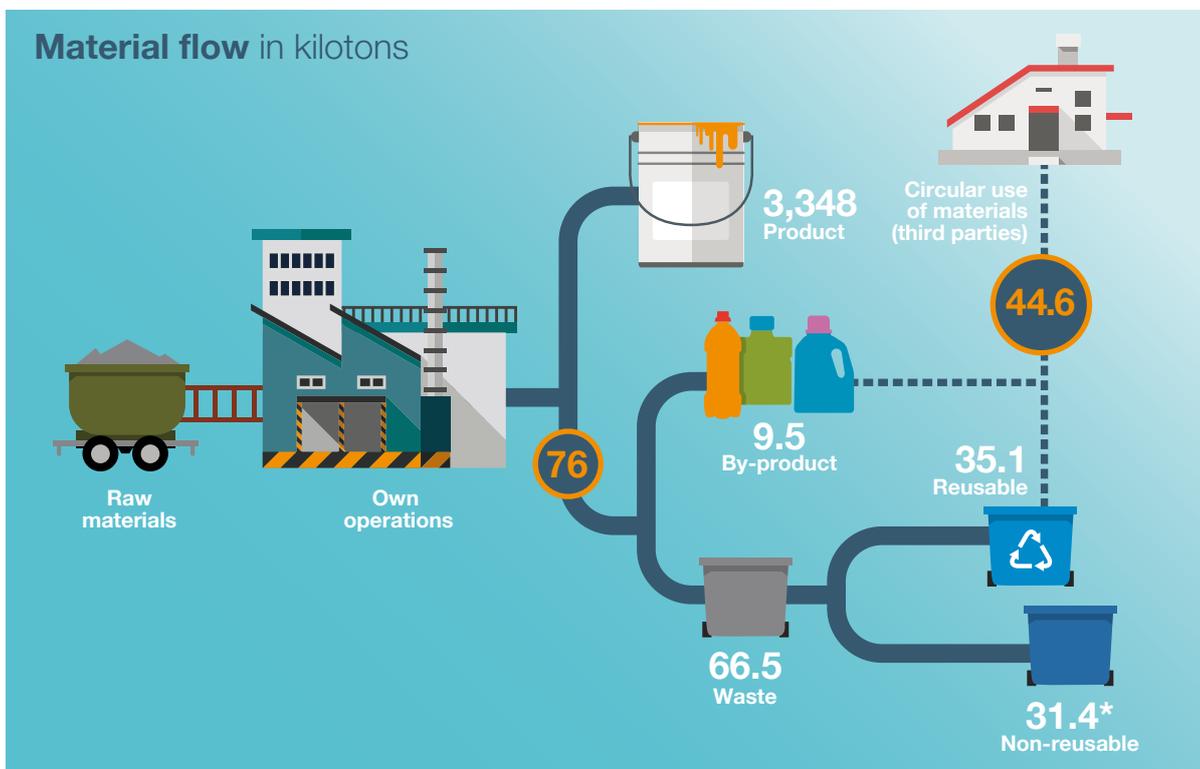
We're on a journey to becoming a zero waste company by 2030, which involves focusing on both waste and water. We continue to promote a circular economy as part of our focus on reducing waste in our manufacturing processes, and we're committed to reusing and recycling obsolete materials.

For waste, this means we're well on our way to zero waste to landfill (defined as <1% of total waste). In 2021, our waste to landfill reduced by 77% (absolute) versus 2020 (1,500 tons) to 2% of total waste in 2021. In total, there's been an 87% (absolute) reduction in waste to landfill versus the 2018 baseline.

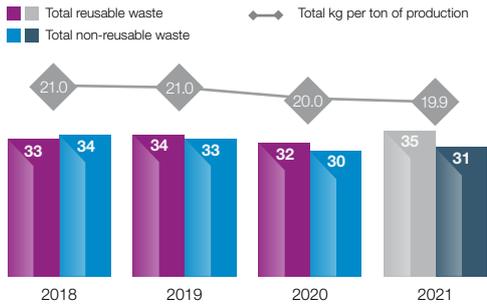
In 2021, we achieved circular use for around 59% of our obsolete materials. We've identified new outlets for materials that would otherwise be disposed of as waste. Overall, this has resulted in waste avoidance of 9,460 tons, otherwise our total waste would be 14% (absolute) higher.

Our relative waste (kg/ton of material produced) didn't improve (0%), and as a result, we didn't meet our 2021 internal goal of 5% overall. The reasons for this include new acquisitions – which may sometimes need to align with corporate standards – raw materials shortages (which can lead to manufacturing inefficiencies), and operational and supply chain challenges. We're driving various global programs, such as wash water recycling and solvent recovery units, to further reduce our waste.

Our ambition is to reuse water at all our most water intensive sites. We mainly use water for cooling (77%, chemically unchanged) at a handful of our production locations in low water risk areas. Water is also used as a raw material in production and for cleaning. A site is considered water intensive if it uses more than 15,000m³ per year, excluding cooling water. Currently, we have 47 sites that are considered water intensive per the definition,

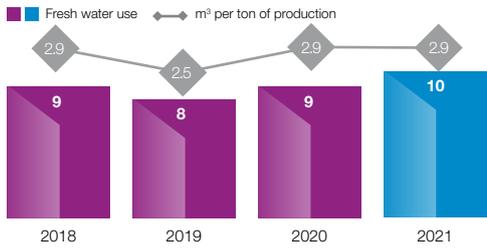


>> Total waste in kilotons



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

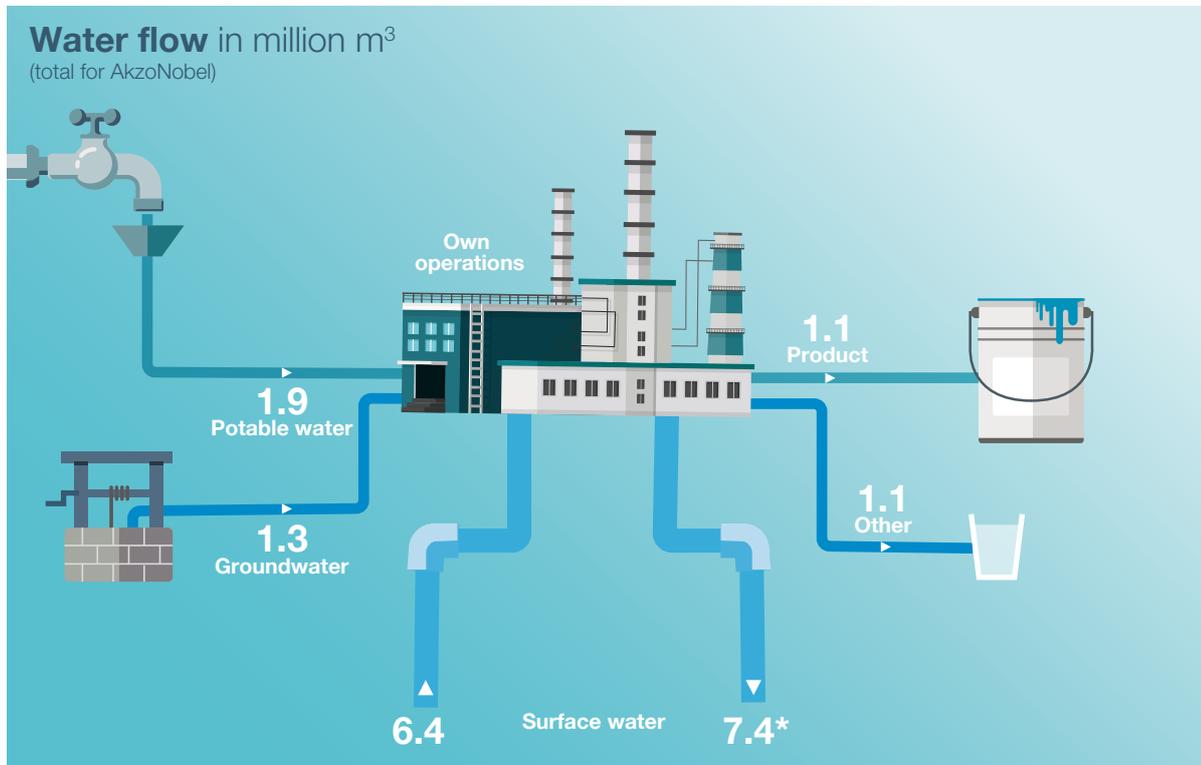
>> Fresh water use in million m³



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



As part of our global "Let's Colour" program, we teamed up with a community of mural artists in Bandung, Indonesia, to paint the walls of the Saparua Sports Center. The venue is a cultural heritage hub for sports, creativity, arts and music.



* Primarily cooling water

representing 75% of our total freshwater consumption. If relative freshwater consumption is less than 250 liters per ton of product, we consider water reuse is in place (best-in-class water intensity level within AkzoNobel, only reached through water management and reuse). In 2021, this was achieved by 14 out of those 47 sites.

We're improving by focusing on recycling and reusing process water by treating our wastewater on-site, or via third parties. We also adapt formulations, enabling us to reuse water and reduce our freshwater consumption, and we're moving towards waterless cleaning to help reduce our freshwater consumption.

We continue to work closely with our suppliers to create value and continuously improve both our sustainability and their own. Collaborating and innovating with our suppliers is key to achieving our ambition to reduce carbon emissions across the whole value chain (see Carbon emissions in our value chain).

In 2021, we continued to assess and improve our suppliers' sustainability practices using programs and partners provided by Together for Sustainability (TfS). Since 2019, we've lowered our spend threshold from €1 million to €250,000 for our multi-year supplier sustainability risk program.

We have kept suppliers in the sustainability assessment program, even if their spend temporarily dropped below our spend threshold, due to the impact of COVID-19. We also added logistics providers and suppliers in low risk regions, but with significant spend



Two major projects to install around 8,000 solar panels were completed at sites in China – helping to accelerate our ambition of cutting carbon emissions in half by 2030. The panels were installed at two of our Decorative Paints plants – more than 5,000 in Shanghai and almost 3,000 in Guangzhou – representing further progress for our greener manufacturing plans.

Climate change adaptation and water risk

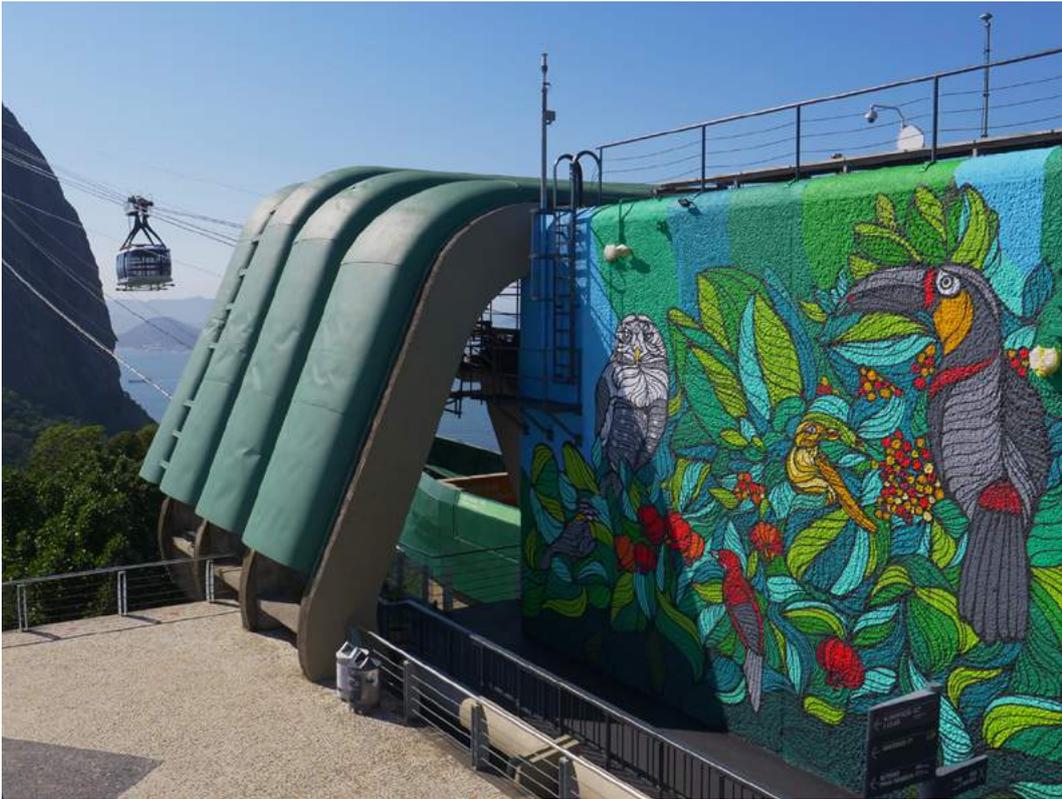
As recommended by the Task Force on Climate-related Financial Disclosures (TCFD), we continue to monitor our risks and opportunities related to climate change. As a company, we're exposed to physical risks – such as those associated with water scarcity, flooding and weather events. We also consider transitional risks that can lead to changes in technology, market dynamics and regulations.

For the last six years, we've implemented an internal carbon price for investment decisions, anticipating the impact of any future carbon pricing. We have sustainability assessments in place for investment projects, including water risk assessment for new locations. Annually, we also quantify the potential transitional risk impact of any global carbon taxation by multiplying our carbon footprint with the internal carbon price. The financial impact is well below 1% of revenues.

We continue to assess risks related to water. We use the Aqueduct water risk atlas developed by the World Resources Institute to assess the level of risk related to water at our production locations. Around 10% of our sites are in areas rated “extremely high” for overall water risk (with standard weighting factors). Aqueduct is also used to assess current climate related risks (coastal flooding, river flooding and drought). Around 14% of our locations are in areas rated “extremely high”. These account for 3% of our fresh water use.

Future risks for 2030 were also evaluated using Aqueduct (water stress, business as usual). Around 25% of our locations are in areas rated “extremely high”, accounting for 7% of our fresh water use. All locations confirmed as “extremely high” in any of these assessments will develop a risk mitigation plan.

We continued to assess our suppliers in 2021 and challenged them on their water risk, particularly in regions affected by river or coastal flooding. We're working with them to look for solutions to these challenges.

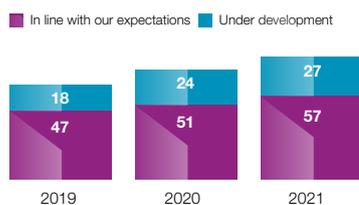


This is the dramatic Pão de Açúcar cable car in Rio de Janeiro, Brazil, which takes visitors to the top of Sugarloaf Mountain. As part of a "Let's Colour" project to portray the biodiversity of the surrounding landscape, our Coral brand was used to create colorful paintings of plants and animals on the three cable car stations. Artist Bruno Big used more than 540 liters of paint in 40 different colors, with the art also serving as a means of raising environmental awareness.

and business impact. As a result, we now have 1,028 suppliers identified for the program (2020: 885), covering 81% of our procurement spend. One focus area that came out of the audits was suppliers' occupational health and safety, on which we made good progress to improve their performance.

Building on our achievements, we intend to continue increasing the number of suppliers identified for our sustainability

» Suppliers in sustainability program in %



Baseline of 1,028 suppliers (2020: 885). Increase of baseline due to addition of high spend suppliers and logistics providers.

program. Our ambition is to have 1,500 suppliers participating in the program by 2025. We'll also continue to increase buyers' and suppliers' capabilities through the new TFS Capability Building program.

We continued to use our existing Supplier Sustainability Balanced Scorecard (SSBS) to collect eco-performance KPIs (i.e. waste, energy, greenhouse gas emissions) from our suppliers to see if they're moving in the right direction when it comes to meeting their own sustainability goals. We intend to increase the number of suppliers in our SSBS to 100 over the next few years and will work with them to achieve our SBTi targets (see page 40).

In 2021, we informed the top 100 suppliers who contribute to our Scope 3 upstream emissions about our ambition to reduce carbon emissions and invited them to collaborate on our

common goal. We followed this up with a survey to evaluate their maturity. We will continue this work during 2022.

Business Partner Code of Conduct

We expect our business partners to follow our core values of safety, integrity and sustainability, as specified in our Business Partner Code of Conduct.

Suppliers sign the code to confirm their compliance with environmental, social, human rights and governance requirements. Signatories cover 99% of the product related (PR) spend and 89% of the non-product related (NPR) spend.

Building more resilience

Our world is changing – and so is the way we look at buildings. Recent global events have impacted how we use them, while population expansion and economic growth will inevitably mean we'll need more of them.

Given that the trend for urbanization will continue unabated, the way that new buildings are constructed – and the capacity for existing buildings to be adapted and renovated – continue to create new opportunities.

According to the World Green Building Council (WGBC), the carbon emissions generated by operating buildings, along with the carbon embodied in building materials and activities, account for almost a third of global carbon emissions.

Why does this interest a company like AkzoNobel? Well, we're a major supplier of sustainable paints and coatings to the construction industry. We provide one of the largest portfolios of paints and coatings solutions for green buildings, including powder coatings, coil coatings, protective coatings and wood coatings technologies. It means we can make an important contribution to the ongoing transformation of the built environment, which aims to reduce the carbon footprint of buildings, increase circularity in buildings and make them healthier places to live and work.

Our extensive portfolio of sustainable solutions is qualified for use on green buildings in countries

around the world. The products we supply can help in achieving green building certifications (or green labels) such as LEED, WELL and BREEAM. There are three broad areas where we really make a difference. We supply products that have an impact on:

- Climate action – providing products that enable lower energy consumption in the application/use phase and contain lower embodied carbon
- Health and well-being – bringing health and well-being benefits to users of buildings by, for example, improving indoor air quality
- Circularity – enabling waste reduction, using less energy and resources, using more renewable and reused materials, and offering longer-lasting performance

We're an active partner of the WGBC, driving the development of more green and sustainable buildings for everyone. As the first paints and coatings company to have its science-based sustainability targets officially validated by the Science Based Targets initiative (SBTi), our commitment to building resilience for climate, people and economies is clear.

Ultimately, it's all about using our pioneering spirit and centuries of paints and coatings expertise to deliver the most sustainable solutions for our customers and the world around us.

You can learn more about our commitment to green buildings on our website.



SUSTAINABLE SOLUTIONS

PAINT

We keep pushing boundaries to develop pioneering paint solutions that make a world of difference.



In 2020, we set an ambition to increase revenue from sustainable solutions to more than 50% by 2030. We decided to focus not only on our eco-premium solutions that offer significantly better sustainability benefits compared with mainstream solutions, but to focus on all solutions that bring sustainability benefits to our customers. We call this overall category “Sustainable solutions”. We changed focus due to the global growth in market demand for more sustainable solutions.

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.

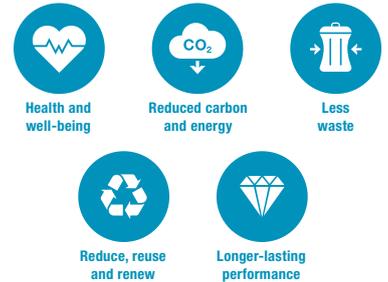
We identify the sustainability value we bring to our customers by using the Sustainable Product Portfolio Assessment (SPPA) framework. We co-developed the SPPA with other chemical companies and the World Business Council for Sustainable Development (WBCSD). It’s now the leading sustainable portfolio 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 enables value-selling strategies tailored to specific customer needs. So we can take a harmonized approach in our portfolio management, creating a unique baseline for future portfolio ambitions.

We continue to influence the growing acceptance of more sustainable solutions.

Our products fall into one of three categories: Sustainable solutions, Performers, Transitioners (see visual at bottom of page).

A sustainable solution is a product that meets at least one of the following criteria.



Carbon reduction

Ambition 2030: 50%* carbon reduction in the full value chain

Sustainable solutions

Ambition 2030: More than 50% of revenue from sustainable solutions
2021: 39%

Recycled plastic packaging

Ambition 2025: 50% recycled content to be used in plastic packaging by Deco Europe

* Baseline 2018.



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

**CARBON EMISSIONS
IN OUR VALUE CHAIN**

A sustainable solution does not adversely affect any of these sustainability criteria throughout the value chain.

In 2021, 39% of our revenue came from sustainable solutions. We launched new products with clear sustainability benefits and further reduced the use of chemical substances of concern. Several examples of sustainable solutions can be found in the Strategy and operations section. 74% of our total portfolio has been assessed according to the SPPA methodology, the remainder is extrapolated, based on the sustainable solutions percentage of the relevant business unit. During the year, our product management teams continued to work on the SPPA categorization, while focusing on new product developments.

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. Our Product Stewardship Continuous Improvement Tool (PSCIT) helps monitor and drive continuous improvement.

Our highly acclaimed Priority Substance Program continues to help us identify and control the use of hazardous substances. It's embedded in our processes and ensures we're ahead of any changes to regulations. The governance of the program is assured by the Raw Material Sustainability Group (RMSG).

A training program continues to be developed and delivered to all relevant functions throughout AkzoNobel to ensure everyone is aware of priority substances and how they impact our own operations.



A new initiative from our Dulux Decorator Centre network in the UK is helping to make a real difference to disadvantaged young people while bringing new talent into the coatings industry. A range of jobs has been made exclusively available for those aged 18 to 24 who are facing long-term unemployment. Launched in partnership with The Prince's Trust Kickstart program, the initiative is also boosting the decorating trade, which has suffered a skills shortage in recent years.

Climate change mitigation is an integral part of our approach to sustainable business and plays an important role in our company strategy. It brings risks, but also creates opportunities. In 2021, we announced an ambitious target of reducing carbon emissions across our full value chain by 50% by 2030, taking 2018 as our baseline.

Our Scope 3 carbon footprint is currently at 14.5 million tons. It includes:

- Upstream: Category 1 – purchased goods and services (including packaging)
- Downstream: Category 10 – processing of sold products; Category 11 – use of sold products; Category 12 – end-of-life treatment of sold products and VOC emissions in processing/use

Royal recognition for our sustainability leadership

A major new sustainability award was presented to AkzoNobel by His Royal Highness The Prince of Wales at the COP26 summit held in Glasgow, Scotland.

We were one of the first recipients of the Terra Carta Seal, which recognizes global companies that are driving innovation and demonstrating their commitment to, and momentum towards, the creation of genuinely sustainable markets.

The award is part of the Terra Carta, a recovery plan for nature, people and planet which was introduced in early

2021 through HRH The Prince of Wales' Sustainable Markets Initiative. AkzoNobel was the only paints and coatings company to receive the honor.

"Having our efforts recognized by the award of the Terra Carta Seal is a source of great pride for everyone in our company," said CEO Thierry Vanlancker, who was in Glasgow to receive the honor. "It's a clear endorsement of all the work we're doing across AkzoNobel and everything we've achieved so far.

"It also confirms the vital role that paints and coatings can play when you combine the



precious and irreplaceable power of nature with the transformative power of paint – which lies at the heart of what we do for people and the environment."

While we continue to make investments and launch new products, it will be several years before we really start to see the impact. So we expect to deliver the biggest benefits and improvements in the second half of the decade.

We're encouraging all our value chain partners to transition to more sustainable products and commit to our SBTi target.

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), this will help to drive our innovation and collaboration with our value chain partners, including customers and suppliers.

The innovation and development of our sustainable solutions plays a key role. We're able to offer our customers – and their customers in turn – sustainable solutions that enable them to reduce their own emissions and use products with a lower carbon footprint. Developing these sustainable solutions and services involves the vast majority of our 2,699 people in RD&I teams and of our €230 million innovation investments.

In 2021, we continued to focus on product carbon footprint assessment, helping our customers to analyze and reduce their own carbon footprints. We're encouraging all our value chain partners to transition to the use of renewable energy sources and work with us to reduce the carbon emissions from VOCs and from the application and use of our products, and to increase the use of renewable raw materials.

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. We're initially focusing on this particular business as more than half of our plastic packaging is used in this area of our activities.

We've continuously improved our key plastic packs in recent years. By working together 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. We've started to roll out this recycled content in our plastic packaging in various European markets.

In 2022, we'll accelerate the implementation of plastic packaging containing recycled content together with our suppliers.



All the pieces fell perfectly into place when our Inca brand supported a project to celebrate diversity in Uruguay. Artist Ximena Fernández Castro used our products to paint a colorful puzzle mural onto a wall surrounding a children's play area in the La Blanqueada district of Montevideo. The "Let's Colour" project was promoted by the local municipality. A great way to use color to communicate an important message.

Managing sustainability

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

Materiality assessment

We use the principle of materiality to review our strategic priorities and assess the topics included in the Sustainability statements of this Report 2021. During 2021, we updated the methodology to

determine and prioritize those topics most material to our company and our stakeholders. We've determined the most material topics for a company in our industry, based on the material topics identified by reporting frameworks (e.g. GRI and SASB) and sustainability indexes (e.g. EcoVadis, Sustainalytics). The internal and external importance for each of these material topics are determined and validated annually and reported in our annual report. More details can be found on our [website](#).

Based on the assessment to determine the most material topics for our industry, biodiversity and land use do not show as a material topic. Nevertheless, we recognize the importance of this in society. We continue to disclose metrics related to biodiversity – such as emissions (carbon, NOx, SOx, and VOC) and pollutant emissions (COD) – on our [website](#) and in our annual report. We continue to further investigate the materiality of biodiversity and land use.

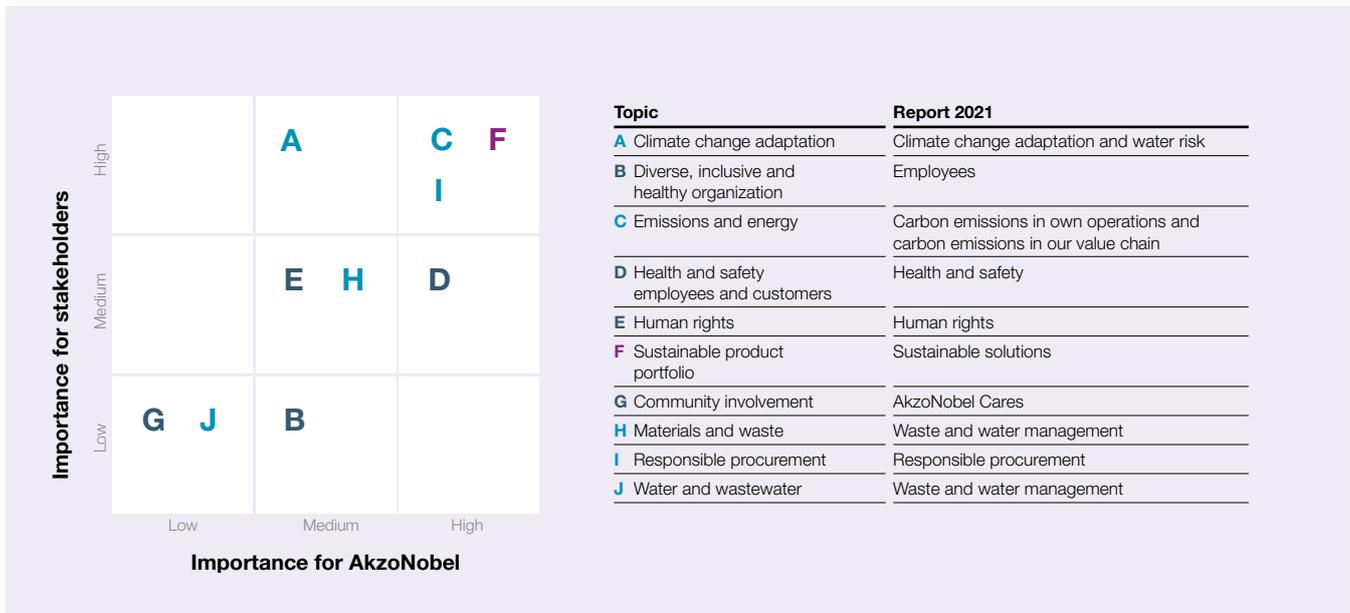
Reporting principles and frameworks

When combining disclosures in this Report 2021 with disclosures on our [website](#), we report in accordance with 2021 GRI standards. We're also in the process of fully implementing the recommendation of the Task Force on Climate-Related Financial Disclosures (TCFD) and the World Economic Forum (WEF). In addition to an index table for GRI, TCFD and WEF, we provide an index table on the Sustainability Accounting Standards Board (SASB) on our [website](#).

We use our internally developed reporting principles to make our reporting more precise and better aligned with our business and operations. They are aligned with the Global Reporting Initiative (GRI) standards. The complete reporting principles can be found on our [website](#), while a summary is included in the Appendix of this Report 2021.

Materiality matrix

■ People ■ Planet ■ Paint



The preparation of our Sustainability statements requires management to make judgments, estimates and assumptions that affect amounts reported, especially for sustainable solutions and Scope 3 carbon footprint. The estimates and assumptions are based on experience and various other factors believed to be reasonable under the circumstances. The estimates and underlying assumptions are reviewed on an ongoing basis. More details on the methodology and significant assumptions can be found in the reporting principles on our [website](#).

EU taxonomy disclosure

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:

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

The above environmental objectives are/will be further detailed out with technical screening criteria for determining the conditions under which an economic activity qualifies as contributing substantially to the six

objectives. For the financial year 2021, two of the six objectives listed above have been further detailed out and are applicable for reporting in 2021: climate change mitigation and climate change adaptation. Companies are required to report on the proportion of turnover (revenues), capital expenditures (Capex) and operating expenditures (Opex) that is associated with environmentally sustainable economic activities. For the purpose of the calculation of eligible activities, the following financial information has been derived from AkzoNobel's 2021 financial statements:

- Revenues is consolidated external revenues as reported in our consolidated statement of income
- Capital expenditures 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. Note that capital expenditures as included in the 2021 financial statements excludes the impact from right-of-use assets, as well as the impact from acquisitions resulting from business combinations
- Operating expenditures 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. This definition differs from operating expenses as included in our consolidated statement of income. As the operating expenses in accordance with the EU taxonomy are not significant for AkzoNobel, we make use of the exemption in the EU taxonomy and disclose 0% eligibility for Opex

The core activities of AkzoNobel, being the manufacturing of paints and coatings, are not considered to be among the largest potential contributors to climate change mitigation and climate change adaptation by nature. Therefore, AkzoNobel's core activity (manufacturing

of paints and coatings) is not defined as an eligible activity for EU taxonomy by the legislator. As a result, the company does not have any eligible revenues under the EU taxonomy.

The outcomes of the EU taxonomy assessment for 2021 in relation to the climate change mitigation and climate change adaptation environmental objectives can be summarized as follows:

- Revenues: Per the EU taxonomy definitions, AkzoNobel does not have any eligible activities and therefore no eligible revenues
- Capex: Eligible activities amount to 3% of Capex
- Opex: Eligible activities amount to 0% of Opex

Although we have limited eligible activities under the current EU taxonomy, which mainly consist of investments in water treatment units and solar panels, around 39% of our revenue comes from sustainable solutions (see Paint section) and our current total share of renewable electricity use is 45% globally (see Planet section). In addition, our innovation investments are focused around increasing sustainable solutions in our product portfolio.

In addition, in 2021, our carbon reduction target of 50% reduction by 2030 for the full value chain was assessed and validated by the Science Based Targets initiative. Our ambition is in line with the 1.5°C pathway, as defined in the Paris Agreement and demonstrates our clear commitment to climate change mitigation. For our own operations, we have already reduced our relative carbon footprint by 21%, closing in on our 2025 interim target of 25% (see Planet section).

We also continued to monitor the risks and opportunities related to climate change following the recommendations of the TCFD (see Planet section).

People

Area	Unit	2017	2018	2019	2020	2021	Ambition 2025
Employees							
» Organizational health score	score	–	58	61	69	72	Top quartile 75
» Female executives ¹	%	19	20	18	21	22	30
People, process and product safety							
» Fatalities employees	number	0	0	2	0	1	
» Total reportable injury rate employees/ temporary workers	/200,000 hours	0.20	0.20	0.24	0.23	0.21	
» Lost time injury rate employees/ temporary workers	/200,000 hours	0.06	0.09	0.08	0.09	0.11	–
» Occupational illness rate employees	/200,000 hours	0.011	0.012	0.003	0.010	0.003	–
» Fatalities contractors (temporary workers plus independent)	number	1	0	0	0	0	
» Total reportable injury rate contractors	/200,000 hours	0.12	0.18	0.19	0.17	0.12	–
» Lost time injury rate contractors	/200,000 hours	0.06	0.07	0.09	0.11	0.08	
» Life-changing injuries	number	2	3	3	2	2	
» Loss of primary containment – Level 1	number	5	6	3	6	5	–
» Loss of primary containment – Level 2	number	43	63	64	52	67	–
» Regulatory actions – Level 4	number	0	1	0	0	0	
» Security incidents Level 3	number	–	–	–	–	4	
HSE management							
Management audits plus reassurance audits	number	32	25	32	28	29	–
AkzoNobel Cares							
Community people trained	number	2,863	4,276	4,078	2,669	11,193	2020-2025 35,000
Projects	number	224	126	225	170	182	1,000

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

Our reporting principles can be found in the Appendix.

¹ 2017 data includes discontinued operations.

Planet							
Area	Unit	2017	2018	2019	2020	2021	Ambition 2030
Energy use and emissions							
» Energy use ¹	1000TJ	6.39	6.20	6.02	5.69	6.33	–
– per ton of production	GJ/ton	1.88	1.91	1.88	1.83	1.89	(30%) ⁵
» Renewable energy (own operations)	%	30	31	31	33	37	–
» Renewable electricity (own operations)	%	37	38	37	40	45	100
» Greenhouse gas emissions – Direct CO ₂ (e) emissions (Scope 1)	kiloton	69.66	62.90	58.29	57.16	64.51	–
– per ton of production	kg/ton	20.53	19.42	18.18	18.42	19.27	–
» Greenhouse gas emissions – Indirect CO ₂ (e) emissions (Scope 2)	kiloton	237.8	226.0	183.1	168.2	172.1	–
– per ton of production	kg/ton	70.11	69.77	57.13	54.21	51.40	–
» Greenhouse gas emissions – CO ₂ (e)	kg/ton	91	89	75	73	71	–
» Volatile organic compounds	kiloton	1.71	1.57	1.19	0.95	0.96	–
– per ton of production	kg/ton	0.50	0.49	0.37	0.31	0.29	–
Resource efficiency							
» Total waste	kiloton	77	67	67	62	67	–
– per ton of production	kg/ton	22.77	20.97	21.00	19.96	19.87	–
» Total waste – circular	%	51	52	55	58	59	100
» Total reusable waste	kiloton	37	33	34	32	35	–
» Total non-reusable waste	kiloton	40	34	33	30	31	–
– per ton of production	kg/ton	11.90	10.63	10.28	9.57	9.39	–
Hazardous waste total	kiloton	33	30	29	28	31	–
– per ton of production	kg/ton	9.76	9.13	9.07	8.93	9.19	–
Hazardous waste non-reusable	kiloton	16	15	14	15	17	–
– per ton of production	kg/ton	4.64	4.59	4.46	4.70	4.95	–
» Hazardous waste to landfill	kiloton	0.6	0.69	0.45	0.23	0.11	–
– per ton of production	kg/ton	0.17	0.21	0.14	0.07	0.03	–
» Fresh water use	million m ³	9.62	9.27	8.05	9.12	9.56	–
– per ton of production	m ³ /ton	2.84	2.86	2.51	2.94	2.86	–
» Fresh water consumption	million m ³	–	–	–	–	1.27	–
– per ton of production	m ³ /ton	–	–	–	–	0.38	–
Supplier management							
» Suppliers participating in sustainability program	% against baseline	–	60	65	75	84	–
» Suppliers in sustainability program – under development	% against baseline	–	22	18	24	27	–
» Suppliers in sustainability program – in line with our expectations	% against baseline	–	38	47	51	57	–
Business Partner Code of Conduct product-related	% of spend	97	98	98	98	99	–
Business Partner Code of Conduct non product-related	% of spend	86	83	84	89	89	–

Paint							
Area	Unit	2017	2018	2019	2020	2021	Ambition 2030
Sustainable product portfolio							
» Sustainable solutions ²	% of revenue	–	–	–	–	39	>50
» Eco-premium solutions ²	% of revenue	21	22	22	21	–	–
Value chain emission							
» Cradle-to-grave carbon footprint (Scope 1, 2 and 3)	million tons	–	14.3	13.8	12.8	14.7	–
» Scope 3 upstream ³	million tons	–	6.5	6.3	5.9	6.8	–
» Scope 3 downstream ⁴	million tons	–	7.5	7.3	6.7	7.7	–

¹ 2021 number includes a baseline shift of 199 TJ, or 3.5%, due to central procurement of electricity, elevating part of the stores organization above the materiality level.

² As of 2021, we report on sustainable solutions instead of eco-premium solutions. The reporting period for both eco-premium as well as sustainable solutions is November-October.

³ Category 1: purchased goods and services.

⁴ Category 10: processing of sold products; category 11: use of sold products; category 12: end-of-life treatment of sold products; VOC.

⁵ Versus 2018 baseline.

Circular vision becoming a reality


[watch video](#)


Stand by for a prime example of why we set up our Paint the Future collaborative innovation ecosystem. It's the story of how Dutch startup Alucha entered our inaugural global challenge in 2019 and, two years later, is engaged in a pilot project with AkzoNobel to supply a circular raw material – extracted from paper sludge – which is being used in one of our products.

Based in Arnhem, Alucha develops innovative waste recycling solutions. They entered our first ever Paint the Future startup challenge hoping to generate interest for their circular alternative to calcium carbonate, a mineral which is applied in paint and fillers. After being named as one of the five winners, a sourcing agreement was put in place and we started working together.

The potential was obvious. They were developing an extraction technology for recovering minerals and bio-oil from paper sludge which promised major sustainability benefits. Using Alucha's circular solution can take mining of calcium carbonate out of the equation. With the feedstock being paper sludge, it also upcycles part of a waste stream, contributing to the circular economy. All important factors when considering our science-based target of reducing carbon emissions by 50% across the full value chain by 2030.

"Calcium carbonate traditionally comes out of mines and quarries in great quantities and is used in a variety of everyday products, many of which are eventually

thrown away," explains Alucha CEO, Gijs Jansen (pictured). "Either way, you lose the calcium carbonate, with any subsequent burning through waste incineration generating carbon emissions. Our technology to recover calcium carbonate means less waste and less reliance on mining."

As part of a pilot project, we carried out extensive testing with Alucha to find a suitable product. Their circular mineral is now being used as an alternative for mined calcium carbonate and clay in one of our pre-deco exterior/masonry fillers. The launch product will become available as part of our Moltotill Aussen range in Germany, Austria and Switzerland, and as part of our Polyfilla Exterior Plaster range in France, Italy and Belgium. The product meets our criteria of "reduced, reused and renewed material use", qualifying as a sustainable solution and helping our customers to work with more circular products.

Our ongoing work with Alucha clearly illustrates that achieving our People. Planet. Paint. ambitions relies heavily on collaborative innovation, and it will help to guide our future partnerships.

Alucha is now planning to open its first circular calcium carbonate production facility. The aim is to start with a small scale operation (75 tons), and increase this to 13 kilotons per year in 2022.



LEADERSHIP AND GOVERNANCE

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

Our Board of Management and Executive Committee	56
Statement of the Board of Management	57
Statement of Chair of Supervisory Board	58
Our Supervisory Board	59
Report of the Supervisory Board	60
Corporate governance statement	66
Risk management	74
Integrity and compliance management	76
Remuneration report	80
AkzoNobel and the capital markets	88

OUR BOARD OF MANAGEMENT AND EXECUTIVE COMMITTEE

From left to right:

Joëlle Boxus, Dr. Hilka Schneider, Thierry Vanlancker, Karen-Marie Katholm, Michael Friede, Maarten de Vries, David Prinselaar



Thierry Vanlancker CEO and Chair of the Board of Management and Executive Committee (1964, BE)

Thierry joined AkzoNobel in 2016, bringing more than 28 years of experience in the chemicals industry. He led operations in polymers, performance coatings and chemicals at DuPont and was President of Fluoroproducts at Chemours. He's also a non-executive member of the Board of Directors of Sika AG and Aliaxis S.A. In May 2021, he joined the Board of Directors of Etex N.V. (a sister company of Aliaxis S.A.) as a non-executive director.

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.

Joëlle Boxus Chief Human Resources Officer and member of the Executive Committee (1971, BE)

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

David Prinselaar Chief Manufacturing Officer and member of the Executive Committee (1974, FR)

David joined AkzoNobel in 2015 from Reckitt Benckiser, taking

responsibility for the Performance Coatings operations and then manufacturing for AkzoNobel as a whole from January 2018. In March 2019, David took over the role of Chief Supply Chain Officer and became a member of the Executive Committee. During 2021, he began a new role as Chief Manufacturing Officer.

Michael Friede Chief Commercial Officer – Performance Coatings and member of the Executive Committee (1980, DE)

Michael joined AkzoNobel in July 2021 as Chief Commercial Officer – Performance Coatings. Before that, he worked in various countries within the chemical industry for companies such as Covestro and Bayer AG. He held roles in general management, sales and marketing, procurement and within corporate functions. In September 2021, Michael was

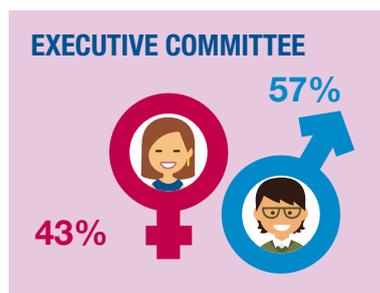
appointed to the Board of Pearl Polyurethane Systems LLC as a non-executive member.

Karen-Marie Katholm Chief Supply Chain Officer (1967, DK)

Karen-Marie joined AkzoNobel in September 2021, having held various global leadership roles across sourcing, supply chain and operations. Before moving to AkzoNobel, she was Integrated Operations Leader for DuPont Nutrition & Biosciences – having joined Danisco A/S (later DuPont) in 2009. Karen-Marie has more than 20 years of experience working at various large and international food manufacturers, such as Orkla, United Biscuits and Arla Foods. She is also a non-executive member of the Boards of Directors of Green Hydrogen Systems A/S and NTG Nordic Transport Group A/S.



Dr. Hilka Schneider General Counsel and member of the Executive Committee (1970, DE) Hilka joined AkzoNobel in January 2022. With expertise in M&A, corporate law and governance, she worked for various industries as an external lawyer, and then in-house at DHL and Demag Cranes (now Konecranes). Before joining AkzoNobel, Hilka was Group Director Legal, Compliance and Board Office and a member of the Group Executive Committee at travel company TUI.



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

We prepared this Report 2021 in line with International Financial Reporting Standards (IFRS), as adopted by the EU, and the financial reporting requirements included in Part 9 of Book 2 of the Dutch Civil Code.

To the best of our knowledge:

- The financial statements in this Report 2021 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 2021 includes a fair review of the position at December 31, 2021, the development and performance during the financial year 2021 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 section.

With respect to supporting and monitoring of compliance with laws and regulations – including our Code of Conduct – an Integrity and Compliance Committee has

been established. The Compliance function makes rules available through the Policy Portal, manages the online and face-to-face compliance training program, provides legal expert support and manages investigations related to our SpeakUp! complaints procedure.

The Internal Control function maintains AkzoNobel's Internal Control Framework, monitors the compliance and includes updates regarding the emergence of new risks. They support the annual review of the effectiveness of the system of governance, risk management and internal controls of the Board of Management. Internal Audit provides comfort to the Board of Management, as well as the Supervisory Board, that our system of risk management and internal controls – as designed and represented by management – 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 provides sufficient insights into any failings in the effectiveness of the internal risk management and control systems. 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
- The report states the material risks and uncertainties relevant to the expectation of the company's continuity for the 12-month period after report preparation

For a detailed description of the risk management system and the principal risks identified, see the Risk management and Integrity and compliance management chapters. We have discussed the above opinion and conclusions with the Audit Committee, the Supervisory Board and the external auditor.

Amsterdam, February 28, 2022

The Board of Management

Thierry Vanlancker, CEO and Chair of the Board of Management
Maarten de Vries, CFO and member of the Board of Management

Over the last two years, COVID-19 has impacted the world, people, habits and businesses in a massive way. It has created unpredictability, volatility, challenges and opportunities to varying degrees across industries.

For AkzoNobel, the lockdowns resulted in a surge in demand for decorative paints, initially in the do-it-yourself sector. More recently, demand also increased in professional channels, with people deciding to invest in upgrading their homes as they were spending more time in them. The market for performance coatings – AkzoNobel's largest business area – suffered during 2020, but is now showing signs of rebounding as investment in construction and other industries starts to return.

Having navigated supply chain issues and various other challenges in 2020 to successfully deliver on its 15 by 20 ambition, 2021 was the first year that AkzoNobel could fully focus on its new Grow & Deliver strategy. Building on the progress made during the last five years, the attention is now on returning the company to growth rates that are at least at industry levels, and growing margins with an ambition of delivering significant progress in earnings and strengthened market positions over the coming years.

From an operations perspective, 2021 proved to be just as challenging as 2020. The many headwinds resulting from COVID-19 persisted, with the stress on the global supply chain having a particular impact. The company responded well, however, and was able to limit most of the effects that the restricted supplies of raw materials could have had on service levels to our customers.

The biggest challenge in 2021 came from the almost unprecedented increases in costs and transportation, which put our margins and profitability

under severe pressure. Management identified these challenges very early on and implemented significant price increases, which were needed to protect profitability and the health of the company in a timely and highly professional manner. As a result of this, and the strong implementation of strategic and operational initiatives, the company was able to deliver a significant increase in turnover, driven by both higher prices and increasing volumes. The company's absolute results from operations were in line with last year's strong performance, although the operating margin was, as expected, lower than 2020. The Supervisory Board is very satisfied with the result and the fact that AkzoNobel's ability to compete and win in its global markets has been further strengthened.

Much of the management focus during the year had to be on operating margin and ensuring that customer demand was met. However, securing long-term progress on the company's Grow & Deliver strategy was also a priority and we were gradually able to shift our attention back to this as we spent more time discussing growth opportunities and progress on strategic initiatives in Supervisory Board meetings. It's important that the company continues to move forward and we were impressed with the progress made in a number of important areas, where we saw the organization stepping up despite various distractions.

Participation in the company's organizational health survey hit an all-time high, as did engagement levels. With many colleagues having to work from home and opportunities for "normal" working



Nils Smedegaard Andersen

(1958, DK) Chair
Initial appointment: 2018

Term of office:
2018-2022

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

heavily restricted, this was an excellent achievement. A lack of face-to-face contact was something the Supervisory Board also had to contend with, which resulted in most of our meetings having to take place virtually. Nevertheless, we stayed in regular contact to ensure that we remained closely involved with all company developments.

Although the company didn't make as much progress on its safety agenda as we would have liked – partly due to operational issues caused by COVID-19 – the Supervisory Board was particularly encouraged by the strong progress that continues to be made in the area of sustainability. The award of the highly prestigious Terra Carta Seal was a significant honor and underlines AkzoNobel's unwavering commitment to having a positive impact in all areas of its activities.

This commitment was further demonstrated by the evolution of

People. Planet. Paint., which has now taken on far greater prominence. Initially introduced as a way of explaining AkzoNobel's approach to sustainable business, it has come to truly represent everything AkzoNobel stands for. Coupled with the Paint the Future collaborative innovation ecosystem – which goes from strength to strength – the company is well positioned to continue being a frontrunner in both innovation and sustainability.

After another difficult year, the management team and all employees should

be proud of their efforts in 2021. AkzoNobel has shown itself to be an agile and competitive company and the senior leadership continues to demonstrate a capacity for tackling ongoing challenges while striving for future success. It's important that progress continues to be made, and improvements are ongoing in various areas, such as commercial excellence, supply chain optimization and strengthening processes and systems. The Supervisory Board is looking forward to the next phase of the company's ongoing journey.

I would like to thank my Supervisory Board colleagues, the Board of Management and Executive Committee for all their efforts during another extraordinary year. Most importantly, I want to thank AkzoNobel's employees around the world for their continued passion and commitment, which helped to deliver a solid performance during tough times.

Amsterdam, February 28, 2022

Nils Smedegaard Andersen
Chair of the Supervisory Board



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

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



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

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



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

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



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

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



Patrick Thomas
(1957, UK)
Initial appointment:
2017
Term of office:
2021-2025

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

MEETINGS AND ATTENDANCE

The Supervisory Board values the attendance of its meetings by all members. If Supervisory Board members are unable to attend a Supervisory Board or committee meeting, they inform the relevant Chair of their reasons. Supervisory Board members always receive the materials for each specific meeting, allowing them to offer input and discuss any agenda items with the relevant Chair and provide a proxy to act on their behalf. In 2021, the Board of Management attended all regular and all additional meetings. The Executive Committee attended the majority of the meetings. Almost all plenary sessions of the Supervisory Board were preceded or succeeded by executive sessions of the Supervisory Board, with or without the CEO in attendance. The 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. However, during 2021, most meetings were virtual due to COVID-19 related measures. The virtual meetings were held with video conference capabilities,

Supervisory Board attendance record

	Regular SB	Additional SB	AC	RC	NC
Nils Smedegaard Andersen	8/8	7/7		7/7	4/4
Jolanda Poots-Bijl	8/8	7/7	6/7		
Sue Clark ¹	3/3	4/6		3/3	1/1
Byron Grote	8/8	5/7	7/7		
Michiel Jaski ¹	3/3	5/6	2/2		
Pamela Kirby	8/8	7/7		7/7	4/4
Dick Sluimers	8/8	7/7		7/7	4/4
Patrick Thomas	8/8	7/7	7/7		

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. Additional meetings were scheduled ad-hoc when needed to ensure the Supervisory Board was sufficiently informed and could make considered decisions regarding (potential) acquisitions and the remuneration policies. As some of the additional meetings were scheduled at short notice, it impacted the ability of members of the Supervisory Board to attend all additional meetings.

¹ Retired on April 22, 2021, after completing a four-year term.

enabling Supervisory Board members to perform their role appropriately.

Strategy reviews

During 2021, the Supervisory Board continued to allocate adequate time to discuss strategic activities, including detailed business analyses and portfolio reviews. It received regular updates on the roll-out and progress of the new Grow & Deliver strategy by the Executive Committee. The Supervisory Board also reviewed and advised on the changes made to the operational model. In December, the Supervisory Board and Board of Management, together with the other members of the Executive Committee, held a two-day strategy meeting, when the Supervisory Board

performed an in-depth review of the progress made towards the ambitions as part of Grow & Deliver and the Financial Plan 2021-2023. Additionally, and with a focus on long-term value creation, several strategic opportunities were reviewed and discussed, also taking various external views into consideration. The Supervisory Board also reviewed and discussed functional updates, including Finance, Information Management, Integrated Supply Chain, Human Resources, Innovation, and Health, Safety, Environment and Security. The Supervisory Board received comprehensive market updates and advised on, reviewed and approved the business continuity and contingency plans.

Supervisory Board activities 2021

Q1	Q2	Q3	Q4
<ul style="list-style-type: none"> Review Q4 2020 financials and performance Review 2020 annual report, financial statements and profit allocation Final 2020 dividend Assurance report sustainability statements 2020 2020 external audit report Share buyback program Grow & Deliver update Business updates M&A strategy update Risk management: Risk session outcomes HSE full-year report Operating model review Remuneration policies Board of Management and Supervisory Board 	<ul style="list-style-type: none"> Review Q1 2021 financials and performance Investor Relations update Grow & Deliver update Business updates M&A strategy update HSE and safety update Compliance training Innovation strategy update Human Resources 2021-2023 Plan (incl. organizational health score) Global Process Organization update Global Business Services update 	<ul style="list-style-type: none"> Review Q2 2021 financials and performance Investor Relations update Business updates Grow & Deliver update Enterprise risk management update M&A strategy update Integrated Supply Chain strategy update Research and Development update Manufacturing strategy update HSE and safety update Sustainability strategy update 	<ul style="list-style-type: none"> Review Q3 2021 financials and performance Interim dividend 2021 Share buyback program M&A strategy update Information Management strategy update Grow & Deliver update and review HSE and safety update Functional and business strategy review Budget 2022 Investor Relations update Business updates Long-term strategy discussion

The table provides an overview of relevant topics discussed and reviewed in Supervisory Board meetings in 2021.

Sustainability

The Supervisory Board views sustainability as an intrinsic value driver in the work of all businesses and functions. During 2021, the Supervisory Board continued to assess sustainability as part of strategy and targets. During the semi-annual progress updates on sustainability, the Supervisory Board reviewed and advised on the ambitions set out by the company's People. Planet. Paint. strategy, as well as the internal sustainability governance and external reporting frameworks. 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) to achieve the announced science-based targets. Other topics discussed included the further strengthening of our sustainability governance by introducing the NextGen Sustainability Council.

The Supervisory Board was pleased to see the company continuing to benefit from management's strategic initiatives, including cost savings.

The company's People. Planet. Paint. ambitions and progress are further considered as part of the 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, and both the proposed budget and operating plan for 2022 were diligently reviewed by the Supervisory Board in Q4, taking into account the supply chain situation and other prevailing market conditions. Following this assessment, the Supervisory Board has approved the proposed budget and operating plan for 2022.

During the year, the Supervisory Board was pleased to see the company continuing to benefit from management's strategic initiatives, including its focus on strong margin management when facing significant raw material cost inflation. 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 2021 dividend proposal can be found in the Financial information).

Risk management

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

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

Corporate governance

The Supervisory Board continuously reviews the company's corporate governance and its compliance with the Dutch Corporate Governance Code. The Supervisory Board received updates on legislative developments such as the Bill on Gender Diversity to take into account in its composition and succession planning.

Talent management and succession planning

In 2021, the Supervisory Board – after discussing its own composition and succession plans – proposed the reappointment of Patrick Thomas as member of the Supervisory Board. The reappointment was approved at the AGM held on April 22, 2021. Following the retirement of Sue Clark and Michiel Jaski as members of the Supervisory Board, the number of members of the Supervisory Board was reduced to six as of April 22, 2021.

The requirements of the Dutch Corporate Governance Code and the skills matrix, updated further upon recommendation by the Nomination Committee, were considered throughout the process.

During 2021, the Supervisory Board discussed the composition of the Board of Management. Upon nomination by the Supervisory Board, the reappointment of Thierry Vanlancker as member of the Board of Management for a two-year term was approved at the AGM held on April 22, 2021.

The Supervisory Board further discussed and supported the CEO's appointments of other members of the Executive Committee. With the split of Integrated Supply Chain in February 2021 into two focus areas, Supply Chain and Manufacturing, David Prinselaar took on the new role of Chief Manufacturing Officer. As per September 1, 2021, Karen-Marie Katholm was appointed Chief Supply Chain Officer. In the interim, the role of Chief Supply Chain Officer

was filled by an external consultant with a standing invitation to all meetings of the Executive Committee. Michael Friede was appointed as Chief Commercial Officer – Performance Coatings per July 1, 2021, with the CEO continuing to represent all commercial aspects of Decorative Paints in the Executive Committee. With Isabelle Deschamps stepping down as General Counsel, her responsibilities were taken over by members of the AkzoNobel Legal Group on an ad interim basis, until the appointment of Hilka Schneider as the new General Counsel per January 1, 2022.

Independence of the Supervisory Board

Supervisory Board members are required to act critically and independently of one another, the Board of Management, the Executive Committee and the company's stakeholders. Each member of the Supervisory Board meets the independence requirements of the 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 Supervisory Board members completing a confidential questionnaire.

The Chair had one-on-one calls with all Supervisory Board members to discuss individual impressions on the functioning of the Supervisory Board and items covered in 2021. In a separate meeting without the Board of Management, the Supervisory Board discussed the results of the evaluation questionnaires. The Supervisory Board also discussed the functioning of the Board of Management, the performance of its individual

members and reflected on the improvement areas agreed during last year's evaluation.

The Supervisory Board is pleased to confirm the evaluation concluded that the Supervisory Board and its committees continue to operate proficiently. There's a dynamic and open atmosphere between the Supervisory Board and the Executive Committee. Sufficient time was allocated to discuss the topics that reflected the future strategic priorities for the company. Adequate time was spent on the different business units and (virtually) meeting with AkzoNobel's people around the world. The impact of COVID-19 again meant that most of the interaction had to take place virtually in 2021. As soon as restrictions allow, spending more time in person will be prioritized. The Supervisory Board agreed that executive succession planning will remain a key area of focus going forward.

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 2021 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 2021 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 2021 and, as proposed by the Board of Management, the proposed total dividend for 2021 of €1.98 (2020: €1.95), including a final dividend of €1.54 per share. An interim dividend of €0.44 (2020: €0.43) per share was paid in November 2021. This reflects the continued commitment to providing a stable to rising dividend. The dividend will be paid in cash.

In addition, it is requested that the AGM discharges the members of the Board of Management from their responsibility for the conduct of business in 2021 and the members of the Supervisory Board for their supervision in 2021.

AUDIT COMMITTEE

All Audit Committee members have extensive accounting and financial management expertise. Issues discussed in Audit Committee meetings were

Committees of the Supervisory Board

	Audit Committee	Remuneration Committee	Nomination Committee
Nils Smedegaard Andersen (Chair)		Member	Chair
Byron Grote (Deputy Chair)	Chair		
Sue Clark		Member*	Member*
Michiel Jaski	Member*		
Pamela Kirby		Member	Member
Jolanda Poots-Bijl	Member		
Dick Sluimers		Chair	Member
Patrick Thomas	Member		

* Until retirement in April 2021

Audit Committee activities 2021

Q1	Q2	Q3	Q4
<ul style="list-style-type: none"> Review Q4 2020 financial statements and annual results Review 2020 annual report and accounts External audit report Assurance report sustainability statements 2020 Review risk management and internal control Final dividend 2020 Share buyback program HSE audit findings Integrity and Compliance report 2020 Exposure report IT/cybersecurity update 	<ul style="list-style-type: none"> Review Q1 2021 financial statements Investor Relations update Integrity and Compliance mid-year report Exposure report Review evaluation external auditor Audit fee 2021 Review and approval PwC audit plan Internal Audit Q1 2021 report Internal Audit strategy update IT/cybersecurity update Treasury update Review limited assurance sustainability selected indicators Sustainability reporting update 	<ul style="list-style-type: none"> Review Q2 2021 financial statements Internal Audit Q2 2021 report Investor Relations update 	<ul style="list-style-type: none"> Review Q3 2021 financial statements Interim dividend 2021 Share buyback program Internal Audit Q3 2021 report Tax strategy update IT/cybersecurity update Integrity and Compliance Q3 2021 report Internal Control framework update Finance transformation update Review budget 2022 and outlook Hard close audit report Internal Audit plan 2022

reported back to the full Supervisory Board in subsequent meetings.

External audit

PwC, AkzoNobel's 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 report, as well as on the scope and outcome of the review on the selected non-financial indicators, as included in the Sustainability statements, to provide limited assurance. 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 for the year ahead.

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. 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 reporting and disclosures. It received regular updates from auditors and functions and was provided with comprehensive risk and internal control reports during the year. In its review, the Audit Committee considered the impact of changes to systems and processes, such as the IT landscape rationalization and the implementation of regional accounting centers on the internal controls. In addition, the Audit Committee reviewed the annual operating plan (including budget) and AkzoNobel's dividend proposals, as well as multiple IT security and control updates. During 2021, the Audit Committee received and reviewed several updates on AkzoNobel's Internal Control Framework. The Audit Committee also met regularly with senior executives. The Executive Committee is responsible for ensuring an effective compliance control framework and has delegated part of the responsibilities to the Integrity and Compliance Committee. The Supervisory Board's Audit Committee oversees this responsibility.

Business and function reviews

In fulfilling its oversight responsibilities in relation to risk management and internal control systems, the Audit Committee also received updates from functions such as Finance, Treasury, Information Management and Tax throughout the year. These updates also inform the

Audit Committee's review of the annual operational plan, including budget. During 2021, the Audit Committee reviewed and advised on the company's roadmap on sustainability reporting.

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 also met separately with the Internal Auditor during the year to discuss the results of the audits performed and the status of the follow-up on action plans identified. In 2021, the Audit Committee was satisfied with the effectiveness of the Internal Audit function.

Results and financial statements

Before each publication of the quarterly results and the financial statements, the Audit Committee reviewed the financial results. In addition, the Audit Committee reviewed and commented on the interim and final dividend proposals and on reports and press releases to be published. This was in addition to the work undertaken by the company's Disclosure Committee in reviewing the company's disclosure of potentially price sensitive information. Based on these discussions, the Audit Committee

advised the Supervisory Board on the publications and disclosures, and on the interim and final dividends. All quarterly or annual releases of financial results were approved by the full Supervisory Board prior to publication and release. To ensure its effectiveness and expertise, the Audit Committee was provided with regular updates on IFRS developments and the anticipated impact of these developments on the financial statements. In addition, the Audit Committee reviewed and assessed management assertions made in regard to relevant accounting treatments. The external auditor, as required by auditing standards, also considers the risk of management override of controls. Nothing has come the attention of either the Audit Committee or the external auditor to suggest any material misstatement related to suspected or actual fraud involving management override of controls.

REMUNERATION COMMITTEE

Management performance review

The work of the Remuneration Committee during Q1 focused on 2020 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 report 2020

The Remuneration report 2020 was submitted to the AGM held on April 22, 2021, for its advisory vote. There was no majority in favor. The Supervisory Board took this feedback into account and the company reached out to its stakeholders to further engage on this topic. Learnings were taken on board by the Remuneration Committee and Supervisory Board and have been addressed in the Remuneration report.

Remuneration policy review

In 2021, the Remuneration Committee and Supervisory Board concluded their review of the remuneration policies for the Board of Management and Supervisory Board in light of the new Grow & Deliver strategy, while considering input received from stakeholders and the requirements of the Shareholder Rights Directive II and the Dutch provisions implementing the Shareholder Rights Directive II. The Remuneration Committee recommended the amendment of the remuneration policies for the Board of Management and Supervisory Board for consideration by shareholders at the AGM of April 22, 2021. Both were approved.

Management salary review

The Remuneration Committee reviewed the base salaries and established relevant forward-looking target ranges for variable remuneration of Board

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

Related information

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

NOMINATION COMMITTEE

Board of Management and executive succession

During 2021, the Nomination Committee recommended the reappointment of Thierry Vanlancker as member of the Board of Management and CEO to the Supervisory Board for consideration by shareholders at the AGM of April 22,

Remuneration Committee activities 2021

Q1	Q2 & Q3	Q4
<ul style="list-style-type: none"> • Review of management performance 2020 • Review of Short-term Incentive Plan and Long-term Incentive Plan • Review remuneration policy for Board of Management and Supervisory Board • Approval of 2020 pay-out under Short-term Incentive Plan and Performance Incentive Plan and vesting of shares under Long-term Incentive Plan • Review remuneration policy for Board of Management and Supervisory Board • 2020 Remuneration report • Review of management base salaries for 2021 	<ul style="list-style-type: none"> • Target setting 2021 • Review of Long-term Incentive Plan • Review of feedback Annual General Meeting 2021 • TSR peer group review 	<ul style="list-style-type: none"> • Preparation Remuneration report 2021 • Review of 2021 (preliminary) performance outlook

Supervisory Board skills and profiles

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

(f) = female (m) = male

2021. Furthermore, the Nomination Committee was consulted and gave its advice regarding the composition of the Executive Committee and the positions that became vacant during 2021.

Supervisory Board succession

During 2021, the Nomination Committee continued to discuss the size, structure and composition of the Supervisory Board. Following thorough consideration, the Nomination Committee recommended the reappointment of Patrick Thomas to the Supervisory Board for consideration by shareholders at the AGM of April 22, 2021. With the first terms of Sue Clark and Michiel Jaski having ended in 2021, the number of Supervisory Board members was reduced to six.

Nomination Committee activities 2021

Q1

- Supervisory Board succession planning
- Review (re)appointment scheme
- Board of Management and Executive Committee succession planning

Q2, Q3 and Q4

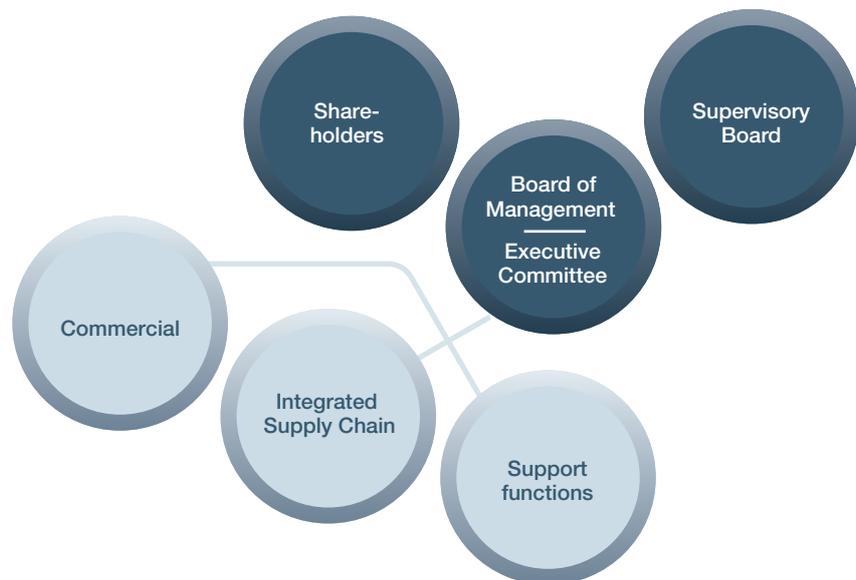
- Supervisory Board succession planning
- Update skills matrix
- Review (re)appointment scheme
- Board of Management and Executive Committee succession planning

The Supervisory Board has updated its skills matrix, as shown above. 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.

ADDITIONAL REMARKS

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

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



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

The company's management and supervision are organized under Dutch law in a so-called two-tier system, comprising a Board of Management (solely composed of executive directors) and a Supervisory Board (solely composed of non-executive directors). The Supervisory Board supervises and advises the Board of Management and ensures a strong external presence in the governance of the company. The two Boards are independent of each other and are accountable to the annual 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 (the "Code") and all applicable laws and regulations, including securities laws. The Code contains principles and best practices for Dutch companies with listed shares. Deviations from the Code are explained in accordance with the Code's "comply

or explain" principle. For the full version of the Code, visit www.mccg.nl

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

BOARD OF MANAGEMENT AND EXECUTIVE COMMITTEE

The Board of Management is entrusted with the management of the company. When it comes to the management of our business, it operates in the context of an Executive Committee. The Executive Committee comprises the members of the Board of Management (currently the Chief Executive Officer (CEO) and the Chief Financial Officer (CFO)), the Chief Supply Chain Officer, Chief Manufacturing Officer, Chief Commercial Officer – Performance Coatings, the General Counsel and the Chief Human Resources Officer.

The composition of the Executive Committee ensures that functional,

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

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

and actively encourages these values through leading by example.

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

Our company culture forms an important part of discussions involving internal organizational changes, Human Resources strategy updates, as well as any functional updates. Since 2018, Insight surveys have been performed involving all employees, focused on our wider organizational health (see the Sustainability statements). The Executive Committee and Supervisory Board regularly discuss the results of the survey, the targets and the actions taken to achieve such targets.

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

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

The CEO leads the Executive Committee in its overall management of the company. He is the main point of liaison with the Supervisory Board. The CFO is responsible for overseeing AkzoNobel's

finances, its corporate control, investor relations and information management.

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

The 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 EGMs (Extraordinary General Meetings) held in 2017, with the CEO being reappointed for another two-year term at the AGM in 2021. The other members of the Executive Committee are appointed by the CEO, after consultation with the Supervisory Board. Board of Management members are appointed for a term not exceeding four years, with the possibility of reappointment.

As described later in this section, the Meeting of Holders of Priority Shares has the right to make binding nominations for the appointment of members of the Board of Management and the Supervisory Board. However, as the company subscribes to the principles of the Code in general, members of the Supervisory Board and the Board of Management are (with the exception



We extended our successful partnership with Mercedes-Benz, one of the world's most renowned automotive brands. Through our Sikkens brand, we'll continue to be a recommended supplier of vehicle refinishing products and services in China and a preferred partner in Indonesia for another four years.

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

AkzoNobel believes in the strength of diversity and, in accordance with the Code, a Diversity Policy has been adopted for the composition of the Board of Management and Executive Committee. The objective of the Diversity Policy is to enrich the Board of Management's perspective, improve performance, increase member value and enhance the probability of achievement of the company's goals and objectives. The Diversity Policy addresses concrete targets relating to diversity, including nationality, age, gender, education and work background. More information on the

progress on our commitment to diversity and inclusion can be found in the Sustainability statements.

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

It is believed that due to the size of the Board of Management (being only two members), this divergence is justified and has ensured the best candidates for the roles were nominated by the Supervisory Board and appointed by shareholders. Following the appointment of Michael Friede, Karen-Marie Katholm and Hilka Schneider as new Chief Commercial Officer – Performance Coatings, Chief Supply Chain Officer and

AkzoNobel has a gender diversity of 43% female representatives at Executive Committee level

General Counsel respectively, AkzoNobel has a gender diversity of 43% female representatives at Executive Committee level. More information on AkzoNobel's overall diversity and inclusion efforts can be found in the Sustainability statements.

Outside directorships

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

Conflicts of interest

During 2021, 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 following approval by the AGM held on April 22, 2021. The details of this policy can be found in the Remuneration report. The service contracts of the members of the Board of Management contain change of control provisions. Further details can be found in the Remuneration report and Note 26 of the Consolidated financial statements. The service contracts of the Board of Management are compliant with the Code. The main elements of these contracts are available on our website.

Operational Control Cycle

The Executive Committee holds regular meetings to discuss the implementation of the company's strategy and functional agendas. Additional meetings are held to discuss specific topics as required. The Board of Management and Executive Committee have delegated authorities to individual Executive Committee members and to certain

committees and councils. To help plan for success and ensure alignment within the entire AkzoNobel organization on the strategic and operational plan, an Integrated Business Planning (IBP) process across the company's global businesses and functions is in place. IBP provides, on a monthly basis, visibility on the long-term integrated business and financial plan, which covers the product portfolio, demand and supply. It therefore ensures early attention and remedial actions, where appropriate, on any potential gaps. The monthly IBP cycle ends with the Corporate Management Business Review (CMBR), which is chaired by the CEO. The Executive Committee attends the CMBR meetings, where

it reviews the consolidated long-term company perspective, including risks and opportunities, decides on escalation and possible scenarios and supervises the key performance indicators with corrective actions, if applicable.

COMMITTEES

Sustainability Council

The Executive Committee has established a Sustainability Council to advise on sustainability developments. The council monitors the integration of sustainability into management processes and oversees the company's sustainability targets and performance. It further ensures the alignment of sustainability activities across functions and businesses. The council, which meets quarterly, consists of business unit and functional directors, as well as the CEO. As of 2021, the Chair of the NextGen Council is also part of the Sustainability Council.

Significant sustainability aspects material to the company are reviewed annually,



Our CEO, Thierry Vanlancker, attended a meeting of the European CEO Alliance – a cross-industry effort to fight climate change, build economic resilience and help make a success of the EU Green Deal. He gave his backing to policy recommendations supporting a progressive and ambitious push to achieve climate neutrality. Proposals included facilitating the transformation of the buildings sector – which is of particular interest to AkzoNobel – and speeding up the restructuring and renewal of the energy system in all EU member states.

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

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

Integrity and Compliance SpeakUp! Committee

The Integrity and Compliance SpeakUp! Committee reviews investigations into material violations of laws, regulations and internal rules, as well as SpeakUp! reports. It also decides on disciplinary measures and control improvement actions, and monitors and responds to any trends or irregularities. By submitting these cases through a central Integrity and Compliance SpeakUp! Committee, the company ensures transparency and consistency of measures throughout the organization. More details can be found on page 78.

Executive Pensions Committee

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

Disclosure Committee

The Board of Management has established a Disclosure Committee, which consists of senior executives with a

background in corporate law, finance and investor relations. The task of the Disclosure Committee is to establish and maintain disclosure controls and procedures, and to advise the CEO, CFO and General Counsel on the accurate and timely disclosure of material financial and non-financial information.

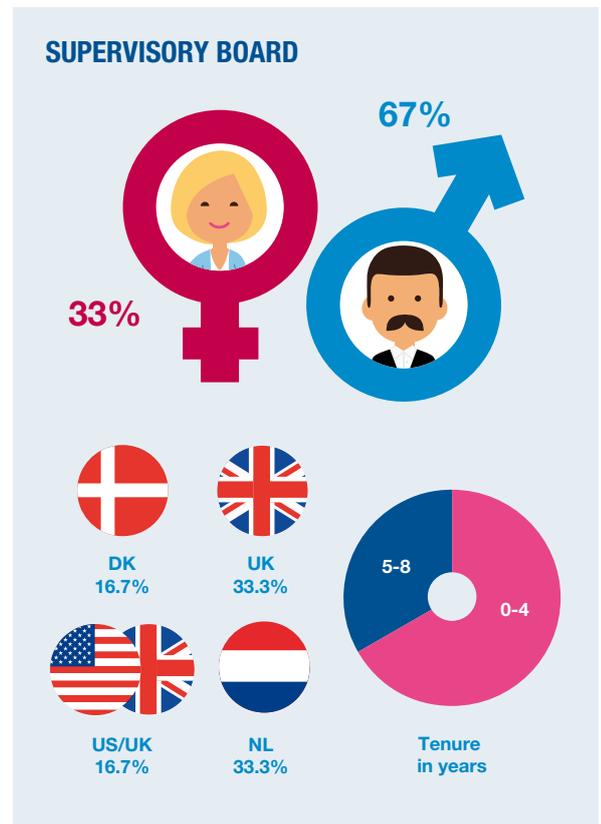
SUPERVISORY BOARD

This section provides an overview of the responsibilities and governance of the Supervisory Board. For an understanding of the activities of the Supervisory Board over the past year, 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 the charters of the Committees, which set out the tasks and responsibilities of the Supervisory Board, as well as its operational processes.



Composition

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

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

In addition, in accordance with the Code, a Diversity Policy has been adopted for the composition of the Supervisory Board in its Rules of Procedure. The objective of this policy is to ensure a balanced composition, taking account of nationality, age, gender, education and work background. For 2021, there are no divergences to report.

When nominating and selecting new candidates for the Supervisory Board,

account is taken of the Supervisory Board profile and skills matrix, the requirements of the Act on Management and Supervision, and the principles and provisions of the Code.

Appointment

Members of the Supervisory Board are nominated, appointed and dismissed in accordance with procedures

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

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 2021, no transactions were reported under which a member had a conflict of interest which was of material significance to the company and to the relevant member.

Remuneration of the Supervisory Board

Supervisory Board members receive a fixed annual remuneration and attendance fee, which is determined by the AGM. According to the Code, it is not possible for members to be remunerated in shares. An amendment to the Remuneration Policy for the Supervisory Board was approved at the AGM held on April 22, 2021. More information on the remuneration of the members of the Supervisory Board and the Remuneration Policy of the Supervisory Board can be found in the Remuneration report and Note 26 of the Consolidated financial statements.

SUPERVISORY BOARD COMMITTEES

The Supervisory Board has established three permanent committees – 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 Supervisory Board



This is the hugely impressive Dubai Eye, the world's highest and largest Ferris wheel, which was opened to visitors in late 2021. Measuring a dizzying 250 meters and featuring more than 9,000 tons of steel, we were sole supplier of protective coatings for the massive structure. It means we've now coated four of the world's most iconic observation wheels, the others being the London Eye, Melbourne Star Observation Wheel and Singapore Flyer.

identical to those previously outlined for the members of the Board of Management. 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 2021, one reappointment to the Supervisory Board was proposed to, and approved by, the AGM held on April 22, 2021.

Induction and training

Following appointment to the Supervisory Board, new members

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.

Conflict of interest

Members of the Supervisory Board shall not participate in the discussions and decision-making on a subject or transaction in relation to which they have a conflict of interest with the company. Decisions to enter into transactions under which Supervisory

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

SHAREHOLDERS AND THE ANNUAL GENERAL MEETING

The AGM is an integral part of the governance of the company and its system of checks and balances. The AGM reviews the annual report and decides on the adoption of the financial statements and the dividend proposal, as well as the discharge 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 the 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 members of the Supervisory Board
- 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 the company’s website within three months of the meeting date. The final minutes are made available online within six months of the meeting date.

Share classes

AkzoNobel has three classes of shares: common shares, cumulative preferred shares and priority shares. Common shares are traded on the Euronext Amsterdam stock exchange. Common shares are also traded over-the-counter on OTCQX in the US in the form of American Depositary Receipts (each American Depositary Receipt representing one-third of a common share). On December 31, 2021, a total of 181.6 million common shares and 48 priority shares had been issued. This includes shares held in treasury which cannot be voted on and which are not eligible for dividend. Shareholders owning 3% or more of the issued capital and/or voting rights must report this to the Dutch Authority for

the Financial Markets (AFM) as soon as the threshold is reached or exceeded. Relevant reporting by shareholders can be found in the “Register of substantial holdings and gross short positions” at www.afm.nl

The majority of shares in Akzo Nobel N.V. are included in a global certificate and held through the system maintained by the Dutch Central Securities Depository (Euroclear Nederland). In the past, Akzo Nobel N.V. also issued (physical) bearer share certificates (Bearer Certificates). A limited number of Bearer Certificates 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 members of AkzoNobel’s Supervisory Board who are not members of the Audit Committee. The Meeting of Holders of Priority Shares has the nomination right for the appointment of members of the Board of Management

and the Supervisory Board, as well as the right to approve amendments to the Articles of Association of the company.

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

The AGM held on April 22, 2021, authorized the Board of Management for a period of 18 months after that date or, if earlier, until the date on which the AGM again extends the authorization – subject to approval from the Supervisory Board – to issue shares in the capital of the company free from preemptive rights, up to a maximum of 10% of the issued share capital. The Board of Management was also given a mandate to acquire and to cancel held or acquired common shares in the company's share capital. The maximum number of shares that the company will hold in its own share capital at any time shall not exceed 10% of its issued share capital.

Anti-takeover provisions and control

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

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



A stylish mural was created at a multicultural center for women in the Netherlands, thanks to help from our Flexa brand. Six of our colleagues took part in the "Let's Colour" project, which was all about brightening up the interior of the Jasmijn center in Groningen. Around 500 women from different backgrounds and cultures regularly use the center, which now has more inspiring surroundings in which to meet each other and follow a series of courses and activities.

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

The Board of the Foundation Akzo Nobel has reserved the right to make use of its binding nomination rights for the appointment of members of the Supervisory Board and of the Board of

Management in such circumstances. Although a deviation from provision 4.3.3 of the Code, the Supervisory Board and the Board of Management are of the opinion that these provisions will enhance the continuity of the company's management and policies.

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

AUDITORS

The external auditor is appointed by the AGM on proposal of the Supervisory Board. The appointment is reviewed every four years and the results of this review and assessment are reported to the AGM. The external auditor attends all 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 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. These documents are available on our website.

Internal Audit

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

SHARE DEALING RULES AND RULES ON DISCLOSURE CONTROL

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

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

The Board of Management, Executive Committee and Supervisory Board members require authorization from the General Counsel prior to carrying

out any transactions in respect of AkzoNobel securities, even in a so-called "open period". In relevant cases, the General Counsel can prohibit carrying out transactions in respect of other companies' securities. In addition, all employees are subject to the AkzoNobel Rules on Disclosure Control.

INTERNAL CONTROLS AND RISK MANAGEMENT

Internal controls

The company has adequate procedures for internal controls. The Board of Management and Executive Committee have established several Risk, Control and Compliance Committees, which are explained on page 76. In 2021, we invested in enhancing our Internal Control Framework and process, alongside the continued work on system embedded controls, standard role design and segregation of duty monitoring. An integrated Risk and Internal Control department supports all businesses and functions in their work.

Risk management

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

The AkzoNobel internal control framework



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

We continuously strive to foster a high awareness of business risks and internal control.

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

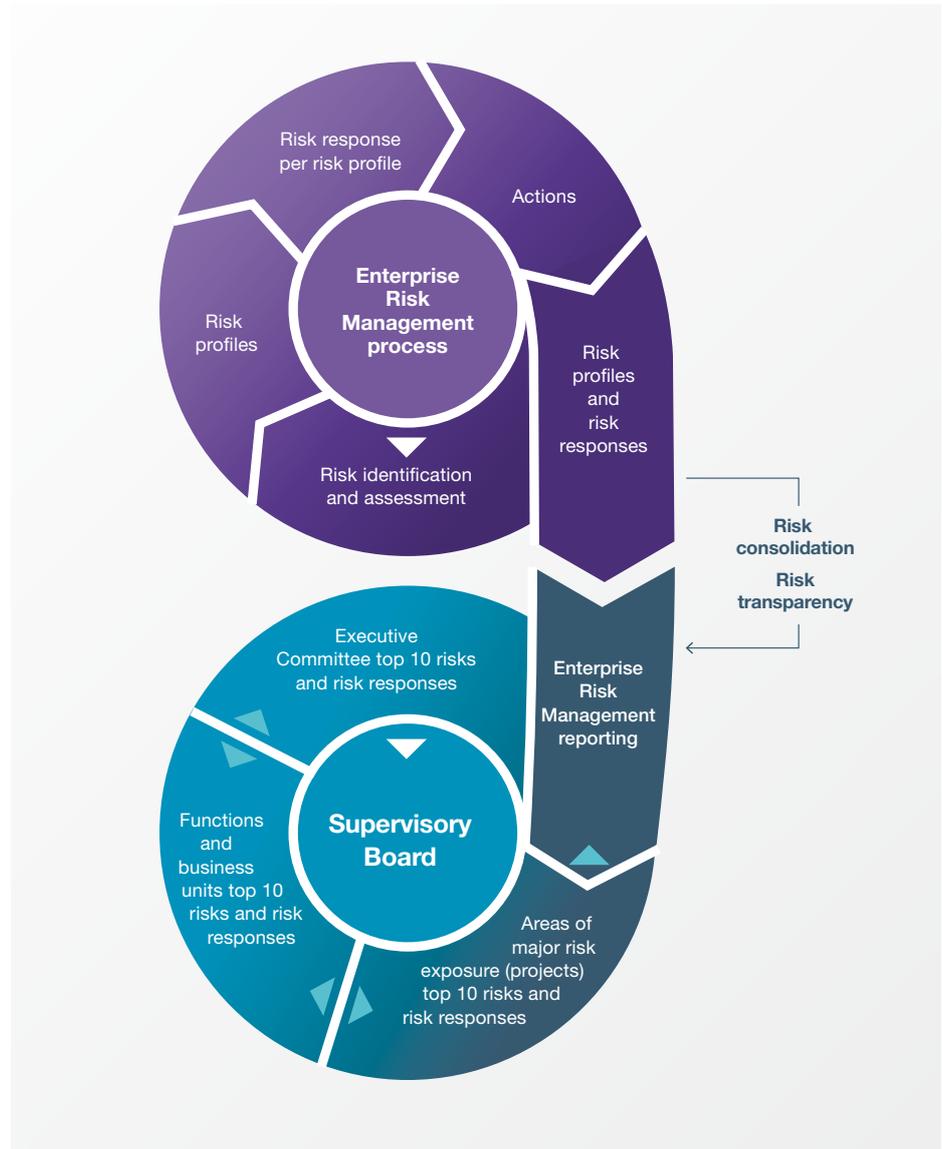
RISK MANAGEMENT FRAMEWORK

Our risk management framework is in line with the Enterprise Risk Management – Integrated Framework of COSO and the Dutch Corporate Governance Code. It provides reasonable assurance that our business objectives can be achieved and our obligations to customers, shareholders, employees and society can be met.

For more information on our risk management framework, including clarity on risk appetite, visit the Risk management section on our website.

RISK MANAGEMENT IN 2021

Risk management is an embedded company-wide activity, under



the responsibility of the Board of Management and Executive Committee, focused on the areas of major risk exposure.

During 2021, we held a significant number of enterprise risk workshops across the organization, as well as one workshop focused on fraud risk. Identified risk scenarios are prioritized 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 opposite represent management’s assessment of risk development, compared with 2020.

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

External – Strategic

Global economy and the geopolitical context ▲

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

Mitigating actions

- Geopolitical assessment as part of investment decisions and medium-term operational planning
- Deployment of commercial and procurement excellence programs
- Continued focus on operational cost, complexity reduction and margin management

External – Strategic

Supply disruptions and key raw material shortages ▲

Supply disruptions due to continued worldwide supply shortages, climate change impacts and catastrophic events on the supplier side require continuous attention to protect our service levels to our customers.

Mitigating actions

- Maintain and further improve strong industry and market intelligence analysis of suppliers and raw material market
- Drive supply chain network design, end-to-end from supplier to end customer
- Roll out raw material plan through integrated business planning
- Assess climate change impact and develop mitigation plans for own operations and key suppliers' locations (see Sustainability statements)

- Continue to apply an internal carbon price for large investment decisions (see Sustainability statements)
- Continue to deploy our sustainable product portfolio management to further develop low carbon and more circular solutions (see Sustainability statements)

External – Strategic

Pandemic =

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

Mitigating actions

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

External – Operational

Information technology and cybersecurity ▲

With the increasing frequency and magnitude of cybersecurity threats facing us, we're taking additional measures to strengthen our security to be better able to respond and recover as quickly as possible in the event of an incident impacting our company.

Mitigating actions

- Continually reinforcing a cybersecurity culture (intensified training, awareness creation)
- Continuation of system rationalization to remove redundant legacy systems where they exist
- Increasing collaboration with suppliers on various detection and response activities and measures

Internal – Strategic

Organic growth ▲

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

Mitigating actions

- Drive BU strategic mandates underpinning Grow & Deliver strategy
- Investment in sales capability and deployment of commercial excellence programs
- Driving demand planning, product innovation and supply chain agility through integrated business planning

Internal – Strategic

Innovation, identification and successful implementation of major transforming technologies =

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

Mitigating actions

- Improve product management lifecycle through the Product Management Network

- Build leading capability and value chain collaboration to underpin our 50% carbon reduction commitment by 2030
- IT resources to support the business in new technology applications

Internal – Operational

Attraction and retention of talent ▲

Our organization's ability to attract and retain talent in a tightening talent market and rapidly evolving business environment determines, to a large extent, the success of our organization to deliver on our targets.

Mitigating actions

- Strengthen AkzoNobel's employer value proposition, based on our commitment to employee growth and the company's purpose
- Focus on talent acquisition plan, talent development programs and succession planning (e.g. Talent and Opportunity Review, Young AkzoNobel, nomination of Talent Managers)
- Embed Talent Management Framework driving talent and leadership development

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

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 2021 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.

Integrity and Compliance governance committees

We've redesigned the Integrity and Compliance governance model and have Integrity and Compliance governance committees in place in all eight business units, Global Manufacturing, Global Supply Chain and our key countries. These committees consist of business unit leadership and key corporate function leaders, including the Integrity and Compliance Manager. The Integrity and Compliance governance committees identify, discuss and address trends, risks and best practices, and drive the operationalization of the

Integrity and Compliance program into the organization, with a strong focus on prevention. All committees meet at least on a quarterly basis.

Integrity and Compliance SpeakUp! Committee

Reviews investigations into SpeakUp! reports involving alleged violations of the Code of Conduct and material violations of laws and regulations. Also decides on disciplinary measures and control improvement actions, as well as monitoring and responding to any trends or irregularities identified in investigations. By submitting these cases through a central Integrity and Compliance SpeakUp! Committee, the company ensures transparency and consistency of measures throughout the organization. There have been 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 would be addressed through the RCCs (see below) 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)

Responsible for supervising the effectiveness of the control environment and reviewing weaknesses in this environment, as well as progress on improvement actions. There are eight business unit RCCs and seven functional RCCs, in addition to a group RCC. They each met quarterly in 2021.

Human Rights Committee

Responsible for supervising the company's human rights control framework and driving further expansion of the human rights program. We have strengthened the governance of our human rights program. For more information on our human rights

framework and program, see the Sustainability statements.

Privacy Committee

Responsible for supervising the company's privacy control framework and driving further expansion of the data privacy program. Several critical projects were successfully delivered in 2021. These included the introduction of a new program for the international transfer of personal data in order to comply with the Schrems II verdict of the EU Court of Justice, and the creation and submission of stand-alone Binding Corporate Rules for the UK due to Brexit. Throughout the year, a lot of work was carried out on digital privacy compliance – e.g. cookie compliance and social media (marketing) activities – as well as the implementation of new local privacy laws, such as in Brazil, South Africa and more recently in Saudi Arabia and China.

Integrity and Compliance function

Day-to-day management of our Integrity and Compliance program is delegated to the Integrity and Compliance team. The function is led by the Director of Integrity and Compliance, who reports to the General Counsel. This team includes experts in integrity and compliance program design, legal experts in the field of competition law, anti-bribery and anti-corruption, export control and sanctions, data privacy and human rights, and the regional Integrity and Compliance managers in all regions driving the implementation of the program.

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, focused on identifying control action items and sharing lessons learned

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 businesses and functions to tailor the program to local needs, monitor controls and follow up on SpeakUp! cases. In 2021, the heads of Integrity and Compliance, Internal Control and Internal Audit met at least quarterly to discuss findings and trends, and to align actions.

RISK MANAGEMENT

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

POLICY MANAGEMENT

We continued to improve and expand our Policy Portal, a one-stop-shop for key policies, rules and procedures relating to our global processes and key topic areas. By reducing complexity and increasing transparency and consistency, it's easier for employees to access and understand which rules apply to their job. As part of our policy lifecycle management, we revised, for example, rules and procedures on various anti-bribery and anti-corruption risks. We also distributed business-friendly practical guidance, one pagers and do's and don'ts, for example regarding conflicts of interest, customer incentive programs and pricing. Our policies and supporting tools drive awareness and knowledge within the

broader organization; no major risks or issues have been identified in the aforementioned compliance fields.

COMMUNICATION

We launched a new tagline for Integrity and Compliance – Bring integrity to life – as it's everyone's responsibility to do business the right way. In order to increase awareness and ownership among all employees on integrity and compliance topics, we redesigned the Integrity and Compliance monthly communication campaigns to address a specific topic through a quiz, reflecting lessons learned from real-life cases. We also launched "3P Guidance (Purpose, Process and Perception)" to help the organization think through the ethical dilemmas shared on a quarterly basis through our Integrity and Compliance governance committee meetings, and through various other channels. In addition, we celebrated another global Integrity Week, with the 2021 theme being: "Conflict of interest – Be an open book".

TRAINING AND EDUCATION

We continued to counsel and educate employees on integrity and compliance rules and controls through e-learnings and in-person sessions. Due to the challenges posed by COVID-19, only a limited number of face-to-face trainings took place. Virtual and video conference trainings were offered to help increase employee engagement. Employees are also required to follow mandatory role-based and risk-based e-learnings. Training included our Code of Conduct, fraud, operating a diverse and respectful workplace, competition law, export control, information security and data privacy. We focused in particular on our blue collar workers, as we designed a new, short and interactive Code of Conduct training covering topics of special relevance to them, leading to >90% completion rates.

THIRD PARTY RISK MANAGEMENT PROGRAM

We conducted a current state assessment to establish the maturity of our current third party risk management program and all related processes. In addition, we completed an assessment of our current in-use technology. We further expanded the scope of our third party screening to address recent regulatory developments. For example, in line with new legislation in Colombia, we put in place risk-based screening of our business partners in order to prevent money laundering, financing of terrorism, and financing of proliferation of weapons of mass destruction (in addition to bribery and corruption).

MONITORING

We have several processes to monitor compliance by employees and business partners with our rules and procedures. Managers are also required to self-assess and confirm compliance with company rules and procedures as part of the internal control self-assessment. Our supplier performance is monitored through the EcoVadis self-assessments and on-site third party audits that we carry out via the Together for Sustainability initiative. From a competition law perspective, we also ran 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. Several internal audits were held 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. We have also further advanced our Gift and Conflict of Interest Register, and designed automated key anti-bribery and anti-corruption controls to increase control efficiency.

GRIEVANCE AND INVESTIGATION

We were highlighted by Transparency International NL as having the number one whistleblowing framework in its most recent study of top companies in the Netherlands. Our SpeakUp! grievance mechanism offers employees and third parties a means to raise concerns relating to compliance with our Code of Conduct. In 2021, we created a dedicated investigation team, who follow 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 is being evaluated to reflect the EU Whistle-blower Directive as transposed into national laws.

In 2021, the total number of reports across all channels increased slightly, driven by a number of factors, including increased communication on the SpeakUp! process, COVID-19 related concerns and use of the system to make general enquiries unrelated to the Code of Conduct. We continue to see higher levels of reporting through our SpeakUp! hotline, web portal and mailboxes, as opposed to reports to/by management. All reports and alerts led to 19 dismissals and various other disciplinary measures and control improvements, confirming the value of the company's grievance framework.

REPORTING

During 2021, 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. Should there be any material investigation matters, these are discussed with the external auditor on a quarterly basis.

Visit the SpeakUp! reporting website
<https://akzo.no/SpeakUp>

There have been 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 would be addressed through the RCCs and discussed with the Audit Committee and external auditor, and where appropriate, disclosed in accordance with the applicable legal requirements.

SpeakUp! reports

	2019	2020	2021
Total reports and alerts registered	222	250	305
Reports received through SpeakUp!	164	180	232
Integrity	59	61	94
Safety	5	21	17
Sustainability	100	98	121
Dismissals resulting from SpeakUp! reports	–	6	6
Conclusions to SpeakUp! reports closed in calendar year 2021:			
Substantiated	28	27	33
Unsubstantiated	82	70	50
Other (e.g. referred)	54	46	106

The number of dismissals from investigations was not centrally tracked in 2019.

All Eyes on AkzoNobel Art Foundation's 25th anniversary

AkzoNobel's Art Foundation has been collecting art for more than 25 years, underlining the company's dedication to supporting culture and the arts. This called for a special celebration during 2021 with the opening of the All Eyes jubilee exhibition at the company's head office in Amsterdam, the Netherlands.

The exhibition showcases works from past and present and offers a contemporary look at the world around us, with new and experienced talent hanging side by side. The works on display unfold to present a diverse spectrum of images and stories, constantly giving rise to new connections.

All Eyes shares a compelling mix of styles, including special treasures from the collection, works of art fresh from the studio and early acquisitions that proudly justify their position as milestones in the changing spirit of the age.

"Since the AkzoNobel Art Foundation was established in 1995, our aim has been to acquire works that reflect the world as we experience it," says Hester Alberdingk Thijm, Director of AkzoNobel's Art Foundation (pictured below). "We look for artists who are questioning and transforming our global society. All Eyes is the

culmination of more than 25 years of powerful images and stories."

Artists on display include Otobong Nkanga, Remy Jungerman, Melanie Bonajo, Afra Eisma, Ger van Elk, Susan Hiller, Louise Giovanelli, Yael Bartana, Emma Talbot, Roger Hiorns and Jan Andriessse.

In line with AkzoNobel's proud heritage, color, innovation and technology are among the main collecting themes. "The AkzoNobel Art Foundation is generally regarded as being one of the most progressive corporate collections in Europe – partly because it has always regarded diversity as an important principle," adds Thierry Vanlancker, AkzoNobel CEO and Chair of the AkzoNobel Art Foundation. "Out of more than 1,800 artworks, half have been created by women and many are by non-Western artists. With this new exhibition, we're proud to celebrate that diversity and the pioneering spirit we share in art, science and business."

The All Eyes exhibition was opened by Rein Wolfs, Director of the Stedelijk Museum in Amsterdam (pictured below on the left along with Hester Alberdingk Thijm and Thierry Vanlancker).



Artwork pictured left: Yael Bartana | What If Women Ruled The World | neon | 260 x 98 cm | AkzoNobel Art Foundation

This report includes both a summary of our Board of Management and Supervisory Board remuneration policies, and our annual report on remuneration, which sets out how our policy was applied in 2021 – and how it will be applied in 2022. On April 22, 2021, the AGM approved the new remuneration policies for the Board of Management, with a majority of 86.3% of the votes, and for the Supervisory Board, with a majority of 99.0% of the votes.

Changes in the remuneration policy for the Board of Management compared with the previous policy are as follows:

1. We decided to update the labor market peer group and only include EU peers.

Dutch

- ASML
- DSM
- Philips
- Randstad
- RELX
- Signify
- Wolters Kluwer

European

- Air Liquide
- Arkema
- Clariant
- Covestro
- Evonik Industries
- Givaudan
- Henkel
- Lafarge Holcim
- Sika
- Solvay

As AkzoNobel seeks to outperform its sector peers and aims to attract high caliber members of the Board of Management, a competitive reference point for total remuneration is set between median and third quartile of the European peer group: median for base salary and STI and between median and third quartile for LTI. Remuneration increases above the median market level are reserved for Board of Management members who consistently outperform their targets.

2. To support transparency and alignment with the strategic plan, the list of STI metrics chosen from each year is being replaced by specific STI metrics that will be applicable throughout the effective period of the policy. Metrics for the STI and LTI are directly derived from the strategic plan and have been updated compared with the previous policy.

3. In order to reach the competitive total compensation level, and in line with market practice, the on-target value of the variable remuneration has been adjusted. For the CFO, the on-target short-term incentive (STI) level has been increased from 65% to 80% of base salary. For the CEO, the LTI has been increased from 150% to 200% of base salary, emphasizing the long-term focus of the pay-for-performance relationship.

4. As the Performance Incentive Plan concluded in 2020, from 2021 onwards, the temporary suspension of the Share-Matching Plan is being lifted as planned. This reiterates the importance of share ownership, which underpins alignment over the long term. The Share-Matching Plan is being simplified by removing the link between allowed investment and the share-matching level, and the fulfillment of the Share Ownership Requirement (SOR).

Changes in the remuneration policy for the Supervisory Board compared with the previous policy are summarized below:

An external consultant has carried out an external benchmark of Supervisory Board membership fees versus AEX companies and AkzoNobel's European remuneration peer group. Based on this benchmark, the Board concluded that the level of the fixed fees – which have remained unchanged since 2014 – fell short of a competitive level. The fixed fees for Supervisory Board members have therefore been increased: by €20,000 for the Chair and the Deputy Chair, and by €15,000 for the other members. Committee fees and the attendance fee for meetings outside the country of residence remain unchanged.

Visit our website for a full description of the remuneration policy for the Board of Management and the Supervisory Board.

The 2020 Remuneration report received 49.7% of favorable votes at the AGM (advisory vote). Investors and other stakeholders explained they would have liked more details on the Board of Management's personal objectives relating to the short-term incentive. They also perceived a lack of transparency on the discretionary adjustment to evaluate performance against the ROI target for long-term incentives, which was set at the beginning of 2018 to align with the new Grow & Deliver strategy. This 2021 report includes improvements in transparency on the relevant personal objectives, as requested, and is subject to an advisory vote at the 2022 AGM.

Strategic focus

We have a clear strategic focus to become the reference in paints and coatings, with strong global brands, leading market positions and a balanced geographic exposure across all regions. We strive to outperform our competitors, to deliver a solid return to our shareholders and to achieve long-term sustainable value creation for all our stakeholders.

Our Grow & Deliver strategy is aimed at achieving growth at least in line with our relevant markets, while delivering further profitability improvement. Revenue growth, EBITDA and return on investment are the prime success indicators of this balanced approach. The Supervisory Board closely monitors realization of the strategy and regularly discusses progress with the Board of Management.

The overriding importance of our long-term sustainable value creation is reflected in the composition of the remuneration packages for members of our Board of Management and Supervisory Board, as it is essential to attracting and retaining high caliber members to our Board of Management and Supervisory Board. The revised European directive on the encouragement of long-term shareholder engagement (SRD II), and its codification

Goal

The goal of AkzoNobel's remuneration policy for the Board of Management is to offer an on-target total remuneration package around the median of the labor market peer group for base salary and STI, and between median and third quartile for LTI.

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) and the long-term incentive plan (LTI). In addition, Board of Management members are entitled to certain benefits.	Value of each respective item is specified in more detail below.
Base salary Basic pay for the job.	Aims to provide a fair and competitive basis for the total pay level to attract high caliber leaders. In-depth benchmark at least every three years.	Base salaries at AkzoNobel target the median of the labor market peer group. Remuneration increases above the median market level are reserved for Board of Management members who consistently outperform their targets.
Short-term incentive (STI) Aligning short-term business objectives and business drivers towards long-term value creation. Driving pay for performance.	The Supervisory Board sets operational targets for the respective performance year and determines the extent to which they have been achieved. By ensuring that long-term value creation is properly reflected in stretched yet achievable targets, the realization of strategic business objectives is addressed. 70% of the on-target STI is linked to financial objectives and 30% is related to personal objectives.	On-target performance: 100% of annual base salary for CEO and 80% for CFO. Maximum opportunity for CEO capped at 150% and for CFO at 120%. Threshold: no STI pay-out below threshold level.
Long-term incentive (LTI) Encouraging long-term, sustainable economic and shareholder value creation – both absolute and relative to competitors – and to align Board of Management interests with those of shareholders, as well as ensuring retention of the members of the Board of Management.	Performance shares are awarded every year, to be converted into shares upon realization of pre-defined targets, observing a three-year vesting period. An additional two-year holding period after vesting applies. Performance targets are based on company strategy, driving long-term value creation. 80% of LTI targets are linked to financial goals and 20% are linked to environmental, social and governmental (ESG) goals. Performance is measured over three financial years, starting with the year of grant.	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 vested, which equals 300% for the CEO and 225% for the CFO.
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 share-holding 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 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.	Board members are required to invest 25% of their STI proceeds (net after tax and other deductions) and may invest another 25% (max 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.	Pension contributions for both the CEO and CFO equal 19.6% of base salary.

in Dutch law, have been considered in the disclosure presented in this report.

1. REMUNERATION FOR THE BOARD OF MANAGEMENT

The remuneration policy is designed to incentivize the Board of Management to achieve the company's objectives, while balancing the perspectives of shareholders and other key stakeholders. The focus on performance is achieved by including both short and long-term incentives that are aligned with the company strategy to realize long-term sustainable value creation. Variable remuneration provides an incentive to realize long-term value creation. For the short term, the Supervisory Board sets operational targets over a one-year period that are crucial to the company

and are pre-conditions to value creation. The biggest portion of the remuneration packages of Board of Management members is directly aimed at strategic priorities that contribute to building sustainable long-term value creation, with targets for return on invested capital, adjusted EBITDA, revenue growth and specific environmental, social and governmental (ESG) goals.

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

The scenarios that have been evaluated by the Remuneration Committee involve the following:

- Threshold or below: Under-performance or performance at threshold level, no STI pay-out and no vesting of LTI shares
- Target: Performance broadly in line with expectations, STI pay-out and vesting of LTI shares at target
- Maximum: Exceptional performance, STI pay-out and vesting of LTI shares at maximum
- Maximum plus: Same as maximum scenario, but a share price increase after three years of 10% is considered

The Remuneration Committee has concluded that, based on the scenarios considered and the total remuneration level in each scenario, there's a strong relationship between pay and performance for the Board of Management. The remuneration policy also helps avoid any unintended

consequences of providing incentives that are too attractive and support inappropriate risk-taking, by selecting a total direct compensation pay mix at target that consists of at least 25% of base salary and defining maximum opportunities and targets that closely reflect AkzoNobel's overall performance.

Goal-setting is crucial to driving pay for performance aligned with the company strategy, and to ensure that decisions made – and results delivered – are aligned with the interests of AkzoNobel's stakeholders. The Supervisory Board sets goals, their respective weight and targets (i.e. metrics) for the respective performance year under the STI and LTI scheme, considering: (1) Company strategy (2) Focus on long-term value creation (3) Historical performance, business future outlook and circumstances and priorities (4)

Stakeholder expectations. Goals must be stretching yet achievable.

When implementing the policy, the Remuneration Committee consults external remuneration professionals to obtain appropriate benchmark data, and independent advice on other matters as required. The remuneration principles that apply for the Board of Management are aligned with those applied more broadly in the company. This provides a shared sense of purpose and direction at different management levels and a shared reward when success is achieved. The table on page 81 specifies the elements of the remuneration policy, describing purpose, design and the link to our company strategy, as well as their (potential) value. The table below gives an overview of the remuneration of the members of the Board of Management who were in office in 2021.

A split between the proportions fixed versus variable remuneration paid is shown in the diagram at the bottom of this page.

Base salary

The 2021 base salaries were approved at the AGM on April 22, 2021, and made retroactively effective from January 1, 2021:

- Thierry Vanlancker, CEO: €1,150,000
- Maarten de Vries, CFO: €710,000

Short-term incentive (STI)

In 2021, the financial objectives of the short-term incentive were adjusted operating income (OPI) and operational cash flow (OCF). The individual and qualitative objectives reflect progress towards the achievement of long-term strategic objectives. The tables on page 83 summarize the performance achieved.

Remuneration of Board of Management for the reported financial year

in €	LTI value based on	Fixed remuneration		Variable remuneration		Post-contract compensation ⁴	Total remuneration
		Base salary	Fringe benefits ¹	One-year variable ²	Multi-year variable LTI ³		
Thierry Vanlancker Chief Executive Officer	IFRS2 expenses	1,150,000	33,500	888,950	3,973,511	225,400	6,271,361
	Market value at year-end ⁵	1,150,000	33,500	888,950	3,216,345	225,400	5,514,195
Maarten de Vries Chief Financial Officer	IFRS2 expenses	710,000	33,500	439,064	1,261,556	139,200	2,583,320
	Market value at year-end ⁵	710,000	33,500	439,064	916,268	139,200	2,238,032

¹ Social security contributions and car arrangement.

² In 2022, the Board members will invest 50% of their STI proceeds (net after tax) under the Share-Matching Plan.

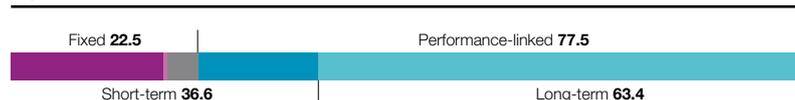
³ Costs relating to share awards include non-cash expenses of performance share plan and Share-Matching Plan.

⁴ Compensation intended for build-up of retirement benefits instead of pension contributions.

⁵ Market value at year-end for multi-year variable LTI is based on the number of shares that vested during the year multiplied by the share price of €96.50 at December 31, 2021.

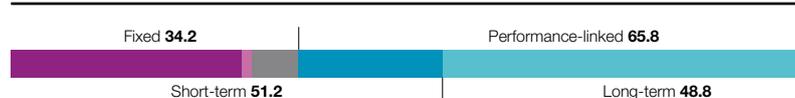
CEO fixed vs performance-linked

in %



CFO fixed vs performance-linked

in %



STI on financial objectives

Performance metric	Weighting		Threshold	Maximum	Performance	Pay-out
Adjusted OPI (in € mln)	40%	Corresponding target	1,000	1,150	1,092	
		Corresponding award	0%	150%	92.0%	36.8%
OCF (in € mln)	30%	Corresponding target	1,000	1,250	774	
		Corresponding award	0%	150%	0%	0%
Total						36.8%

STI on personal objectives

Personal objective	Assessment of performance 0%-150%	Performance	Weighting	Weighted pay-out CEO	Weighted pay-out CFO
Pricing strategy	Significant (above target) progress has been made on this initiative to offset raw material increases.	150%	1/6	Performance score of 135%	Performance score of 135%
Organization	New operating model for Grow & Deliver implemented and fully operational. Year one achievement for implementation of the key strategic initiatives above financial plans for majority of the plans.	140%	1/3	Resulting in pay-out of 40.5%	Resulting in pay-out of 40.5%
Culture	OHI score improved by three points. % female leaders in Senior Executive roles according to plan (2021 targets). Started the change leadership journey and also executed on commitments/ areas for improvement.	127%	1/2		

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

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

- Thierry Vanlancker, CEO: €888,950 (77.3% of salary)
- Maarten de Vries, CFO: €439,064 (61.84% of salary)

No matching shares were granted to the CEO or CFO in 2021, as this arrangement was suspended for STI payments made in the years 2019, 2020 and 2021. The value of the Share-Matching Plan for these three years was invested in the 2020 Performance Incentive Plan.

LONG-TERM INCENTIVES (LTI)

Conditional grant LTI share plan 2021-2023

The Remuneration Committee determines the grant levels to be made in respect of members of the Board of Management, within the limits and plans that have been approved by shareholders. In 2021, the CEO received a conditional grant of shares equivalent to the face value of 200% of his annual base salary and the CFO received a conditional grant of shares equivalent to the face value of 150% of his annual base salary. The grant price was determined based on the average share price of an AkzoNobel common share in the two weeks following publication of the annual results on February 17, 2021:

- 26,713 shares were conditionally granted to Thierry Vanlancker, CEO
- 12,369 shares were conditionally granted to Maarten de Vries, CFO

Vesting of the conditional grant is linked to four performance metrics:

Measure	Weight
AkzoNobel adjusted EBITDA (in mln)	40%
AkzoNobel return on investment (in %)	20%
AkzoNobel revenue growth (in %)	20%
Environmental, social and governance (ESG)	20%

Revenue growth 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.

The ESG targets consist of four equally weighted targets related to AkzoNobel's People. Planet. Paint. approach (see table on page 84).

The Supervisory Board determines 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.

Special restricted share grant

At the 2021 AGM, CEO Thierry Vanlancker was reappointed for a two-year period. His reappointment was supported with 97.5% of the votes at the

Metrics used for ESG targets

Total recordable injury rate (TRR)	Per 200,000 hours, three-year average.
Total waste - circular	As the percentage circular waste of total waste.
Energy use (GJ/ton)	Per ton of production.
Renewable electricity	Use of renewable electricity (own operations).

AGM. As part of his reappointment, Mr. Vanlancker was granted a special grant of 17,500 AkzoNobel shares 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. As the special grant was not subject to performance conditions, it was decided to apply a 30% discount on the “on-target” value.

The special share grant came into effect on July 21, 2021 (i.e. the first day of the open window after the AGM) following a notification to the Netherlands Authority for the Financial Markets (Autoriteit Financiële Markten, “AFM”) and vested in full that same day. The shares have a restriction date of April 20, 2023 (or the actual date of the AGM at which Mr. Vanlancker will relinquish his position as CEO).

Vesting of the LTI share plan 2019-2021

Under the LTI share plan 2019-2021, conditional grants of 21,379 shares

were made to the CEO and 14,387 shares to the CFO.

In line with the remuneration policy, vesting of 50% of the shares conditionally granted in 2019 was linked to AkzoNobel’s ROI performance, which was reviewed at the end of the performance period by the Supervisory Board. The targeted ROI of 25% – which was also applicable to the share grant in 2019 as part of the 15 by 20 strategy – was intended to deliver profitability in line with leading peers. It was initially announced by previous management in April 2017.

When the Grow & Deliver strategy was launched, the company updated its ROI ambition in 2020 from 25% to 20%, taking into account lower revenue growth, the impact of IFRS 16 and recent bolt-on acquisitions. As a result, as they did last year, the Supervisory Board recognized that the 2019 ROI pay-out curve, with an ambition of 25%, no longer aligned with the new strategy.

They applied their discretionary power to evaluate performance against the 2020 ROI pay-out curve, with an ambition of 20%. In both pay-out curves ROI is excluding unallocated cost (the metric for the LTI plans up to 2020; as of 2021, the metric is including unallocated costs). Actual AkzoNobel ROI excluding unallocated cost performance in 2021 was 19.5%. On a linear pay-out curve, with a threshold of 17%, corresponding to a pay-out of 50%, an on-target of 20%, and a maximum of 25%, this resulted in a vesting of 91.67% for this specific part of the long-term incentive.

For the 2019 conditional grant, 50% was linked to AkzoNobel’s relative total shareholder return (TSR) performance compared with the companies in a defined industry peer group consisting of the following nine companies:

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

Following the acquisition of Tikkurilla by PPG, the Remuneration Committee decided to freeze Tikkurilla’s share price at €14.23. This share price was calculated as the average closing

2021 remuneration of the Board of Management – Number of performance-related shares

	Plan	Performance period	Award date	Vesting date	End of holding period	Balance at January 1 2021	Awarded in 2021	Vested in 2021	Forfeited in 2021	Dividend in 2021	Balance at December 31, 2021
Thierry Vanlancker Chief Executive Officer	ANS2018	2018 – 2020	January 1 2018	February 17 2021	February 17 2023	18,020	–	(18,020)	–	–	–
	ANS2019	2019 – 2021	January 1 2019	March 2022	March 2024	23,733	–	–	(10,079)	456	14,110
	ANS2020	2020 – 2022	January 1 2020	February 2023	February 2025	19,246	–	–	–	370	19,616
	ANS2021	2021 – 2023	January 1 2021	February 2024	February 2026	–	26,713	–	–	513	27,226
Maarten de Vries Chief Financial Officer	ANS2018	2018 – 2020	January 1 2018	February 17 2021	February 17 2023	15,344	–	(15,344)	–	–	–
	ANS2019	2019 – 2021	January 1 2019	March 2022	March 2024	15,971	–	–	(6,783)	307	9,495
	ANS2020	2020 – 2022	January 1 2020	February 2023	February 2025	12,952	–	–	–	249	13,201
	ANS2021	2021 – 2023	January 1 2021	February 2024	February 2026	–	12,369	–	–	237	12,606

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

in €	Divestment Specialty Chemicals				
	2017	2018	2019	2020	2021
Remuneration CEO	Thierry Vanlancker				
Fixed compensation	1,135,825	1,151,900	1,186,500	1,245,800	1,408,900
Total rewards (excl. one-off special payments)	2,825,863	2,899,883	3,561,212	3,494,689	4,465,361
One-off special payments	n/a	n/a	n/a	2,067,000	1,806,000
Total rewards (incl. benefits and one-off special payments)	2,825,863	2,899,883	3,561,212	5,561,689	6,271,361
% change fixed rewards	(15%)	1%	3%	5%	13%
% change total rewards	(20%)	3%	23%	56%	13%
Remuneration CFO	Maëlys Castella	Maarten de Vries			
Fixed compensation	715,016	797,600	819,800	865,500	882,700
Total rewards (excl. one-off special payments)	2,169,290	1,515,816	1,843,977	2,168,658	2,583,320
One-off special payments	n/a	n/a	n/a	1,391,000	n/a
Total rewards (incl. benefits and one-off special payments)	2,169,290	1,515,816	1,843,977	3,559,658	2,583,320
% change fixed rewards	1%	12%	3%	6%	2%
% change total rewards	37%	(30%)	22%	93%	(27%)
Company performance					
Net income attributable to shareholders	832,000,000	6,674,000,000	539,000,000	630,000,000	829,000,000
Net income % change	(14)	702	(92)	17	32%
ROI % (excluding unallocated cost)	18.0	16.6	17.2	20.6	19.5
ROI % change	(13%)	(8%)	4%	20%	(5%)
Adjusted operating income (OPI)	905,000,000	798,000,000	991,000,000	1,099,000,000	1,092,000,000
Adjusted OPI % change	(2%)	(12%)	24%	11%	(1%)
Average remuneration on a full-time equivalent basis of employees					
Average salary per employee ¹	53,453	56,619	54,825	56,061	54,220
% change average remuneration	(9%)	6%	(3%)	2%	(3%)
CEO pay ratio	58.6	56.4	65.0	99.2	115.2
CEO pay ratio (excl. one-off special payments)	58.6	56.4	65.0	62.3	82.4

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

² The CEO pay ratio is higher due to the one-off reappointment grant of 17,500 shares and a lower average salary per employee.

share price in the four weeks before news of the acquisition became public. Independent external experts conducted an analysis to calculate the number of shares that would vest according to the TSR ranking. In order to adjust for changes in exchange rates, all local currencies were converted into euros.

Relative TSR vesting scheme for the conditional grants

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

AkzoNobel's TSR performance during the period 2019 to 2021 resulted in the seventh position within the ranking of the peer group companies. This ranking resulted in a vesting of 25% for this part of the long-term incentive, as shown in the table on the left. Based on the company's combined ROI and TSR performance, the final vesting percentage of the 2019 conditional grant – after including the dividend yield of 13.14% during the performance period – equaled 66.0%.

The Remuneration Committee determined that:

- Thierry Vanlancker would vest 14,110 shares, subject to a further two-year holding requirement to align the long-term interests of the members of the Board of Management and our

shareholders. At December 31, 2021, these shares had a market value of €1,361,615

- Maarten de Vries would vest 9,495 shares, subject to a further two-year holding requirement to align the long-term interests of the members of the Board of Management and our shareholders. At December 31, 2021, these shares had a market value of €916,268

An overview of shares awarded, or due to, Board of Management members is shown on page 84.

Claw back and value adjustment

In 2021, there was no cause for a claw back or value adjustment by the Remuneration Committee.

Loans

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

Shareholding requirements and share matching

Board of Management members are expected to build up a share-holding requirement 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 minimum shareholding requirement is 300% of annual base salary for the CEO and 150% of annual base salary for the CFO. As of December 31, 2021, CEO Thierry Vanlancker held 74,598 shares. Shares acquired in 2021 by the CEO contribute towards his required shareholding. On December 31, 2021, he fulfilled this requirement by holding the equivalent of 626% of his annual base salary in shares. As of December 31, 2021, CFO Maarten de Vries held 14,643 shares. Shares acquired by the CFO during 2021 contribute towards his required shareholding. On December 31, 2021, he fulfilled this requirement by holding the equivalent of 199% of his annual base salary.

Shares obtained by Board of Management members under the performance-

related share plan are taken into account for share ownership purposes once they have become unconditional. This includes vested shares to be retained during the two-year blocking period after vesting. In 2021, CEO Thierry Vanlancker received 1,720 matching shares that were conditionally granted in 2018 under the Share-Matching Plan. On December 31, 2021, there were no shares that qualified for share-matching under the Share-Matching Plan.

Board contracts

Agreements for Board of Management members are concluded for a period not exceeding four years. After the initial term, reappointments may take place for consecutive periods of up to four years each. At the 2021 AGM, CEO Thierry Vanlancker was reappointed for a two-year period. His reappointment was supported with 97.5% of the votes at the AGM.

At the AGM to be held in 2022, the reappointment of the CFO, Maarten de Vries, will be scheduled. The notice period by the Board member, and by the company, shall be subject to a six-month term. Members of the Board of Management normally retire in the year they reach legal retirement age.

Comparative information

Internal pay ratios are a relevant input factor for determining the appropriateness of the implementation of the remuneration policy, as recognized in

the Dutch Corporate Governance Code. In 2021, the ratio between the annual total compensation for the CEO and the average annual compensation for an employee was 115.7 (2020: 99.2). Further details on the development of these amounts and ratios over time can be found on the previous page.

Over the last few years of transition, the company's financial performance fluctuated significantly as the table on the previous page shows. In 2018, net profits increased sharply, mainly due to the divestment of Specialty Chemicals, with a deal result of €5,811 million after tax. The transition was also reflected in the development of remuneration. In 2018, the increase in average salary was influenced by the inclusion of a one-off €57 million pension cost for the UK guaranteed minimum pension equalizations.

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.

2021 Remuneration of the Supervisory Board

in €	Remuneration	Attendance fee	Committee allowance fees	Total remuneration
Nils Smedegaard Andersen, Chair	150,000	2,500	20,000	172,500
Byron Grote, Deputy Chair	93,000	2,500	25,000	120,500
Pamela Kirby	80,000	—	15,000	95,000
Dick Sluimers	80,000	—	20,000	100,000
Sue Clark*	24,835	—	4,657	29,492
Patrick Thomas	80,000	2,500	20,000	102,500
Michiel Jaski*	24,835	—	6,209	31,044
Jolanda Poots-Bijl	80,000	—	20,000	100,000
Total 2021	612,670	7,500	130,866	751,036
Total 2020	618,536	45,000	168,489	832,025

* Until April 22, 2021.

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

in €	2017	2018	2019	2020	2021
Nils Smedegaard Andersen, Chair ¹	—	111,373	162,500	157,500	172,500
Anthony Burgmans ²	169,400	53,215	—	—	—
Peggy Bruzelius ³	116,200	119,318	37,710	—	—
Byron Grote, Deputy Chair ⁴	134,300	135,500	130,500	114,250	120,500
Louis Hughes ⁵	120,000	32,322	—	—	—
Pamela Kirby	100,000	92,500	92,500	87,500	95,000
Dick Sluimers	95,000	107,500	107,500	90,000	100,000
Ben Verwaayen ⁶	95,000	95,000	92,500	32,775	—
Sue Clark ⁶	7,900	87,995	92,500	87,500	29,492
Patrick Thomas ⁷	10,400	90,659	97,500	92,500	102,500
Michiel Jaski ⁸	5,400	78,159	87,500	85,000	31,044
Sari Baldauf ⁹	100,000	—	—	—	—
Jolanda Poots-Bijl ⁹	—	—	59,166	85,000	100,000
Total remuneration	953,600	1,003,541	959,876	832,025	751,036
% change total remuneration	12.98	5.24	(4.35)	(13.32)	(9.73)

¹ As of May 1, 2018.

² Until April 30, 2019.

³ Until April 24, 2020.

⁴ As of November 30, 2017.

⁵ As of May 1, 2019.

⁶ Until April 30, 2018.

⁷ Deputy Chair as of October 18, 2016.

⁸ From November 30, 2017, until April 22, 2021.

⁹ From May 1, 2016, until December 1, 2017.

2. REMUNERATION FOR THE 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. Travel expenses and facilities are borne by the company and reviewed by the Audit Committee. Implementation of the remuneration policy for the Supervisory Board in 2021 resulted in the pay-out shown in the table on page 86. According to the Code, members are not remunerated in shares. A five-year overview of the total remuneration of the Supervisory Board is presented in the table above.

3. REMUNERATION POLICY FOR THE YEAR 2022

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.

Remuneration policy for the Board of Management

The Supervisory Board has concluded that the remuneration policy for the Board of Management – approved at the AGM on April 22, 2021 – is in line with the company's objectives. The remuneration it provides is balanced and adequate and will remain unchanged. The disclosure on the policy has been extended to provide additional insight to comply with SRD II.

For implementation in 2022, the Supervisory Board has decided that:

- The base salaries of the Board of Management will be increased in line with the salary adjustments applied for AkzoNobel employees in the Netherlands, including those who are covered by a collective agreement. Increases to the value of 2.5% of base salary will be effective as of January 1, 2022:
 - Thierry Vanlancker, CEO: €1,178,750
 - Maarten de Vries, CFO: €727,750
- Metrics applied for STI in 2021 were adjusted OPI and OCF, as per the

remuneration policy, to support the company's strategy. Going forward, it is being proposed to replace OCF by free cash flow (FCF) as a metric for STI. The reason is that OCF is an internal metric and focuses only on adjusted EBITDA, Capex and working capital. FCF, on the other hand, is externally published and therefore very well recognized by investors. Ultimately, the Board of Management is expected to steer on FCF, as it also includes elements such as interest, tax and cash out from provisions. This suggested change will be submitted to shareholders for their approval

- Metrics applied for LTI will remain the same, in line with the strategic direction of the company, and will continue to include ESG

Remuneration policy for the Supervisory Board

The Supervisory Board has concluded that the remuneration policy for the Supervisory Board – approved at the AGM on April 22, 2021 – is in line with the objectives of the company. The remuneration it provides is balanced and adequate and will remain unchanged. The disclosure on the policy has been extended to provide additional insight in compliance with SRD II.

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 their turnover in the stock market and free float. During 2021, 136 million AkzoNobel shares were traded on Euronext Amsterdam (2020: 203 million).

We have a sponsored level 1 American Depositary Receipt (ADR) program and ADRs can be traded on the international OTCQX platform in the US. 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 shares" chart (see opposite page) shows the geographical spread of institutional shareholders, of which the majority are based in the US (50%) and the UK (19%). Around 4% of the company's share capital is held by private investors, many of whom are resident in the Netherlands. Approximately 42% of the company's share capital was held by ESG investors* at year-end 2021, compared with 41% in 2020.

*As calculated by Nasdaq, according to their methodology, which is to include the sum of:

- Core sustainable and responsible investor firms where 100% of equity assets are managed with an environmental, social and governance (ESG) approach
- Sustainable and responsible investor themed funds managed by a broad range of sustainable and responsible investors

Following 2021 reviews, we were included in a number of leading sustainability indices and continue to be the reference in the paints and coatings industry. For example, we achieved the highest possible rating (AAA) from MSCI for the sixth consecutive

year. Please refer to the Sustainability statements for a full overview of external sustainability ratings.



For further information please visit our website: [akzonobel.com](https://www.akzonobel.com)

AkzoNobel achieved the highest possible rating (AAA) from MSCI for the sixth consecutive year.

Key share data¹

	2019	2020	2021
Year-end (share price in €)	90.69	87.86	96.50
Year-high (share price in €) ²	91.86	91.60	107.80
Year-low (share price in €) ²	69.12	48.50	83.50
Number of shares outstanding at year-end (in millions) ³	200	191	182
Market capitalization at year-end (in € billions)	18.1	16.7	17.5
Dividend per share (in €)	1.90	1.95	1.98
Dividend yield (in %) ⁴	2.1	2.2	2.1

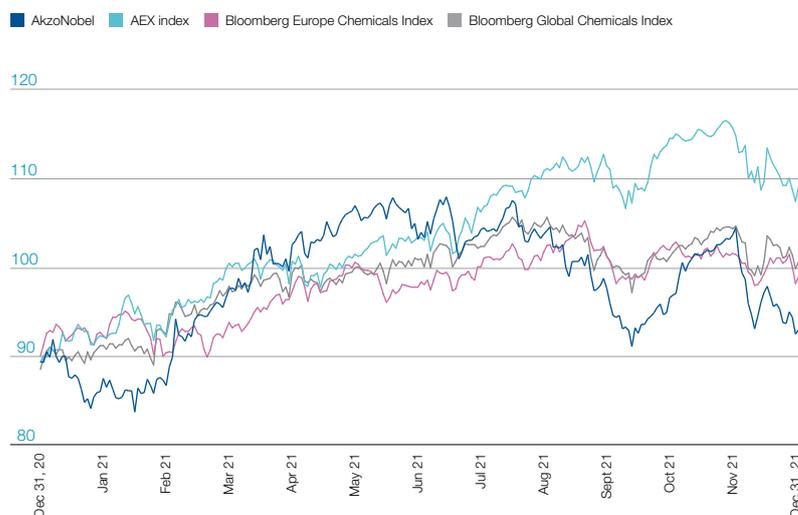
¹ Based on Bloomberg share data.

² Based on close value.

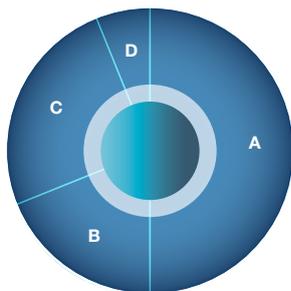
³ Including treasury shares.

⁴ Based on year-end share price. Excluding special dividend of €4.50 in 2019.

Share price performance 2021 AkzoNobel share price in €



Distribution of shares 2021 in %

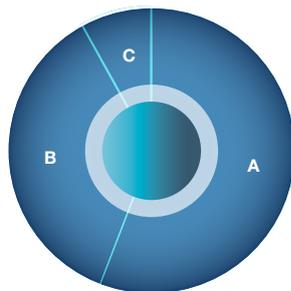


A US	50
B UK	19
C Rest of Europe	25
D Rest of world	6

The AkzoNobel share price was up 9.8% at year-end 2021, compared with year-end 2020 (see Share price performance graph on the opposite page).

At year-end 2021, AkzoNobel was covered by 25 equity brokers, of which the majority had a “Buy” recommendation. An overview of analyst recommendations is shown in the graph above.

Analyst recommendations



A Buy	14
B Hold	9
C Sell	2

Credit rating and bonds

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

The maturity schedule of outstanding bonds is shown below.

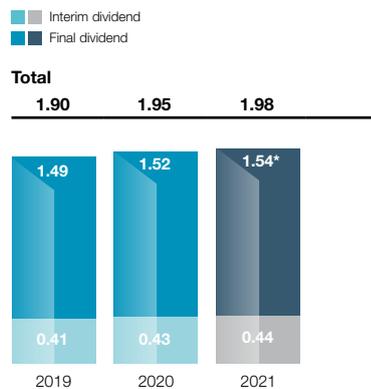
Dividend

The dividend policy is to pay a stable to rising dividend. In 2021, an interim dividend of €0.44 per share (2020:

€0.43) was paid. The Board of Management proposes a 2021 final dividend of €1.54 per share, which would equal a total 2021 dividend of €1.98 (2020: €1.95) per share.

The dividend proposed to the 2022 Annual General Meeting of shareholders, following adoption, will be payable as of May 4, 2022. AkzoNobel’s shares will be trading ex-dividend as of April 26, 2022. In compliance with the listing requirements of Euronext Amsterdam, the record date for the final dividend will be April 27, 2022.

Dividend paid in € per share

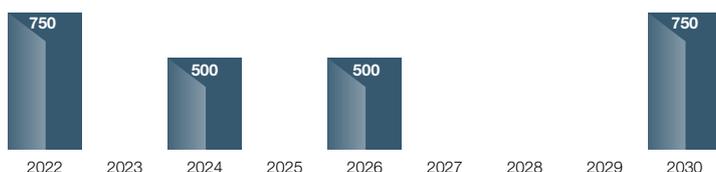


* Proposed.

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

* Rating affirmed December 2020.

Debt maturity¹ in € millions (nominal amounts)



¹ Per year-end 2021.



In the latter part of the year, we opened a new EMEA Planning Hub in the Barcelona Free Zone in Spain to centrally plan and manage the production of coatings for 30 factories and 125 warehouses in Europe. The opening of the new logistics center created 65 jobs in addition to the existing workforce of 560 employed at the location, where AkzoNobel has its Spanish headquarters.

FINANCIAL INFORMATION

Financial statements

Consolidated statement of income	91
Consolidated statement of comprehensive income	91
Consolidated balance sheet	92
Consolidated statement of cash flows	93
Consolidated statement of changes in equity	94

Notes to the Consolidated financial statements

Note 1	Summary of significant accounting policies	95
Note 2	Scope of consolidation	100
Note 3	Segment information	101
Note 4	Alternative performance measures	103
Note 5	Revenue	105
Note 6	Operating income	106
Note 7	Employee benefits	106
Note 8	Financing income and expenses	108
Note 9	Income tax	108
Note 10	Earnings per share	111
Note 11	Intangible assets	112
Note 12	Property, plant and equipment	113
Note 13	Leases	115
Note 14	Investments in associates and joint ventures	115
Note 15	Financial non-current assets	116
Note 16	Inventories	116
Note 17	Trade and other receivables	116
Note 18	Group equity	117
Note 19	Post-retirement benefit provisions	118
Note 20	Other provisions and contingent liabilities	122
Note 21	Net debt	124
Note 22	Trade and other payables	125
Note 23	Cash flow	125
Note 24	Commitments	125
Note 25	Related party transactions	125

Note 26	Remuneration of the Supervisory Board and the Board of Management	126
Note 27	Financial risk management	126
Note 28	Subsequent events	129

Company financial statements

Statement of income	130	
Balance sheet	130	
Note A	General information	131
Note B	Financing income and expenses	131
Note C	Intangible assets	131
Note D	Financial non-current assets	132
Note E	Short-term receivables	132
Note F	Shareholders' equity	132
Note G	Net debt	134
Note H	Other current liabilities	134
Note I	Financial instruments	135
Note J	Contingent liabilities	135
Note K	Auditor's fees	135

Other information

Other information	136
Profit allocation and distributions	136
Independent auditor's report	137
Assurance report of the independent auditor	144

Financial summary	146
--------------------------	-----

Glossary	150
-----------------	-----

Index	152
--------------	-----

Appendix	153
-----------------	-----

CONSOLIDATED STATEMENT OF INCOME

In € millions, for the year ended December 31	Note	2020	2021
Continuing operations			
Revenue	5	8,530	9,587
Cost of sales	6	(4,745)	(5,732)
Gross profit		3,785	3,855
Selling expenses	6	(1,916)	(1,992)
General and administrative expenses	6	(663)	(582)
Research and development expenses	6	(238)	(230)
Other results	6	(5)	67
		(2,822)	(2,737)
Operating income		963	1,118
Financing income and expenses	8	(69)	(39)
Results from associates and joint ventures	14	25	26
Profit before tax		919	1,105
Income tax	9	(241)	(246)
Profit for the period from continuing operations		678	859
Discontinued operations			
Profit / (loss) for the period from discontinued operations		(7)	6
Profit for the period		671	865
Attributable to			
Shareholders of the company		630	829
Non-controlling interests		41	36
Profit for the period		671	865
Earnings per share, in €			
Continuing operations			
Basic	10	3.33	4.45
Diluted	10	3.32	4.43
Discontinued operations			
Basic	10	(0.04)	0.03
Diluted	10	(0.04)	0.03
Total operations			
Basic	10	3.29	4.48
Diluted	10	3.28	4.46

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

In € millions, for the year ended December 31	2020	2021
Profit for the period	671	865
Other comprehensive income / (expense)		
Items that will not be reclassified to the statement of income:		
Post-retirement benefits	115	(13)
Income tax	(18)	(13)
Net effect	97	(26)
Items that may be reclassified subsequently to the statement of income:		
Exchange differences arising on translation of foreign operations	(430)	373
Cash flow hedges	—	(19)
Income tax	5	6
Net effect	(425)	360
Other comprehensive expense for the period	(328)	334
Comprehensive income for the period	343	1,199
Comprehensive income attributable to		
Shareholders of the company	323	1,164
Non-controlling interests	20	35
Comprehensive income for the period	343	1,199

CONSOLIDATED BALANCE SHEET, BEFORE ALLOCATION OF PROFIT

In € millions, at December 31	Note	2020	2021
Assets			
Non-current assets			
Intangible assets	11	3,554	3,690
Property, plant and equipment	12	1,621	1,800
Right-of-use assets	13	324	304
Deferred tax assets	9	497	482
Investments in associates and joint ventures	14	166	178
Financial non-current assets	15	1,951	2,076
Total non-current assets		8,113	8,530
Current assets			
Inventories	16	1,159	1,650
Current tax assets	9	55	149
Trade and other receivables	17	1,994	2,339
Short-term investments	21	250	58
Cash and cash equivalents	21	1,606	1,152
Total current assets		5,064	5,348
Total assets		13,177	13,878
Equity and liabilities			
Equity			
Shareholders' equity	18	5,746	5,425
Non-controlling interests	18	204	211
Group equity		5,950	5,636
Non-current liabilities			
Post-retirement benefit provisions	19	664	578
Other provisions	20	232	234
Deferred tax liabilities	9	467	567
Long-term borrowings	21	2,771	1,994
Total non-current liabilities		4,134	3,373
Current liabilities			
Short-term borrowings	21	119	1,556
Current tax liabilities	9	162	216
Trade and other payables	22	2,580	2,948
Current portion of provisions	19, 20	232	149
Total current liabilities		3,093	4,869
Total equity and liabilities		13,177	13,878

CONSOLIDATED STATEMENT OF CASH FLOWS

In € millions, for the year ended December 31

	Note	2020	2021
Profit for the period from continuing operations		678	859
Adjustments to reconcile profit for the period to net cash generated from operating activities			
Amortization and depreciation	11, 12, 13	361	351
Impairment losses	11, 12, 13	10	3
Financing income and expenses	8	69	39
Results from associates and joint ventures	14	(25)	(26)
Pre-tax result on acquisitions and divestments	2	(27)	(14)
Income tax	9	241	246
Changes in working capital	23	184	(405)
Pension pre-funding	19, 23	–	23
Changes in post-retirement benefit provisions	19	(46)	(55)
Changes in other provisions	20, 23	(22)	(94)
Interest paid		(47)	(77)
Income tax paid		(165)	(222)
Other changes		9	(23)
Net cash generated from / (used for) operating activities		1,220	605
Capital expenditures*	11, 12	(258)	(288)
Interest received		8	10
Dividends from associates and joint ventures		17	5
Acquisition of consolidated companies	2	(113)	(73)
Investments in short-term investments	21	(248)	(56)
Repayments of short-term investments	21	136	247
Proceeds from divestments		31	22
Other changes		–	(1)
Net cash generated from / (used for) investing activities		(427)	(134)
Proceeds from borrowings	21	970	1,143
Borrowings repaid	21	(339)	(590)
Share buyback	18	(555)	(1,135)
Dividends paid	18	(385)	(391)
Buy-out of non-controlling interests	2	(44)	(1)
Net cash generated from / (used for) financing activities		(353)	(974)
Net cash generated from / (used for) continuing operations		440	(503)
Net cash generated from / (used for) discontinued operations		(3)	(1)
Net change in cash and cash equivalents from continued and discontinued operations		437	(504)
Net cash and cash equivalents at January 1	21	1,210	1,581
Effect of exchange rate changes on cash and cash equivalents		(66)	35
Net cash and cash equivalents at December 31		1,581	1,112

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

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 January 1, 2020	100	—	(469)	6,719	6,350	218	6,568
Profit for the period	—	—	—	630	630	41	671
Other comprehensive income / (expense)	—	—	(409)	115	(294)	(21)	(315)
Tax on other comprehensive income	—	—	5	(18)	(13)	—	(13)
Comprehensive income for the period	—	—	(404)	727	323	20	343
Dividend	—	—	—	(366)	(366)	(19)	(385)
Share buyback*	(5)	—	—	(540)	(545)	—	(545)
Equity-settled transactions**	—	—	—	13	13	—	13
Acquisition of non-controlling interest	—	—	—	(29)	(29)	(15)	(44)
Balance at December 31, 2020	95	—	(873)	6,524	5,746	204	5,950
Profit for the period	—	—	—	829	829	36	865
Other comprehensive income / (expense)	—	(19)	374	(13)	342	(1)	341
Tax on other comprehensive income	—	—	6	(13)	(7)	—	(7)
Comprehensive income for the period	—	(19)	380	803	1,164	35	1,199
Dividend	—	—	—	(365)	(365)	(27)	(392)
Share buyback*	(4)	—	—	(1,131)	(1,135)	—	(1,135)
Equity-settled transactions**	—	—	—	16	16	—	16
Acquisition of non-controlling interests	—	—	—	(1)	(1)	(1)	(2)
Balance at December 31, 2021	91	(19)	(493)	5,846	5,425	211	5,636

* Includes a tax credit of €nil million (2020: €3 million).

** Includes a tax charge of €2 million (2020: €1 million tax charge).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 1

SUMMARY OF SIGNIFICANT 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, associated companies and joint ventures, drawn up in conformity with Articles 379 and 414 of Book 2 of the Dutch Civil Code, as an appendix to our annual report. 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 (IFRS) as adopted by the European Union. They also comply with the financial reporting requirements included in Title 9 of Book 2 of the Dutch Civil Code. The Consolidated financial statements have been prepared on a going concern basis, resulting from management's assessment of the ability of AkzoNobel to continue its operations for the foreseeable future. This assessment includes, among others, an evaluation of our financial position, expected future cash flows and market developments. 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:

- 2021 results at a glance
- CEO statement
- How we created value
- Strategy and operations
- Leadership and governance: Our Board of Management and Executive Committee
- Leadership and governance: Statement of the Board of Management
- Leadership and governance: Corporate governance statement

- Leadership and governance: Risk management
- Leadership and governance: Integrity and compliance management
- Leadership and governance: Remuneration report
- Financial information: Note 6 Operating income
- Financial information: Note 27 Financial risk management

The section 'How we created value' provides information on the developments during 2021 and the results. This section also provides information on cash flows and net debt, capital expenditures, innovation activities and employees.

On February 28, 2022, the Board of Management authorized the financial statements for issue. The financial statements as presented in this report are subject to adoption by the Annual General Meeting of shareholders on April 22, 2022.

CONSOLIDATION

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

CHANGE IN ACCOUNTING POLICIES AND FIRST TIME APPLICATION

Accounting pronouncements, which became effective for 2021 (amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 'Interest Rate Benchmark Reform – Phase 2' and the amendment to IFRS 16 'COVID-19-Related Rent Concessions beyond June 30, 2021') had no material impact on our Consolidated financial statements.

DISCONTINUED OPERATIONS

A discontinued operation is a component of our business that represents a separate major line of business or geographical area of operations that has been disposed

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

ALTERNATIVE PERFORMANCE MEASURES (NOTE 4)

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

USE OF ESTIMATES

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

- Scope of consolidation (Note 2)
- Income tax and deferred tax assets, including uncertain tax positions (Note 9)
- Impairment of intangible assets, property, plant and equipment and right-of-use assets (Note 11, 12, 13)

- Post-retirement benefit provisions (Note 19)
- Provisions and contingent liabilities (Note 20)

COVID-19 IMPACT ON FINANCIAL STATEMENTS

The ongoing pandemic situation in 2021 has been closely monitored and appropriate measures have been taken to continue serving our customers and control spend, while at the same time keeping the organization intact and able to respond quickly to changes in end market demand. The pandemic has not impacted our going concern assumption.

AkzoNobel has a strong balance sheet and solid cash position. At December 31, 2021, cash and cash equivalents were €1.2 billion and financial leverage (net debt/ EBITDA) was 1.6. AkzoNobel is committed to retain a strong investment grade credit rating. In 2021 and 2020, a detailed assessment was performed of potential valuation adjustments to the overall asset base, either due to the direct impact of COVID-19 or due to its impact on future profitability, which did not lead to significant valuation adjustments. Goodwill and intangible asset impairment tests in both years have been performed based on adjusted forecasts. Recoverability of deferred tax assets has also been reassessed based on these adjusted forecasts. Furthermore, an assessment was performed with regard to the allowance for impairment of trade receivables, also taking into account potential additional risk associated with COVID-19.

The impact of the pandemic on the Financial Statements has been considered for each of the relevant notes, and additional disclosures have been provided in case COVID-19 had a material impact on a specific Financial Statements section in 2020 or 2021. The Financial Statements sections for which this is relevant include:

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

In our 2021 and 2020 figures, all COVID-19 related impacts have been treated as normal operations; none of these impacts has been included in identified items.

STATEMENT OF CASH FLOWS

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

OPERATING SEGMENTS

We determine and present operating segments based on the information that is provided to the Executive Committee, our chief operating decision-maker during 2021, to make decisions about resources to be allocated to the segments and assess their performance. Segment results reported to the Executive Committee include items directly attributable to a segment as well as those items that can be allocated on a reasonable basis. Unallocated items mainly comprise of corporate assets and corporate costs and are reported in “Corporate and other”.

FOREIGN CURRENCIES

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

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

with other functional currencies are translated into the functional currency, using the exchange rates at transaction date.

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

Foreign exchange 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).

EXCHANGE RATES OF KEY CURRENCIES

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

	Balance sheet			Statement of income		
	2020	2021	%	2020	2021	%
US dollar	1.229	1.131	(8.0)	1.143	1.182	3.4
Pound sterling	0.900	0.837	(7.0)	0.889	0.860	(3.3)
Chinese yuan	7.992	7.197	(9.9)	7.875	7.626	(3.2)

REVENUE RECOGNITION (NOTE 5)

Sale of goods

AkzoNobel's main business consists of straightforward selling of goods (paints and coatings) to customers at contractually determined prices and conditions without any additional services. Although the transfer of risks

and rewards is not the only criterion to be considered to determine whether control over the goods has transferred, it is in most situations considered to be the main indicator of the customer's ability to direct the use of and obtain the benefits from the asset and largely also coincides with the physical transfer of the goods and the obligation of the customer to pay.

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

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

Equipment provided to customers

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

Services

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

POST-RETIREMENT BENEFITS (NOTE 7, 19)

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

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

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

OTHER EMPLOYEE BENEFITS (NOTE 7, 20)

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

SHARE-BASED COMPENSATION (NOTE 7)

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

INCOME TAX (NOTE 9)

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

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

Deferred tax is recognized using the liability method on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Consolidated financial statements. We do not recognize deferred tax for the initial recognition of goodwill, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit, and differences related to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future and we can control the timing of the reversal of the temporary difference. Deferred tax assets are recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized.

Measurement of deferred tax assets and liabilities is based upon the enacted or substantially enacted tax rates expected to apply to taxable income in the years in which temporary differences are expected to be reversed.

Income tax consequences are taken into account in the determination of deferred tax liabilities to the extent earnings are expected to be distributed by subsidiaries in the foreseeable future and AkzoNobel has control over dividend distribution. Deferred tax positions are not discounted.

EARNINGS PER SHARE (NOTE 10)

Basic earnings per share is calculated by dividing the profit for the period attributable to shareholders of the company by the weighted average number of common shares outstanding during the year, adjusted for any repurchased shares. Diluted earnings per share is calculated by adjusting the weighted average number of common shares outstanding during the year for the diluting effect of the shares of the performance-related share plan, the restricted share plan and the share-matching plan.

Adjusted earnings per share represents the basic earnings per share from continuing operations excluding identified items, after taxes.

GOVERNMENT GRANTS

Government grants related to costs (including grants related to COVID-19) are deducted from the relevant costs to be compensated in the same period. Government grants to compensate for the cost of an asset are deducted from the cost of the related asset. Emission rights granted by the government are recorded at cost. A provision is recorded if the actual emission is higher than the emission rights granted.

INTANGIBLE ASSETS (NOTE 11)

Intangible assets are valued at cost less accumulated amortization and impairment charges. Intangible assets with an indefinite useful life, such as goodwill and certain brands, are not amortized, but tested for impairment annually using the value-in-use method. Goodwill in a business combination represents the excess of the consideration paid over the net fair value of the acquired identifiable assets, liabilities and contingent liabilities. If the cost of

an acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the statement of income.

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 lists and 3 to 15 years for other intangibles. Amortization methods, useful lives and residual values are reassessed annually. Research expenditures are recognized as an expense as incurred.

PROPERTY, PLANT AND EQUIPMENT (NOTE 12)

Property, plant and equipment are valued at cost less accumulated depreciation and impairment charges. Costs include expenditures that are directly attributable to the acquisition of the asset, including borrowing cost of capital investment projects under construction.

Depreciation is calculated using the straight-line method, based on the estimated useful life of the asset components. The useful life of plant equipment and machinery generally ranges from 10 to 25 years, and for buildings ranges from 20 to 50 years. Land is not depreciated. In the majority of cases, residual value is assumed to be not significant. Depreciation methods, useful lives and residual values are reassessed annually.

Costs of major maintenance activities are capitalized and depreciated over the estimated useful life. Maintenance costs which cannot be separately defined as a component of property, plant and equipment are expensed in the period in which they occur. We recognize conditional asset retirement obligations in the periods in which sufficient information becomes available to reasonably estimate the cash outflow.

LEASES (NOTE 13, 21)

We assess whether a contract is, or contains, a lease at inception. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for a consideration.

As a lessee

At commencement or on modification of a contract that contains a lease component, we allocate the consideration in the contract to each lease component on the basis of its relative standalone prices. However, for the leases of cars we have elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

We recognize a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at the present value of the lease liability. The right-of-use asset value contains lease prepayments, lease incentives received, the initial direct costs and an estimate of restoration, removal and dismantling costs. For deferred taxes associated with lease accounting under IFRS 16, AkzoNobel determines the temporary differences between the book basis and tax basis of the right-of-use asset and the lease liability on a net basis. It is the company's view that these are integrally linked. As a result, a deferred tax position is reported on the net temporary differences of the right-of-use assets and lease liabilities.

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 the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. The lease payments comprise the following:

- Fixed payments (including in substance fixed payments), less any lease incentives
- Variable lease payments that depend on an index or a rate
- The exercise price of a purchase option if it is reasonably certain that the option will be exercised

- Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease; 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 to exercise the extension options. We reassess whether it is reasonably certain to exercise the options, if there is a significant event or significant change in circumstances within our control.

At the commencement date, we assess whether it is reasonably certain that:

- An option to extend is exercised; or
- An option to purchase is exercised; or
- An option to terminate the lease is not exercised

In making these assessments, all relevant facts and circumstances that create an economic incentive for us to exercise, or not to exercise, the option, including any expected changes in facts and circumstances from the commencement date until the exercise date of the option are considered.

Short-term leases and leases of low-value assets

We do not record right-of-use assets and lease liabilities on the balance sheet for leases of low-value assets and short-term leases. We recognize the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

IMPAIRMENTS (NOTE 11, 12, 13)

We assess the carrying value of intangible assets, property, plant and equipment and right-of-use assets whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable 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 function level of the asset impaired. The assessment for impairment is performed at the lowest level of assets generating largely independent cash inflows. For goodwill and other intangible assets with an indefinite life, we have determined this to be at business unit level (one level below 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 AND JOINT VENTURES (NOTE 14)

Associates and joint ventures are accounted for using the equity method and are initially recognized at cost. The Consolidated financial statements include our share of the income and expenses of the associates and joint ventures, whereby the result is determined using our accounting principles. When the share of losses exceeds the interest in the investee, the carrying amount is reduced to nil and recognition of further losses is discontinued, unless we have further legal or constructive obligations.

INVENTORIES (NOTE 16)

Inventories are measured at the lower of cost and net realizable value. Costs of inventories comprise all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to the present location and condition. The costs of inventories are determined using weighted average cost.

PROVISIONS (NOTE 20)

We recognize provisions when a present legal or constructive obligation as a result of a past event exists, it is probable that an outflow of economic benefits is required

to settle the obligation and the amount can be reliably estimated. Provisions are measured at net present value. The increase of provisions as a result of the passage of time is recognized in the statement of income under financing income and expenses.

Provisions for restructuring of activities are recognized when a detailed and formal restructuring plan has been approved, and the restructuring has either commenced or has been announced publicly. We do not provide for future operating costs.

FINANCIAL INSTRUMENTS

Classification

All assets are measured at amortized cost, fair value through profit or loss or fair value through other comprehensive income. Financial assets are classified according to a model based on:

- A contractual cash flow characteristics test
- A business model dictating how the reporting entity manages its financial assets in order to generate cash flows as either:
 1. Hold to collect contractual cash flows
 2. Collect contractual cash flows and sell
 3. Neither 1 or 2
- Election of the fair value option in some specific cases in order to eliminate an accounting mismatch

The classification of a financial asset is determined at initial recognition, but if certain conditions are met, an asset might be subject to reclassification.

Valuation and impairment

Financial assets are assessed for impairment either according to the general approach or a simplified approach.

The calculation of impairment under the general approach uses the following stages:

- 12-month expected credit losses; taking in account possible default events within one year
- Lifetime expected credit losses in case of an increase in credit risk; through recognition of expected credit losses over the remaining life of the exposure
- Lifetime expected credit losses, where interest is calculated on the net amount of the receivables less impairment loss

Note 2 SCOPE OF CONSOLIDATION

Material subsidiaries

The Consolidated financial statements comprise the assets, liabilities, income and expenses of 261 legal entities. We consider legal entities material when they represent, for at least two subsequent years, more than 5% of either revenue or adjusted operating income or based on qualitative aspects. Material subsidiaries included in the table in this Note are fully owned at year-end 2021.

Material subsidiaries related to continuing operations

Legal entity	Principal place of business/country of incorporation
Akzo Nobel Coatings Inc.	US
Akzo Nobel Paints (Shanghai) Co Ltd.	China
Imperial Chemical Industries Limited	UK
Akzo Nobel Decorative Coatings B.V.	Netherlands
Akzo Nobel Coatings SPA	Italy

Acquisitions

On March 1, 2021, we acquired 100% of the shares of Industrias Titan S.A.U. (Titan Paints) in Spain, for €83 million. The acquisition strengthens our paints business and footprint in Spain. The transaction included three production facilities and seven logistics and service centres for decorative paints. Titan Paints generated revenues of around €80 million in 2020. The transaction resulted in €15 million of goodwill (non-deductible for tax purposes), €20 million of other intangible assets and €47 million of property, plant and equipment. The goodwill is mainly attributable to synergies expected to be achieved from integrating the company into the group.

On June 29, 2021, AkzoNobel announced to further expand its long-term position in South and Central America after reaching an agreement to acquire 100% of the Colombia-based paints and coatings company Grupo Orbis, with consolidated revenues of approximately €260 million (in 2020). Completion is subject to regulatory approvals and is expected in the first quarter of 2022.

In all above stages, the impairment calculation used at AkzoNobel is based on external credit ratings of involved parties or default rates published by well-known credit risk agencies.

The financial assets included in the general impairment approach are long-term loans and other long-term receivables.

The calculation of impairment under the simplified approach requires recognition of lifetime expected credit loss (no tracking of changes in credit risk). The financial assets included in the simplified impairment approach are trade receivables and the remaining financial assets.

Measurement

Regular purchases and sales of financial assets and liabilities are recognized on trade date. The initial measurement of all financial instruments is at fair value. Except for derivatives and cash and cash equivalents, the initial measurement of financial instruments is adjusted for directly attributable transaction costs.

Derivative financial instruments (Note 27)

Derivative financial instruments are recognized at fair value on the balance sheet. Fair values are derived from market prices and quotes from dealers and brokers or are estimated using observable market inputs. When determining fair values, credit risk for our contract party, as well as for AkzoNobel, is taken into account.

Changes in the fair value are recognized in the statement of income, unless cash flow hedge accounting or net investment hedge accounting is applied. In those cases, the effective part of the fair value changes is deferred in other comprehensive income and released to the related specific lines in the statement of income or balance sheet at the same time as the hedged item.

Financial non-current assets (Note 15) and Trade and other receivables (Note 17)

Loans and receivables are measured at amortized cost, using the effective interest method, less any impairment losses.

Cash and cash equivalents and Short-term investments (Note 21)

Cash and cash equivalents and short-term investments are measured at fair value. Cash and cash equivalents include

all cash balances and other investments that are directly convertible into known amounts of cash. Changes in fair values are included in financing income and expenses.

Long-term and Short-term borrowings (Note 21, 27) and Trade and other payables (Note 22)

Long-term and short-term borrowings, as well as trade and other payables, are measured at amortized cost, using the effective interest rate method. The interest expense on borrowings is included in financing income and expenses. The fair value of borrowings, used for disclosure purposes, is determined based on listed market price, if available. If a listed market price is not available, the fair value is calculated based on the present value of principal and interest cash flows, discounted at the interest rate at the reporting date, considering AkzoNobel's credit risk.

NEW IFRS ACCOUNTING STANDARDS

IFRS standards and interpretations thereof not yet in force, which may apply to our Consolidated financial statements for 2022 and beyond, have been assessed for their potential impact.

These include among others amendments to IFRS 3 'References to the Conceptual Framework', amendments to IAS 16 'Property, Plant and Equipment: Proceeds before Intended Use', amendments to IAS 37 'Onerous Contracts – Costs of Fulfilling a Contract', AIP IFRS 9 'Financial instruments – Fees in the '10 percent' test for derecognition of financial liabilities', IFRS 17 'Insurance contracts', amendments to IAS 1 'Classification of Liabilities as Current or Non-current', amendments to IAS 8 'Definition of Accounting Estimates', amendments to IAS 12 'Deferred Tax related to Assets and Liabilities arising from a Single Transaction', amendments to IAS 1 and IFRS Practice Statement 2 'Disclosure of Accounting Policies' 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.

Recognized fair values at acquisition

In € millions	Titan S.A.U. Spain	Other*	Total 2021
Other intangibles	20	(1)	19
Property, plant and equipment	47	—	47
Inventories	19	—	19
Trade and other receivables	15	—	15
Cash and cash equivalents	10	—	10
Long-term debt	(1)	—	(1)
Provisions	(2)	—	(2)
Deferred tax assets/(liabilities)	(7)	—	(7)
Trade and other payables	(33)	—	(33)
Net identifiable assets and liabilities	68	(1)	67
Goodwill	15	2	17
Purchase consideration	83	1	84
Cash and cash equivalents acquired	(10)	—	(10)
To be paid in 2022 and later years	—	(1)	(1)
Net cash outflow	73	—	73

* Other includes the purchase price adjustments with regard to the 2020 New Nautical Coatings acquisition.

Divestments

In 2021 and 2020, no significant divestments occurred.

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 (one level below segment level) in the operating segment Decorative Paints are presented 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 presented per market.

The tables in this Note include Alternative Performance Measures (APM's). Refer to Note 4 for further information on these APM's.

Information per reportable segment

In € millions	Revenue (third parties)		Amortization and depreciation		Operating income		Identified items ¹		Adjusted operating income ²		EBITDA ³		Adjusted EBITDA ⁴		ROS% ⁵		OPI margin ⁶	
	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021
Decorative Paints	3,558	3,979	(153)	(154)	551	640	(22)	42	573	598	704	794	714	745	16.1	15.0	15.5	16.1
Performance Coatings	4,957	5,603	(159)	(160)	665	650	(35)	2	700	648	824	810	854	807	14.1	11.6	13.4	11.6
Corporate and other	15	5	(49)	(37)	(253)	(172)	(79)	(18)	(174)	(154)	(204)	(135)	(126)	(116)				
Total	8,530	9,587	(361)	(351)	963	1,118	(136)	26	1,099	1,092	1,324	1,469	1,442	1,436	12.9	11.4	11.3	11.7

¹ Identified items are special charges and benefits, results on acquisitions and divestments, major restructuring and impairment charges, and charges and benefits related to major legal, environmental and tax cases. The identified items in this Note exclude the items outside operating income.

² Adjusted operating income is operating income excluding identified items.

³ EBITDA is operating income excluding depreciation and amortization.

⁴ Adjusted EBITDA is operating income excluding amortization, depreciation and identified items.

⁵ ROS% is calculated as adjusted operating income (operating income excluding identified items) as a percentage of revenues from third parties. ROS% for Corporate and other is not shown, as this is not meaningful.

⁶ OPI margin is calculated as operating income as a percentage of revenues from third parties. OPI margin for Corporate and other is not shown, as this is not meaningful.

Information per reportable segment

In € millions	Invested capital		Total assets		Total liabilities		Capital expenditures ¹		ROI% ²	
	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021
Decorative Paints	2,567	3,022	5,882	6,179	3,273	3,347	77	108	20.5	20.8
Performance Coatings	3,384	3,671	6,519	7,139	2,586	2,665	146	147	20.7	18.4
Corporate and other	452	428	776	560	1,368	2,230	35	33		
Total	6,403	7,121	13,177	13,878	7,227	8,242	258	288	16.1	16.0

¹ Capital expenditures include investments in intangible assets (refer to Note 11) and investments in property, plant and equipment (refer to Note 12).

² ROI% is calculated as adjusted operating income (operating income excluding identified items) of the last 12 months as a percentage of average invested capital of the last 12 months.

Invested capital is calculated as total assets (excluding cash and cash equivalents, short-term investments, investments in associates, the receivable from pension funds in an asset position and assets held for sale) less current tax liabilities, deferred tax liabilities and trade and other payables. ROI% for Corporate and other is not shown, as this is not meaningful.

Regional information¹

In € millions	Revenue by region of destination		Intangible assets and property, plant and equipment		Invested capital		Capital expenditures ²	
	2020	2021	2020	2021	2020	2021	2020	2021
The Netherlands	342	335	1,188	1,206	1,616	1,787	46	45
Other EMEA countries	3,986	4,473	1,702	1,777	2,384	2,555	90	100
North Asia	1,515	1,735	1,093	1,203	911	969	35	45
South Asia Pacific	972	1,137	479	516	529	639	33	46
North America	1,114	1,163	543	602	727	809	43	37
South America	601	744	170	186	236	362	11	15
Total	8,530	9,587	5,175	5,490	6,403	7,121	258	288

¹ The regional split has been changed compared to previous year to align to our new internal regional structure.

² Capital expenditures include investments in intangible assets (refer to Note 11) and investments in property, plant and equipment (refer to Note 12).

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. The following tables reconcile the alternative performance measures used in the segment information (Note 3) to the nearest IFRS measure.

Transformation costs

Transformation costs include costs related to the strategy to create a focused high-performing Paints and Coatings business and primarily relate to costs for restructuring activities.

Brazil ICMS case

In May 2021, the Brazilian Supreme Court (STF) recognized the right to deduct state tax on goods and services (ICMS) from the calculation basis of the Social Integration Program-PIS (Programa de Integração Social) and the Financing of Social Security-COFINS (Contribuição para Financiamento da Seguridade Social). This STF decision covers a multi-year period prior to 2018. As a result, a full-year net gain of €64 million was recognized in net income, of which €42 million in Other results (in operating income), €28 million in interest income, €14 million in income tax (loss) and (net) €8 million in discontinued operations.

UK pensions past service credit

Following a court decision in April 2021, which allows the amendment of the scheme documentation of one of the company's UK pension funds, a past service credit (gain) was recognized.

APM adjustments to interest

Adjustments on interest includes an interest gain of €28 million from the Brazil ICMS case.

APM adjustments to income tax

UK ACT case

APM adjustments to income tax include a €29 million net tax benefit for the UK Advanced Corporation Tax (ACT) case. In July 2021 the UK Supreme Court issued a further decision in a group litigation case the company participates in ("Franked Investment Income"; filed in 2003). The company assessed the consequences of this judgement and performed a further file review which, taking into account legal advice, resulted in the recognition of a net tax benefit of €29 million.

APM adjustments to income tax

Other items

Furthermore, APM adjustments to income tax include a gain of €12 million for the (net) re-recognition of deferred tax assets, as well as €8 million of tax benefits related to transformation costs. These gains were partly offset by the income tax (loss) related to the Brazil ICMS case (€14 million) and the impact from tax rate changes (€19 million).

Alternative performance measures

In € millions			2020			2021
	Continuing operations	Discontinued operations	Total	Continuing operations	Discontinued operations	Total
Operating income	963	—	963	1,118	—	1,118
APM adjustments to operating income						
- Transformation costs	121	—	121	28	—	28
- Brazil ICMS case	—	—	—	(42)	—	(42)
- UK pensions past service credit	—	—	—	(23)	—	(23)
- Acquisition related costs	4	—	4	11	—	11
- Other	11	—	11	—	—	—
Total APM adjustments (identified items) to operating income	136	—	136	(26)	—	(26)
Adjusted operating income	1,099	—	1,099	1,092	—	1,092
Profit for the period attributable to shareholders of the company	637	(7)	630	823	6	829
Adjustments to operating income	136	—	136	(26)	—	(26)
Adjustments to interest	(3)	—	(3)	(29)	—	(29)
Adjustments to income tax	(28)	—	(28)	(15)	—	(15)
Adjustments to discontinued operations	—	—	—	—	(8)	(8)
Total APM adjustments	105	—	105	(70)	(8)	(78)
Adjusted profit for the period attributable to shareholders of the company	742	(7)	735	753	(2)	751

Adjusted operating income, OPI margin and ROS%

In € millions	2020	2021
Revenue from third parties		
Decorative Paints	3,558	3,979
Performance Coatings	4,957	5,603
Other	15	5
Total	8,530	9,587
Operating income		
Decorative Paints	551	640
Performance Coatings	665	650
Other	(253)	(172)
Total	963	1,118
Total APM adjustments (identified items)¹		
Decorative Paints	(22)	42
Performance Coatings	(35)	2
Other	(79)	(18)
Total	(136)	26
Adjusted operating income²		
Decorative Paints	573	598
Performance Coatings	700	648
Other	(174)	(154)
Total	1,099	1,092
OPI margin%³		
Decorative Paints	15.5	16.1
Performance Coatings	13.4	11.6
Other ⁵		
Total	11.3	11.7
ROS%⁴		
Decorative Paints	16.1	15.0
Performance Coatings	14.1	11.6
Other ⁵		
Total	12.9	11.4

¹ Adjustments for identified items to the extent these are included in operating income.

² Adjusted operating income is operating income excluding identified items.

³ OPI margin is calculated as operating income as a percentage of revenues from third parties.

⁴ ROS% is calculated as adjusted operating income (operating income excluding identified items) as a percentage of revenues from third parties.

⁵ OPI margin and ROS% for Other activities/eliminations is not shown, as this is not meaningful.

Leverage ratio is calculated as net debt/EBITDA. For the calculation of net debt, refer to Note 21. Leverage ratio is included in Note 27 in the paragraph on capital risk management.

EBITDA*

In € millions	2020			2021		
	Operating income	Depreciation and amortization	EBITDA	Operating income	Depreciation and amortization	EBITDA
Decorative Paints	551	(153)	704	640	(154)	794
Performance Coatings	665	(159)	824	650	(160)	810
Other	(253)	(49)	(204)	(172)	(37)	(135)
Total	963	(361)	1,324	1,118	(351)	1,469

* EBITDA is operating income excluding depreciation and amortization.

Adjusted EBITDA*

In € millions	2020			2021		
	Adjusted operating income	Depreciation and amortization excluding identified items	Adjusted EBITDA	Adjusted operating income	Depreciation and amortization excluding identified items	Adjusted EBITDA
Decorative Paints	573	(141)	714	598	(147)	745
Performance Coatings	700	(154)	854	648	(159)	807
Other	(174)	(48)	(126)	(154)	(38)	(116)
Total	1,099	(343)	1,442	1,092	(344)	1,436

* Adjusted EBITDA is operating income excluding depreciation, amortization and identified items.

Adjusted earnings per share

In € millions	2020	2021
Profit for the period attributable to shareholders of the company from continuing operations	637	823
APM adjustments to operating income	136	(26)
APM adjustments to interest	(3)	(29)
APM adjustments to income tax	(28)	(15)
Adjusted profit from continuing operations attributable to shareholders of the company*	742	753
Weighted average number of shares (in millions)	191.4	185.0
Earnings per share from continuing operations (in €)	3.33	4.45
Adjusted earnings per share from continuing operations (in €)	3.88	4.07

* For the reconciliation to IFRS measures please refer to the first table in this Note.

ROI%

In € millions	2020	2021
Average invested capital		
Decorative Paints	2,799	2,872
Performance Coatings	3,388	3,520
Other	647	437
Total	6,834	6,829
Adjusted operating income¹		
Decorative Paints	573	598
Performance Coatings	700	648
Other	(174)	(154)
Total	1,099	1,092
ROI%²		
Decorative Paints	20.5	20.8
Performance Coatings	20.7	18.4
Other ³		
Total	16.1	16.0

¹ For reconciliation to IFRS measures please refer to the first table in this Note.

² ROI% is calculated as adjusted operating income (operating income excluding identified items) of the last 12 months as a percentage of average invested capital of the last 12 months. Invested capital is calculated as total assets (excluding cash and cash equivalents, short-term investments, investments in associates, the receivable from pension funds in an asset position and assets held for sale) less current tax liabilities, deferred tax liabilities and trade and other payables.

³ ROI% for Other activities/eliminations is not shown, as this is not meaningful.

Note 5 REVENUE

AkzoNobel derives revenue from the transfer of goods and services 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 17.

As at December 31, 2021, and at December 31, 2020, no significant contract assets were recognized.

As at December 31, 2021, the amount of contract liabilities deferred to be recognized over time in 2022 is €3 million. These contract liabilities primarily relate to shipping, training and certain technical services, for which revenue is recognized over time. The amount of €3 million included in contract liabilities at the beginning of the period has been recognized as revenue during the year 2021 (2020: €3 million).

Revenue disaggregation

In € millions	Decorative Paints		Performance Coatings		Other		Total	
	2020	2021	2020	2021	2020	2021	2020	2021
Primary geographical markets - revenue from third parties*								
The Netherlands	233	231	94	99	15	5	342	335
Other EMEA countries	2,013	2,198	1,971	2,275	—	—	3,984	4,473
North Asia	484	560	1,032	1,175	—	—	1,516	1,735
South Asia Pacific	432	513	540	624	—	—	972	1,137
North America	—	—	1,112	1,163	—	—	1,112	1,163
South America	396	477	208	267	—	—	604	744
Total	3,558	3,979	4,957	5,603	15	5	8,530	9,587
Major goods/service lines - revenue from third parties								
Decorative Paints Europe, Middle East and Africa	2,246	2,429	—	—	—	—	2,246	2,429
Decorative Paints South America	396	477	—	—	—	—	396	477
Decorative Paints Asia	916	1,073	—	—	—	—	916	1,073
Powder Coatings	—	—	1,128	1,315	—	—	1,128	1,315
Marine and Protective Coatings	—	—	1,068	1,164	—	—	1,068	1,164
Automotive and Specialty Coatings	—	—	1,127	1,231	—	—	1,127	1,231
Industrial Coatings	—	—	1,634	1,893	—	—	1,634	1,893
Other	—	—	—	—	15	5	15	5
Total	3,558	3,979	4,957	5,603	15	5	8,530	9,587
Timing of revenue recognition								
Goods transferred at a point in time	3,512	3,923	4,772	5,405	—	—	8,284	9,328
Services transferred over time	46	56	185	198	15	5	246	259
Total	3,558	3,979	4,957	5,603	15	5	8,530	9,587

* The regional split has been changed compared to previous year to align to our new internal regional structure.

Note 6 OPERATING INCOME

In 2021, operating income was up 16% at €1,118 million (2020: €963 million). Significant price increases and volume increases contributed to offset raw material cost inflation and supply constraints. Operating

income further includes net positive identified items of €26 million, mainly related to gains from the Brazil ICMS case and UK ACT case (refer to Note 4 for further details on identified items), partly offset by transformation initiatives (2020: €136 million negative identified items, mainly relating to transformation initiatives). OPI margin improved to 11.7% (2020: 11.3%).

Costs by nature 2021

In € millions	Employee benefits	Amortization	Depreciation	Purchases and other costs	Total
Cost of sales	(529)	—	(155)	(5,048)	(5,732)
Selling expenses	(832)	(50)	(90)	(1,020)	(1,992)
General and administrative expenses	(267)	(16)	(23)	(276)	(582)
Research and development expenses	(168)	(4)	(13)	(45)	(230)
Other results	23	—	—	44	67
Total	(1,773)	(70)	(281)	(6,345)	(8,469)

Costs by nature 2020

In € millions	Employee benefits	Amortization	Depreciation	Purchases and other costs	Total
Cost of sales	(524)	—	(160)	(4,061)	(4,745)
Selling expenses	(832)	(48)	(83)	(953)	(1,916)
General and administrative expenses	(319)	(12)	(40)	(292)	(663)
Research and development expenses	(175)	(4)	(14)	(45)	(238)
Other results	—	—	—	(5)	(5)
Total	(1,850)	(64)	(297)	(5,356)	(7,567)

Note 7 EMPLOYEE BENEFITS

Salaries, wages and other employee benefits in operating income

In € millions	2020	2021
Salaries and wages	(1,449)	(1,395)
Post-retirement cost	(138)	(115)
Other social charges	(263)	(263)
Total	(1,850)	(1,773)

Average number of employees of total AkzoNobel

Average number during the year	2020	2021
Decorative Paints	12,100	12,500
Performance Coatings	17,500	17,000
Corporate and other	3,400	3,200
Total	33,000	32,700

Average number of employees in the Netherlands

Average number during the year	2020	2021
Decorative Paints	600	600
Performance Coatings	1,000	1,100
Corporate and other	700	700
Total	2,300	2,400

Employees

At year-end	2020	2021
Decorative Paints	11,900	12,500
Performance Coatings	17,100	17,200
Corporate and other	3,200	3,100
Total	32,200	32,800

The average number of employees working outside the Netherlands was 30,300 (2020: 30,700).

In 2021, the number of employees increased by 2% to 32,800 people (year-end 2020: 32,200 people). Acquisitions in 2021 added around 400 people.

Employee benefit costs in 2020 included €33 million compensation related to government support measures for COVID-19. For 2021, this number is not material.

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 2021 statement of income for share-based compensation amounted to €18 million and are included in salaries and wages (2020: €14 million).

Performance-related and restricted share plan

Under the performance-related share plan and the restricted share plan, a number of conditional shares are granted to the members of the Board of Management, members of the Executive Committee, executives and certain other employee categories each year. The number of participants of the performance-related share plan and the restricted share plan at year-end 2021 was 479 (2020: 335). The shares of the performance-related share plan series 2018-2020 have vested and were delivered to the participants in 2021.

In 2021, Mr. Vanlancker was granted a special grant of 17,500 shares to compensate for the loss of shares due to the two-year re-appointment and the fact that shares granted as from 2021 will only vest on a pro-rated basis. The special grant was not subject to performance conditions, but a restriction date of April 20, 2023 applies.

Fair value performance-related shares in €

Series	Opening share price per:	Fair Value	Market condition (TSR) ³	Non-market based performance conditions ⁴	Share price	Expected volatility	Risk free interest rate
2018-2020 ¹	April 26, 2018	71.65	67.51	75.78	75.78	22.66%	(0.04)%
2019-2021	January 2, 2019	61.09	52.57	69.60	69.60	20.12%	(0.04)%
2020-2022 ²	April 21, 2020	53.42	42.95	63.88	63.88	21.42%	(0.33)%
2021-2023 ¹	April 22, 2021	103.20	NA	103.20	103.20	NA	NA

¹ Date of the AGM at which the new LTI performance criteria for the Board of Management were approved.

² Date on which the Supervisory Board approved the use of the average share price calculation method to determine the number of shares granted.

³ 50% for the 2018-2020, 2019-2021 and 2020-2022 grants, no longer applicable for the 2021-2023 grant.

⁴ 50% for the 2018-2020, 2019-2021 and 2020-2022 grants, 100% for the 2021-2023 grant.

The performance targets for the conditional grant of performance-related shares of the 2019-2021 and 2020-2022 plans for the Board of Management and the Executive Committee are linked for 50% to the relative TSR performance of the company compared with the peer group and for 50% to the ROI performance of the company. The targets for the 2021-2023 performance related share grant are for 20% linked to Revenue Growth, for 40% to Adjusted EBITDA, for 20% to ROI and for 20% to performance against Environmental, Social and Governance (ESG) KPI's. A two-year holding restriction applies.

The plan for the executives and certain other employee categories is a restricted share plan 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 applies for the executives.

The conditional shares of the 2019-2021 performance share plan vested for 58.33% (series 2018-2020: 78%), including a dividend yield of 13.14% (series 2018-2020: 14.37%), the final vesting percentage amounted to 66.00% (series 2018-2020: 89.21%).

Share plans of AkzoNobel executives

Plan	Performance/Vesting period	Award date	Vesting date	End of holding period	Balance at January 1, 2021	Awarded in 2021	Vested in 2021	Forfeited in 2021	Dividend in 2021	Subject to performance condition	Unvested in 2021	Subject to holding period	Balance at December 31, 2021
2018-2020 Restricted Share Plan	3 years	1/1/2018	1/1/2021	1/1/2022	167,020	—	(167,020)	—	—	NA	—	167,020	—
2018-2020 Performance Share Plan	3 years	1/1/2018	1/1/2021	1/1/2023	70,034	—	(70,034)	—	—	—	—	70,034	—
2019-2021 Restricted Share Plan	3 years	1/1/2019	1/1/2022	1/1/2023	186,870	1,883	(22,390)	(8,908)	—	NA	157,455	157,455	157,455
2019-2021 Performance Share Plan	3 years	1/1/2019	1/1/2022	1/1/2024	75,531	—	—	(31,151)	1,450	45,830	45,830	45,830	45,830
2020-2022 Restricted Share Plan	3 years	1/1/2020	1/1/2023	1/1/2024	176,686	2,843	(6,083)	(16,351)	—	NA	157,095	157,095	157,095
2020-2022 Performance Share Plan	3 years	1/1/2020	1/1/2023	1/1/2025	58,247	4,520	—	(3,252)	1,177	60,692	60,692	60,692	60,692
2020-2022 Restricted Share Plan	3 years	4/1/2020	4/1/2023	NA	6,590	—	—	(700)	—	NA	5,890	—	5,890
2021-2023 Restricted Share Plan	3 years	4/1/2021	4/1/2024	4/1/2025	—	187,123	(373)	(9,803)	—	NA	176,947	176,947	176,947
2021-2023 Performance Share Plan	3 years	1/1/2021	1/1/2024	1/1/2026	—	67,974	—	(5,764)	1,194	63,404	63,404	63,404	63,404
2021-2023 Restricted Share Plan	3 years	4/1/2021	4/1/2024	NA	—	27,620	—	(480)	—	NA	27,140	—	27,140
2021-2023 Reappointment Award*	NA	4/22/2021	NA	4/20/2023	—	17,500	(17,500)	—	—	—	—	17,500	—
Total					740,978	309,463	(283,400)	(76,409)	3,821	196,926	694,453	915,977	694,453

* Or the actual date of the AGM in which Mr. Vanlancker will relinquish his position as CEO.

The share price of a common AkzoNobel share at year end 2021 amounted to €96.50 (2020: €87.86).

Fair value of restricted and performance-related shares

The fair value of the restricted shares of the 2021-2023 grant, amounting to €80.63, is based on the share price on March 3, 2021 of €87.40 and the expected dividend yield of 2.65%. As for the 2021-2023 grant of performance-related shares all conditions are non-market based performance conditions, the fair value of the performance related shares is based on the share price as per April 22, 2021, the date of the AGM at which the new LTI performance criteria for the Board of Management were approved. In the same meeting, the special grant to Mr. Vanlancker was also approved, therefore the same fair value applies for these shares. The fair value of the performance-related shares of the 2018-2020, 2019-2021 and 2020-2022 grant is for 50% based on a market condition (TSR) and for 50% based on a non-market-based performance condition (ROI).

The TSR part of the award is valued applying a Monte Carlo simulation model and the other part is valued based on the share price at grant date. The parameters applied for the fair value calculations are: share price at grant date (opening of first trading date from grant date), expected volatility (based on the share price development over the past three years of AkzoNobel), and risk-free interest rate (based on a Dutch zero-coupon government bond).

Share-matching plan

The members of the Board of Management and the members of the Executive Committee are eligible to participate in the share-matching plan. However, they will not be eligible for matching shares for the years 2019, 2020 and 2021. Under certain conditions, members who invest part of their short-term incentive in AkzoNobel shares may have such shares matched by the company. During 2021, 1,720 potential matching shares were matched based on the conditional share matching grants of the 2018 series, leading to no potential matching shares on December 31, 2021. In 2022, the members of the Board of Management and the members of the Executive Committee will become eligible for matching shares by investing part of their 2021 short-term incentive that is paid in 2022 in AkzoNobel shares.

Note 8 FINANCING INCOME AND EXPENSES

Financing income and expenses

In € millions	2020	2021
Financing income	14	12
Financing expenses	(66)	(74)
Net interest on net debt	(52)	(62)
Other interest		
Financing income related to post-retirement benefits	14	13
Interest charges on provisions	(10)	3
Other items	(21)	7
Net other financing credit/(charges)	(17)	23
Total financing income and expenses	(69)	(39)

Net financing expenses for the year were €39 million (2020: €69 million). Significant variances are:

- Net interest on net debt increased by €10 million to €62 million (2020: €52 million) mainly as a result of higher interest cost on debt
- Interest on provisions changed from a €10 million charge in 2020 to an income of €3 million in 2021 due to discounting at higher discount rates
- Other items in 2021 include €28 million interest income from the Brazil ICMS case (refer to Note 4 for further details on the Brazil ICMS case) and foreign currency results.

The average interest rate used for capitalized interest in 2021 and 2020 was 1.9%. Capitalized interest was negligible in both 2021 and 2020.

The average interest rate on total debt was 2.3% (2020: 2.4%).

Note 9 INCOME TAX

Pre-tax income from continuing operations amounted to a profit of €1,105 million (2020: €919 million). The net tax charges related to continuing operations are included in the statement of income as shown in this Note and amount to €246 million (2020: €241 million), leading to an effective tax rate of 22.3% (2020: 26.2%).

Classification of current and deferred tax result

In 2021, the income tax expense was €246 million (2020: €241 million). 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 results on discontinued operations. The total deferred tax charge including discontinued operations was €77 million (2020: €108 million). The total tax charge including discontinued operations was €248 million (2020: €249 million).

Classification of current and deferred tax result

In € millions	2020	2021
Current tax (expense)/income for		
The year	(131)	(205)
Adjustments for previous years	(2)	36
Total current tax expense	(133)	(169)
Deferred tax (expense)/income for		
Origination and reversal of temporary differences and tax losses	(106)	(75)
De/re-recognition of deferred tax assets	1	18
Changes in tax rates	(3)	(20)
Total deferred tax expense	(108)	(77)
Total	(241)	(246)

Adjustments for prior years in 2021 is mainly related to a net tax benefit of €29 million for the UK Advanced Corporation Tax (ACT) case, which is further described in Note 4 on Alternative Performance Measures due to its identified nature. 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. Changes in tax rates in 2021 mainly relate to the changes in the UK and Dutch tax rates.

Effective tax rate reconciliation

In 2021, the effective income tax rate based on the statement of income is 22.3% (2020: 26.2%). 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 results on discontinued operations. Including these results, the effective consolidated tax rate is 22.3% (2020: 27.1%)

Effective tax rate

in %	2020	2021
Corporate tax rate in the Netherlands	25.0	25.0
Effect of tax rates in other countries	(0.4)	0.2
Weighted average statutory income tax rate	24.6	25.2
Non-taxable income	(1.8)	(3.0)
Non-deductible expenses	2.4	2.3
De/re-recognition of deferred tax assets	(0.1)	(1.6)
Non-refundable withholding taxes	0.6	0.9
Adjustment for prior years	0.2	(3.3)
Deferred tax adjustment due to changes in tax rates	0.3	1.8
Effective tax rate	26.2	22.3

Non-taxable income is mainly related to interest on tax credits in Brazil, the Innovation box in the Netherlands, R&D credits and the tax exemption for investments. Non-deductible expenses are mainly related to base erosion and the effects of Argentina hyperinflation accounting. Adjustments for prior years in 2021 is mainly related to the UK Advanced Corporation Tax (ACT) case, which is further described in Note 4 on Alternative Performance Measures due to its identified nature. Changes in tax rates in 2021 mainly relate to the changes in the UK and Dutch tax rates.

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.

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 below tables show the origination of deferred tax assets and liabilities, and the movements thereof, for the financial years 2021 and 2020.

Origination of deferred tax assets and liabilities 2021

In € millions	Balance at January 1, 2021	Changes in exchange rate	Recognized in income	Recognized in equity/Other comprehensive income	Acquisitions	Balance at December 31, 2021
Intangible assets	(417)	(23)	(17)	—	(4)	(461)
Property, plant and equipment	60	6	20	—	(8)	78
Financial non-current assets	(267)	(24)	(138)	23	—	(406)
Post-retirement benefit provisions	156	4	(2)	(20)	—	138
Other provisions	29	2	(3)	—	—	28
Other items	68	3	25	(2)	3	97
Tax credits	184	—	20	—	—	204
Tax loss carryforwards	217	12	18	(12)	2	237
Deferred tax assets (liabilities)	30	(20)	(77)	(11)	(7)	(85)

Origination of deferred tax assets and liabilities 2020

In € millions	Balance at January 1, 2020	Changes in exchange rate	Recognized in income	Recognized in equity/Other comprehensive income	Acquisitions	Balance at December 31, 2020
Intangible assets	(410)	24	(31)	—	—	(417)
Property, plant and equipment	49	(6)	17	—	—	60
Financial non-current assets	(200)	13	(79)	(1)	—	(267)
Post-retirement benefit provisions	158	(9)	23	(16)	—	156
Other provisions	35	(3)	(3)	—	—	29
Other items	102	—	(37)	3	—	68
Tax credits	173	—	11	—	—	184
Tax loss carryforwards	231	(7)	(9)	2	—	217
Deferred tax assets (liabilities)	138	12	(108)	(12)	—	30

Reconciliation deferred tax assets and liabilities to the balance sheet

In € millions	December 31, 2020			December 31, 2021		
	Net balance	Assets	Liabilities	Net balance	Assets	Liabilities
Intangible assets	(417)	18	435	(461)	12	473
Property, plant and equipment	60	85	25	78	123	45
Financial non-current assets	(267)	36	303	(406)	25	431
Post-retirement benefit provisions	156	157	1	138	141	3
Other provisions	29	37	8	28	38	10
Other items	68	129	61	97	113	16
Tax credits	184	184	—	204	204	—
Tax loss carryforwards	217	217	—	237	237	—
Tax assets/liabilities	30	863	833	(85)	893	978
Set-off of tax	—	(366)	(366)	—	(411)	(411)
Net deferred tax positions	30	497	467	(85)	482	567

Reconciliation deferred tax assets and liabilities to the balance sheet

The above 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 asset recoverability assessment

In assessing the recognition of the deferred tax assets, management considers whether it is probable that some portion or all of the deferred tax assets will be realized. The ultimate realization of the deferred tax assets is dependent

upon the generation of future taxable income during the periods in which those temporary differences, losses, and credits become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. The amount of deferred tax assets considered realizable, however, could change in the near term if future estimates of projected taxable income during the carryforward period are revised. The majority of the amount of the non-current portion of deferred or current taxes will be recovered or settled after more than 12 months.

In 2020 and 2021, deferred tax asset recoverability has been assessed using taxable profit forecasts, which take the potential impact of the COVID-19 pandemic on future results into account. These assessments showed sufficient taxable profit to recover deferred tax assets in most jurisdictions, whilst in some jurisdictions this resulted in derecognitions or re-recognitions. In 2021, these assessments resulted in a net re-recognition of deferred tax assets of €18 million (2020: net re-recognition of €4 million).

Deferred tax assets not recognized fully relate to tax loss carryforwards in 2021. The losses in the tables on tax losses carried forward are gross amounts, with the tax impact included in the last column of the table.

From the total amount of recognized net deferred tax assets, €151 million (2020: €196 million) is related to entities that have suffered a loss in either the current of 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.

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 €31 million (2020: €33 million).

Expiration year of loss carryforwards 2021

In € millions	2022	2023	2024	2025	2026	Later	Unlimited	Total	Deferred tax
Total loss carryforwards	1	—	1	—	3	17	3,131	3,153	795
Loss carryforwards not recognized in deferred tax assets	(1)	—	(1)	—	—	(9)	(2,204)	(2,215)	(558)
Total loss carryforwards recognized	—	—	—	—	3	8	927	938	237

Expiration year of loss carryforwards 2020

In € millions	2021	2022	2023	2024	2025	Later	Unlimited	Total	Deferred tax
Total loss carryforwards	2	6	1	108	—	124	2,898	3,139	645
Loss carryforwards not recognized in deferred tax assets	—	(6)	—	—	—	(2)	(2,134)	(2,142)	(428)
Total loss carryforwards recognized	2	—	1	108	—	122	764	997	217

The following table shows income tax items recognized in equity by category.

Income tax recognized in equity

In € millions	2020	2021
Currency exchange differences on inter-company loans of a permanent nature	5	1
Share-based compensation	(1)	(2)
Share buyback	3	—
Post-retirement benefits	(18)	3
Changes in tax rates	—	(11)
Total	(11)	(9)
Current tax	1	2
Deferred tax	(12)	(11)
Total	(11)	(9)

Note 10 EARNINGS PER SHARE

Profit for the period attributable to the shareholders of the company was €829 million (in 2020: €630 million).

Profit for the period

In € millions	2020	2021
Profit before tax from continuing operations	919	1,105
Income tax	(241)	(246)
Profit from continuing operations	678	859
Profit for the period attributable to non-controlling interests	(41)	(36)
Profit for the period from continuing operations attributable to shareholders of the company	637	823
Profit for the period from discontinued operations attributable to shareholders of the company	(7)	6
Profit for the period attributable to shareholders of the company	630	829

The number of shares for the earnings per share calculation decreased as a result of the share buyback programs of 2020 and 2021.

Weighted average number of common shares

Number of shares	2020	2021
Issued common shares at January 1	199,600,331	190,579,841
Effect of issued common shares during the year	264,818	225,806
Effect of share buyback program	(8,440,749)	(5,845,781)
Shares for basic earnings per share for the year	191,424,400	184,959,866
Effect of dilutive shares		
For performance-related and restricted shares	674,365	714,114
For share-matching plan	3,039	—
Shares for diluted earnings per share	192,101,804	185,673,980

Earnings per share (and adjusted earnings per share) increased in 2021, mainly due to the increased profit before tax from continuing operations and the impact of the share buyback programs.

Earnings per share

in €	2020	2021
Continuing operations		
Basic	3.33	4.45
Diluted	3.32	4.43
Discontinued operations		
Basic	(0.04)	0.03
Diluted	(0.04)	0.03
Total operations		
Basic	3.29	4.48
Diluted	3.28	4.46

Adjusted earnings per share from continuing operations

In € millions	2020	2021
Profit before tax from continuing operations	919	1,105
Identified items reported in operating income	136	(26)
Interest on tax settlement	(3)	(29)
Adjusted income tax	(269)	(261)
Non-controlling interests	(41)	(36)
Adjusted profit from continuing operations attributable to shareholders of the company	742	753
Adjusted earnings per share from continuing operations (in €)	3.88	4.07

Note 11 INTANGIBLE ASSETS

Brands as included in the table 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 2021 and 2020, there were no material purchase commitments for individual intangible assets. No intangible assets were registered as security for bank loans.

Annual impairment testing

Goodwill and other intangibles with indefinite useful lives are tested for impairment per business unit (one level below segment level) annually or whenever an impairment trigger exists, applying the value-in-use method. The impairment test is in principle based on cash flow projections of the five-year plan. Elements considered to determine if a different approach would be more appropriate are, among others, high growth/emerging economies, geo expansion opportunities, introduction of new product ranges and opportunities from market consolidation. In 2021, the above exception was applied for Decorative Paints Asia and Decorative Paints South America, for which the revenue growth and adjusted EBITDA-margin development projections were extrapolated beyond the five-year explicit forecast period for another five years, applying reduced average growth rates.

The situation around COVID-19 is closely monitored; the impact on the estimated future cash flows is reflected in the models which are used to assess the valuation of the carrying value of AkzoNobel's asset base.

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
- Adjusted EBITDA-margin development per year: based on actual experience and management's long-term projections
- Weighted average cost of capital per year: the pretax discount rate determined per business unit, reflecting current market assessments of the time value of money and the risks specifically associated with the business units

Intangible assets

In € millions	Goodwill	Brands	Customer lists	Other intangibles	Total
Balance at January 1, 2020					
Cost of acquisition	1,121	2,208	940	175	4,444
Cost of internally developed intangibles	—	—	—	191	191
Accumulated amortization/impairment	(28)	(185)	(545)	(252)	(1,010)
Carrying value at January 1, 2020	1,093	2,023	395	114	3,625
Movements in 2020					
Acquisitions through business combinations	48	8	23	11	90
Investments - including internally developed intangibles	—	—	—	34	34
Amortization	—	(11)	(33)	(20)	(64)
Changes in exchange rates	(45)	(76)	(10)	—	(131)
Total movements	3	(79)	(20)	25	(71)
Balance at December 31, 2020					
Cost of acquisition	1,123	2,134	921	178	4,356
Cost of internally developed intangibles	—	—	—	212	212
Accumulated amortization/impairment	(27)	(190)	(546)	(251)	(1,014)
Carrying value at December 31, 2020	1,096	1,944	375	139	3,554
Movements in 2021					
Acquisitions through business combinations	18	8	10	—	36
Investments - including internally developed intangibles	—	—	—	35	35
Amortization	—	(12)	(34)	(24)	(70)
Changes in exchange rates	41	90	5	(1)	135
Total movements	59	86	(19)	10	136
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

Key assumptions

In % per year	Average revenue growth 2022-2026	Pre-tax weighted average cost of capital 2022-2026
Decorative Paints	1.1-5.9%	8.4-12.5%
Performance Coatings	2.6-4.7%	7.8-8.1%

For all business units, a terminal value was calculated based on the long-term inflation expectations of 1.0%. The estimated pre-tax cash flows are discounted to their present value using a pre-tax weighted average cost of capital. The discount rates are determined for each business unit and range from 7.8% to 12.5% (2020: 8.9% to 14.5%), with a weighted average of 8.4% (2020: 9.6%).

Goodwill and other intangibles per business unit

In € millions, at December 31	Goodwill		Brands with indefinite useful lives		Other intangibles with finite useful lives		Total intangibles	
	2020	2021	2020	2021	2020	2021	2020	2021
Decorative Paints Europe, Middle East and Africa	97	114	837	837	148	146	1,082	1,097
Decorative Paints South America	—	—	83	87	1	—	84	87
Decorative Paints Asia	10	9	847	928	38	31	895	968
Powder Coatings	149	155	—	—	48	32	197	187
Marine and Protective Coatings	163	174	—	—	78	80	241	254
Automotive and Specialty Coatings	281	288	—	—	180	175	461	463
Industrial Coatings	396	415	—	—	126	120	522	535
Corporate and other	—	—	—	—	72	99	72	99
Total	1,096	1,155	1,767	1,852	691	683	3,554	3,690

Sensitivity tests were performed for growth assumptions, adjusted EBITDA margin development assumptions and for the weighted average cost of capital. These sensitivity tests show that reasonably possible changes in these key assumptions would not cause carrying amounts to exceed recoverable amounts for any of the business units.

In 2021 and 2020, no impairment charges were recognized in relation to the annual impairment test.

Specific asset impairments

In 2021 and 2020, no impairment charges were recorded in relation to specific assets.

Investments in property, plant and equipment

We thoroughly assess all investment proposals to ensure the right capital and capacity allotment and take decisions accordingly. To reinforce our capability to support customers and enhance our manufacturing and supply chain, we have invested in our sites to support the Grow and Deliver objectives. Large investments projects are ongoing amongst others at our Highpoint, US, Wood Coatings site, and at our Como, Italy, Powder Coatings site. Further investments include the setup of a new powder coatings manufacturing line at our Hanoi, Vietnam, site, and the setup of a texture making workshop at our Shanghai site to support the Deco project business growth in China.

As we strongly believe in the importance of innovation to keep AkzoNobel at the forefront of the paints and coatings industry, we have also continued to invest in RD&I, amongst others in our Deco R&D facility in Slough, UK. We have furthermore invested in capacity increases to support the liquid coatings to powder coatings evolution, an example of our increasing focus on sustainable solutions.

Acquisitions

On March 1, 2021, we acquired Industrias Titan S.A.U. (Titan Paints) in Spain. The acquisition strengthens our paints business and footprint in Spain.

Impairments

In 2021 and 2020, no significant impairments were recognized.

Property, plant and equipment

In € millions	Buildings and land	Plant equipment and machinery	Other equipment	Construction in progress and prepayments on projects	Assets not used	Total
Balance at January 1, 2020						
Cost of acquisition	1,528	1,974	906	193	11	4,612
Accumulated depreciation/impairment	(758)	(1,389)	(757)	(1)	(7)	(2,912)
Carrying value at January 1, 2020	770	585	149	192	4	1,700
Movements in 2020						
Acquisitions	3	1	1	—	—	5
Divestments	(4)	(1)	(1)	(3)	—	(9)
Investments	8	23	6	187	—	224
Transfer between categories	28	83	22	(133)	—	—
Depreciation	(53)	(107)	(38)	—	—	(198)
Impairments, including reversals	—	(2)	(1)	—	—	(3)
Changes in exchange rates	(58)	(31)	(5)	(3)	(1)	(98)
Total movements	(76)	(34)	(16)	48	(1)	(79)
Balance at December 31, 2020						
Cost of acquisition	1,425	1,937	890	244	10	4,506
Accumulated depreciation/impairment	(731)	(1,386)	(757)	(4)	(7)	(2,885)
Carrying value at December 31, 2020	694	551	133	240	3	1,621
Movements in 2021						
Acquisitions	36	11	—	—	—	47
Divestments	(5)	(3)	(1)	(1)	—	(10)
Investments	10	18	8	217	—	253
Transfer between categories	30	112	28	(170)	—	—
Depreciation	(44)	(102)	(41)	—	—	(187)
Impairments, including reversals	—	(1)	—	—	—	(1)
Changes in exchange rates	31	29	6	11	—	77
Total movements	58	64	—	57	—	179
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

Note 13 LEASES

AkzoNobel mainly leases land, office spaces, stores and cars. Some leases provide for additional rent payments that are based on changes in local price indices.

Some property leases contain extension options exercisable by AkzoNobel up to one year before the end of the non-cancellable contract period. We have estimated that the lease liability would increase by less than 20%, if we would exercise the extension options which are currently

not included in the valuation of the lease liability. This excludes so-called “evergreens” or perpetual leases.

Total net cash outflow from financing activities related to leases recognized on the balance sheet was €100 million (2020: €105 million). Net cash outflow for leases not recognized on the balance sheet was €17 million (2020: €17 million).

Refer to Note 27 ‘Financial risk management’ for the maturities of lease liabilities.

Right-of-use assets

In € millions	Land	Buildings	Other	Total
Balance at January 1, 2020				
Cost of acquisition	57	355	102	514
Accumulated depreciation/impairment	(14)	(88)	(38)	(140)
Carrying value at January 1, 2020	43	267	64	374
Movements in 2020				
Additions/modifications	2	39	44	85
Disposals	(1)	(6)	(9)	(16)
Depreciation	(3)	(60)	(36)	(99)
Impairments	—	(7)	—	(7)
Changes in exchange rates	(2)	(8)	(3)	(13)
Total movements	(4)	(42)	(4)	(50)
Cost of acquisition	55	353	102	510
Accumulated depreciation/impairment	(16)	(128)	(42)	(186)
Carrying value at December 31, 2020	39	225	60	324
Movements in 2021				
Additions/modifications	2	35	32	69
Disposals	—	(5)	(2)	(7)
Depreciation	(3)	(60)	(31)	(94)
Impairments	—	(2)	—	(2)
Changes in exchange rates	4	9	1	14
Total movements	3	(23)	—	(20)
Cost of acquisition	61	372	109	542
Accumulated depreciation/impairment	(19)	(170)	(49)	(238)
Carrying value at December 31, 2021	42	202	60	304

The table below shows the total impact from leases on our consolidated statement of income.

Income/(expenses) recognized in the consolidated statement of income

In € millions	2020	2021
Sub lease income	10	3
Depreciation right-of-use assets	(99)	(94)
Impairments for right-of-use assets	(7)	(2)
Interest expense on lease liabilities	(6)	(6)
Short-term lease expenses	(9)	(7)
Expenses relating to low-value assets	(4)	(5)
Variable lease expenses	(4)	(5)
Total expenses	(119)	(116)

Note 14 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

The total value of investments in associates and joint ventures at December 31, 2021 amounted to €178 million (2020: €166 million) and consisted of our equity share of €176 million (2020: €164 million) and loans granted of €2 million (2020: €2 million).

Balance sheet information of our share in associates

In € millions, at December 31	2020	Associates 2021
Condensed balance sheet		
Non-current assets	71	81
Current assets	141	141
Total assets	212	222
Shareholders' equity	164	176
Non-current liabilities	6	5
Current liabilities	42	41
Total liabilities and equity	212	222

Profit and loss of our share in associates

In € millions	2020	2021
Condensed statement of income		
Revenue	165	194
Profit before tax	37	35
Profit from continuing operations	25	26
Profit for the period	25	26

In 2021, the results from associates amounted to a profit of €26 million (2020: €25 million). No significant contingent liabilities exist related to associates. The largest associate of AkzoNobel is Metlac S.p.a., incorporated in Italy. None of the associates are considered individually material to the group.

Note 15 FINANCIAL NON-CURRENT ASSETS

Financial non-current assets

In € millions, at December 31	2020	2021
Pension assets	1,543	1,638
Loans and receivables	331	360
Other financial non-current assets	77	78
Total	1,951	2,076

Pension assets (€1,638 million) relate to pension plans in an asset position (2020: €1,543 million). For more information on post-retirement benefit provisions, refer to Note 19.

Loans and receivables include the subordinated loan of €88 million (2020: €87 million) granted to the Pension Fund APF in the Netherlands. In 2020, this balance also included the non-current part of an escrow account in the amount of €71 million related to the pre-funding of the Akzo Nobel (CPS) Pension Scheme in the UK; in 2021, the non-current part is €nil. The total balance of this escrow account at year-end 2021 amounts to €53 million (£44 million) and is reported as other receivables within trade and other receivables, refer to Note 17. Of this amount, €5 million (£4 million) will be contributed to the CPS pension scheme and €48 million (£40 million) is expected to be repaid to AkzoNobel in the first quarter of 2022.

Loans and receivables are considered to have low credit risk, and thus the impairment provision recognized during the period was limited to 12 months expected losses.

Note 16 INVENTORIES

The total carrying value of inventories as per December 31, 2021 has increased compared to December 31, 2020, mainly as a result of significant increases in raw material prices throughout 2021.

Inventories

In € millions, at December 31	2020	2021
Raw materials and supplies	378	611
Work in progress	70	94
Finished products and goods for resale	711	945
Total	1,159	1,650

Of the total carrying value of inventories at year-end 2021, €18 million is measured at net realizable value (2020: €17 million). In 2021, €67 million was recognized in the statement of income for the write-down of inventories (2020: €59 million), while €32 million of write-downs were reversed (2020: €28 million). There are no inventories subject to retention of title clauses.

Note 17 TRADE AND OTHER RECEIVABLES

Trade and other receivables

In € millions, at December 31	2020	2021
Trade receivables	1,751	1,973
Prepaid expenses	30	37
Tax receivables other than income tax	91	145
FX contracts	10	15
Receivables from associates	—	9
Other receivables	112	160
Total	1,994	2,339

Trade and other receivables can be broken down as per the previous table.

Ageing of trade receivables

In € millions, at December 31	2020	2021
Performing trade receivables	1,644	1,849
Past due trade receivables		
< 3 months	99	102
> 3 months	66	64
Allowance for impairment	(58)	(42)
Total trade receivables	1,751	1,973

Trade receivables are presented net of an allowance for impairment of €42 million (2020: €58 million). In 2021, €11 million of impairment losses were recognized in the statement of income (2020: €22 million) and €11 million was reversed (2020: €3 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	2020	2021
Balance at January 1	58	58
Additions charged to income	22	11
Release of unused amounts	(3)	(11)
Utilization	(14)	(17)
Acquisitions	1	—
Currency exchange differences	(6)	1
Balance at December 31	58	42

Other receivables include the current portion of €53 million (£44 million) of the escrow account for the Akzo Nobel (CPS) Pension Scheme in the UK; refer to Note 15.

Note 18 GROUP EQUITY

Composition of share capital at year-end 2020

In €	Authorized share capital	Subscribed share capital
Priority shares (48 with nominal value of €400)	19,200	19,200
Cumulative preferred shares (200 million with nominal value of €0.50)	100,000,000	—
Common shares (500 million with nominal value of €0.50)	250,000,000	95,289,921
Total	350,019,200	95,309,121

Composition of share capital at year-end 2021

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	90,804,755
Total	350,019,200	90,823,955

Outstanding common shares

	2020	2021
Number of shares		
Outstanding at January 1	199,600,331	190,579,841
Issued in connection to performance-related share plan and share-matching plan	310,991	277,517
Capital repayment and share consolidation	—	—
Stock dividend	—	—
Share buyback	(10,027,257)	(11,992,059)
Shares bought back not yet cancelled	695,776	2,744,210
Outstanding at December 31	190,579,841	181,609,509

Weighted average number of common shares

	2020	2021
Number of shares		
Weighted average number of common shares	191,424,400	184,959,866

Non-controlling interests

Group entity	Partner at year-end 2021	2020		2021	
		%	Equity stake in € millions	%	Equity stake in € millions
Akzo Nobel India Limited, Kolkata, India	Privately held, India	25.24	50	25.24	56
PT ICI Paints Indonesia, Jakarta, Indonesia	PT DWI Satrya Utama, Indonesia	45.00	29	45.00	34
Akzo Nobel Paints (Malaysia) Sdn Bhd, Kuala Lumpur, Malaysia	Privately held, Malaysia	40.05	21	40.05	21
Akzo Nobel Kemipol A.S., Izmir, Turkey	Privately held, Turkey	49.00	20	49.00	19
International Paint of Shanghai Co. Ltd, Shanghai, China	Huayi Fine Chemical Co. Ltd, China: China National Shipbuilding Equipment & Materials Corp.	49.00	14	49.00	15
Akzo Nobel Saudi Arabia Ltd, Saudi Arabia	Yousuf Bin Ahmed Kanoo Co. Ltd, Saudi Arabia	40.00	12	40.00	12
International Paint (Korea) Ltd, Busan, South-Korea	Noroo Holdings, South Korea	40.00	16	40.00	11
Akzo Nobel Oman SAOC, Muscat, Oman	Omar Zawawi establishment LLC, Oman	50.00	11	50.00	11
Akzo Nobel UAE Paints L.L.C., United Arab Emirates	Kanoo Group, United Arab Emirates	40.00	8	40.00	8
Akzo Nobel Paints (Guangzhou) Co., Ltd., Guangzhou, China	Industrial Development Co. Ltd of Guanzhou, China	10.00	4	10.00	5
Akzo Nobel Pakistan Limited, Karachi, Pakistan	Privately held, Pakistan	2.99	1	1.97	1
Others			18		18
Total			204		211

Subscribed share capital

For further details on subscribed share capital, refer to Note F in the Company financial statements.

Cumulative translation reserves

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 consist of the performance related and restricted share plan and share-matching plan, whereby shares are granted to the Board of Management, Executive Committee, other executives and certain other employee categories. For details on share-based compensation, refer to Note 7.

Dividend

Our dividend policy is to pay a stable to rising dividend. In 2021, an interim dividend of €0.44 (2020: €0.43) per common share was paid. We propose a 2021 final dividend of €1.54 (2020: €1.52) per common share, which would equal a total 2021 dividend of €1.98 (2020: €1.95).

Share buybacks

On October 23, 2019, a €500 million share buyback program was announced, for which 0.4 million common shares were acquired in 2019 and 6.2 million shares in 2020, which have all been cancelled. On October 21, 2020, a €300 million share buyback program was announced which was completed in 2021. On February 16, 2021, a €1 billion share buyback program was announced, which was completed in January 2022. This program started in April 2021. As at December 31, 2021, a total of 8.6 million shares had been acquired under this program, of which 5.9 million were cancelled.

During 2021, 11,992,059 common shares were repurchased, of which 9,247,849 shares (2020: 9,331,481) were cancelled. For further details on weighted average number of shares, refer to Note 10.

Non-controlling interests

None of the non-controlling interests are considered individually material to the group. The effects of all transactions with non-controlling interest shareholders are recorded in equity if there is no change in control.

Post-retirement benefit provisions relate to defined benefit pension and other post-retirement benefit plans, including healthcare or welfare plans. The largest defined benefit pension plans are the ICI Pension Fund (ICIPF) and the Akzo Nobel (CPS) Pension Scheme in the UK which together account for 87% of defined benefit obligations (DBO) and 91% of plan assets. Other pension plans include among others the largely unfunded plans in Germany, the plans in the US and certain other smaller plans in the UK. The benefits of these pension plans are based primarily on years of service and employees' compensation. The funding policy for the plans is consistent with local requirements in the countries of establishment. We also provide certain healthcare and life insurance benefits to retired employees, mainly in the US and the Netherlands.

Valuations of the obligations under the plans are carried out regularly by independent qualified actuaries. We accrue for the expected costs of providing such post-retirement benefits during the service years of the employees. Governance of the benefit plans is the responsibility of the Executive Committee Pensions. This committee provides oversight of the costs and risks of the plans including oversight of the impact of the plans on the company in terms of cash flow, pension expenses and the balance sheet. The committee develops and maintains policies on benefit design, funding, asset allocation and assumption setting.

Pension plans

Almost all of the defined benefit plans have been closed to new members since the early to mid-2000s, although in many plans long-serving employees continue to accrue benefits. For plans in the US, benefit accrual is frozen and employees participate in defined contribution plans for future service. In countries where plans are closed, new employees are eligible to join a defined contribution arrangement. In countries in high growth markets, pension schemes currently are not material. Unless mandated by law, it is our policy that any new plans are established as defined contribution plans.

The most significant risks that we run in relation to defined benefit plans are investment returns falling short of expectations, low discount rates, inflation exceeding expectations, retirees living longer than expected and

legislation changes. The assets and liabilities of each of the funded plans are held outside of the company in a trust or a foundation, which is governed by a board of fiduciaries or trustees, depending on the legal arrangements in the country concerned. The primary objective with regards to the investment of pension plan assets is to ensure that each individual plan has sufficient funds available to satisfy future benefit obligations in accordance with local legal and legislative requirements. For this purpose, we work closely with plan trustees or fiduciaries to develop investment strategies. Studies are carried out periodically to analyze and understand the trade-off between expected investment returns, volatility of outcomes and the impact on cash contributions. We aim to strike a cautious balance between these factors in order to agree affordable contribution schedules with plan fiduciaries.

Plan assets principally consist of insurance (annuity) policies, long-term interest-earning investments and (investment funds with holdings primarily in) quoted equity securities. Our largest plans use derivatives (such as index futures, currency forward contracts and swaps) to reduce volatility of underlying variables, for efficient portfolio management and to improve the liability matching characteristics of the assets. Limits have been set on the use of derivatives which are periodically subject to review for compliance with the pension fund's investment strategy.

In line with our proactive pension risk management strategy, we seek to reduce risk in our pension plans over time. We 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 2021, 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. In 2021, the Trustee of the ICIPF entered into a further annuity buy-in agreement with Legal and General Assurance Society Limited. It covers, in aggregate, £127 million (€150 million) of pensioner liabilities (insurer valuation). The buy-in involved the purchase of a bulk annuity policy under which the insurer will pay to ICIPF amounts equivalent to the benefits payable to members who have recently become

pensioners. The pension liabilities remain with, and the matching annuity policies are held within, ICIPF. The accounting impact of the transaction is a lower valuation of the plan assets giving a reduction in Other comprehensive income of £25 million (€30 million). By purchasing bulk annuities, the ICIPF and ISCPF Trustees have both taken significant steps in actively de-risking liabilities and reducing the risk that AkzoNobel will be required to contribute additional cash in the future.

CPS has an insurance contract to hedge longevity risk in respect of a portion of its pensioners.

In October 2018, the UK High Court provided clarity for trustees and employers on providing equal pension benefits for men and women where they are in receipt of Guaranteed Minimum Pensions ('GMPs') as a result of the Lloyds Banking Group judgment. According to this judgment, pension schemes were required to retrospectively equalize GMPs by uplifting pensions to the same level, as far as needed, for men and women. On November 20, 2020, the High Court ruled that pension schemes will need to revisit individual transfer payments made since May 17, 1990, to check if any additional value is due as a result of GMP equalization. As a result, in 2020 a past service cost of £5 million (€6 million) has been charged across the AkzoNobel pension schemes in the UK.

In setting the discount rate assumption for calculating the DBO of each plan, the so called Willis Towers Watson (WTW) RATE:Link model is used for the majority of the plans in the group. RATE:Link had previously been using a Bloomberg fixed income securities Bloomberg Industry Classification Standard (BICS) framework to provide the relevant inputs. However, due to a change in the Bloomberg BICS framework in 2020, this framework was no longer deemed suitable and RATE:Link now uses the Bloomberg Classification System (BCLASS) framework.

Although the curve-fitting methodology had not changed in 2020, the change in Bloomberg framework used by RATE:Link resulted in an estimated net €170 million remeasurement gain included in Other comprehensive income in 2020. The impact of the change in accounting estimate in relation to bond inclusion in 2020 is included in the reconciliation balance sheet table as a €270 million gain within the overall actuarial loss due to liability financial assumption changes in the DBO, partially offset by a

€100 million reduction in the experience gain in plan assets in respect of the UK buy-in annuity policies in 2020.

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 infla-

tion 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 impact has been recognized within remeasurements in Other comprehensive income in 2020. The impact on the actuarial loss due to liability financial assumption changes in the DBO is partially offset by an impact on the experience gain in plan assets in respect of the UK buy-in annuity policies and is not material.

On April 22, 2021, a court ruling resulted in a £20 million (€23 million) past service credit in one of the UK pension plans, the J.P. McDougall & Co Limited Staff Pension & Life Assurance Scheme. The court ruling rectified a deed change with respect to the retirement ages from which members will receive benefits. This past service credit was booked as an identified item and included in Note 4 on Alternative Performance Measures.

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 Tjänstepension Ömsesidigt (i.e. "Alecta pension insurance, mutual") (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 2021 were €2 million (2020: €1 million). Alecta's funding ratio is normally allowed to vary between 125% and 175%. The most recently quoted ratio at December 2021 stood at 172%. The expenses of all plans accounted for as defined contribution plans in AkzoNobel totaled €83 million in 2021 (2020: €82 million).

DBO at funded and unfunded pension plans*

In € millions, at December 31	2020	2021
Wholly or partly funded plans	13,854	14,005
Unfunded plans	194	179
Total	14,048	14,184

* Excludes other post-retirement benefit plans.

Reconciliation balance sheet

In € millions	2020			2021		
	DBO	Plan assets	Total	DBO	Plan assets	Total
Balance at the beginning of the period	(14,616)	15,287	671	(14,184)	15,014	830
Statement of income						
Current service cost	(33)	—	(33)	(32)	—	(32)
Past service cost	(5)	—	(5)	22	—	22
Net interest (charge)/income on net defined benefit (liability)/asset	(262)	276	14	(193)	206	13
Cost recognized in statement of income	(300)	276	(24)	(203)	206	3
Remeasurements recognized in Other comprehensive income						
Actuarial (loss)/gain due to liability experience	148	—	148	(123)	—	(123)
Actuarial (loss)/gain due to liability financial assumption changes	(915)	—	(915)	289	—	289
Actuarial (loss)/gain due to liability demographic assumption changes	(74)	—	(74)	56	—	56
Actuarial loss due to buy-in	—	(23)	(23)	—	(30)	(30)
Return on plan assets (less than)/greater than discount rate	—	981	981	—	(202)	(202)
Remeasurement effects recognized in Other comprehensive income	(841)	958	117	222	(232)	(10)
Cash flow						
Employer contributions	—	114	114	—	94	94
Employee contributions	(2)	2	—	(2)	2	—
Benefits and administration costs paid from plan assets	859	(859)	—	852	(852)	—
Net cash flow	857	(743)	114	850	(756)	94
Other						
Acquisitions/divestments/transfers	(2)	2	—	1	(1)	—
Changes in exchange rates	718	(766)	(48)	(996)	1,099	103
Total other	716	(764)	(48)	(995)	1,098	103
Balance at the end of the period	(14,184)	15,014	830	(14,310)	15,330	1,020
Asset restriction			(3)			(3)
Net balance sheet position			827			1,017
Presentation of Net balance sheet position						
Other financial non-current assets			1,543			1,638
Post-retirement benefit provisions			(664)			(578)
Current portion of provisions			(52)			(43)
Net balance sheet position			827			1,017

Other post-retirement benefit plans

AkzoNobel provides certain healthcare and life insurance benefits to retired employees, mainly in the US and the Netherlands. The risks to which the US healthcare plans expose AkzoNobel include the risk of future increases in the cost of healthcare which would increase the cost of maintaining the plans. The benefit payments to retirees under the Dutch plan are frozen. Both plans expose AkzoNobel to the risk of a further decline in discount rates, which increases the plan obligations, and longevity risk as the plans generally pay lifetime benefits.

Reconciliation balance sheet

The closing net balance sheet position of €1,017 million (2020: €827 million) includes the pension plans (€1,143 million net asset; 2020: €963 million net asset) and other post-retirement plans (€126 million liability; 2020: €136 million liability).

Administrative expenses

In addition to the expenses borne by the funds themselves, some expenses are borne directly by AkzoNobel. Administrative expenses are incurred, especially for the UK pension funds, of €22 million (2020: €18 million), which are included in operating income. In addition, we directly incurred asset management expenses of €3 million (2020: €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 net financing income related to postretirement benefits of €13 million (2020: €14 million), refer to Note 8.

Pension plans in asset position

Pension balances recorded under Financial non-current assets totaled €1,638 million (2020: €1,543 million). The €95 million increase in 2021 was due to €117 million of exchange rate translation gains, €48 million of employer contributions and net income of €14 million, partially offset by €84 million of net actuarial losses in the relevant plans. These assets could be recognized under IFRIC 14 because economic benefits are available in the form of future refunds from the plan or reductions in future contributions to the plan, either during the life of the plan or on the (final) settlement of the plan liabilities.

Plan assets

In € millions, at December 31	2020		2021	
	Total	Percentage of total	Total	Percentage of total
Equities	366	2	332	2
Debt - fixed interest government bonds	1,315	9	1,444	9
Debt - index-linked government bonds	3,121	21	3,221	21
Debt - corporate and other bonds	1,798	12	1,770	12
UK buy-in annuity policies	7,595	51	7,698	50
Cash and cash equivalents	215	1	204	1
Other	604	4	661	5
Total	15,014	100	15,330	100

Cash flows

In € millions	2021	Pensions		Other post-retirement benefits	
		2022	2021	2022	
Regular contributions	43	43	10	11	
Top-ups	41	13	—	—	
Total	84	56	10	11	

Sensitivity of DBO to change in assumptions

In € millions	ICIPF UK	CPS UK	Other pension plans	Other post-retirement benefits	Total
Discount rate: 0.5% decrease	542	300	140	6	988
Price inflation: 0.5% increase*	291	169	73	—	533
Life expectancy: one year increase from age 60	705	135	75	6	921
Maturity information					
Weighted average duration of DBO (years)	11.8	15.3	14.8	9.3	13.1

* The sensitivity to price inflation assumption includes corresponding changes to all inflation-related compensation increases, pensions in payment and pensions in deferment.

Plan assets

The equities and government bond debt assets have quoted prices in active markets, although most are held through funds comprised of such instruments which are not actively traded themselves. The total value of plan assets not quoted in active markets is €8,420 million (2020: €8,354 million), including the UK buy-in annuity policies totaling €7,698 million (2020: €7,595 million), investments in real estate, totaling €469 million (2020: €381 million) and other investments in infrastructure, catastrophe bonds, insurance policies and high-yield credit strategies. The UK buy-in annuity policies have a value that is equal to the DBO of the pensioners

covered by the policies. Plan assets did not directly include any of AkzoNobel's own transferable financial instruments, nor any property occupied by or assets used by the company.

Cash flows

In 2022, we expect to contribute €56 million (2021: €88 million) to our defined benefit pension plans, including £4 million (€5 million) of top-up contributions to the CPS plan, paid from an escrow account, in line with the agreed recovery plan following the March 31, 2020 triennial valuation. We expect to pay a further €11 million (2021: €11 million) to our other post-retirement benefit plans.

Key figures and assumptions by plan

In € millions or %	2020					2021				
	ICIPF UK	CPS UK	Other pension plans	Other post-retirement benefits	Total	ICIPF UK	CPS UK	Other pension plans	Other post-retirement benefits	Total
Percentage of total DBO	61%	25%	13%	1%	100%	61%	26%	12%	1%	100%
Defined Benefit Obligation at year-end	(8,716)	(3,503)	(1,829)	(136)	(14,184)	(8,702)	(3,686)	(1,796)	(126)	(14,310)
Fair value of plan assets at year-end	9,579	4,101	1,334	—	15,014	9,563	4,353	1,414	—	15,330
Plan funded status	863	598	(495)	(136)	830	861	667	(382)	(126)	1,020
Restriction on asset recognition	—	—	(3)	—	(3)	—	—	(3)	—	(3)
Amounts recognized on the balance sheet	863	598	(498)	(136)	827	861	667	(385)	(126)	1,017
Percentage of total current service cost	9%	24%	67%	—	100%	9%	28%	63%	—	100%
Current service cost	(3)	(8)	(22)	—	(33)	(3)	(9)	(20)	—	(32)
Employer contributions	4	37	60	13	114	3	37	44	10	94
Discount rate	1.3%	1.4%	1.4%	2.6%	1.3%	1.8%	1.9%	1.8%	3.3%	1.9%
Rate of compensation increase	1.5%	1.3%	1.9%	—	1.5%	1.5%	1.4%	2.0%	—	1.5%
Inflation	2.9%	2.9%	2.0%	—	2.8%	3.5%	3.4%	2.3%	—	3.3%
Pension increases	2.8%	2.4%	2.0%	—	2.6%	3.2%	2.8%	2.3%	—	3.0%
Life expectancy (in years)										
Currently aged 60										
Males	26.4	26.2	26.1	25.7	26.3	26.2	26.2	26.2	25.8	26.2
Females	28.0	29.0	28.5	27.6	28.3	27.7	29.0	28.8	27.8	28.2
Currently aged 45, from age 60										
Males	27.5	27.3	27.4	26.8	27.4	27.3	27.3	27.6	26.9	27.3
Females	29.2	30.1	29.9	28.6	29.5	28.9	30.2	30.0	28.8	29.4

No allowance is made for any special one-off contributions that may arise in relation to new de-risking opportunities.

Sensitivity of DBO

The sensitivity effect on DBO shown allows for an alternative value for each assumption while the other actuarial assumptions remain unchanged. While this table illustrates the overall impact on DBO of the changes shown, the significance of the impact and the range of reasonably possible alternative assumptions may differ between the different plans that comprise the total DBO. In particular, the plans differ in benefit design, currency and average term, meaning that different assumptions have different levels of significance for each plan. The sensitivity analysis is intended to illustrate the inherent uncertainty

in the valuation of the DBO under market conditions at the measurement date. Its results cannot be extrapolated due to non-linear effects that changes in the key actuarial assumptions may have on the total DBO. Furthermore, the analysis does not indicate a probability of such changes occurring and it does not necessarily represent our view of expected future changes in DBO. Any management actions that may be taken to mitigate the inherent risks in the post-retirement defined benefit plans are not reflected in this analysis, as they would normally be reflected in plan asset changes rather than DBO changes.

The sensitivities in the table only apply to the DBO and not to the net amounts recognized in the balance sheet. Movements in the fair value of plan assets (which include

the de-risking instruments) would, to a significant extent, be expected to offset movements in the DBO resulting from changes in the given assumptions. At ICIPF, the annuity buy-in contracts cover 99% of pensioner liabilities (2020: 99%) and 84% of total liabilities (2020: 83%).

At CPS, the longevity hedge contract covers 48% of pensioner liabilities (2020: 49%) and 30% of total liabilities (2020: 30%).

Key plan details for the two largest pension plans¹

	ICI Pension Fund, UK	Akzo Nobel (CPS) Pension Scheme, UK
Type of plan	Defined benefit, based upon years of service and final salary	Defined benefit, based upon years of service and final salary
Benefits	Retirement pension for employee Dependents' pensions on death of employee/pensioner Options for ill health early retirement	Retirement pension for employee Dependents' pensions on death of employee/pensioner Options for ill health early retirement
Pension increases (main benefit section)	Annually linked to UK RPI with a maximum of 5%	Annually linked to UK CPI with a maximum of 5%
Plan structure	Plans are set up under a trust and are tax approved	Plans are set up under a trust and are tax approved
Governance	Trustee directors: Four member-nominated Five appointed with the agreement of Law Debenture One independent (Law Debenture)	Trustee directors: Four member-nominated Three company-nominated One independent (Law Debenture)
Regulatory framework	The plans are tax approved and assets are held in trust for the benefit of participants. The trustees have a legal duty to manage the trust in the best interests of participants. Investment strategy is controlled by the trustees in consultation with the company	
Funding basis	A plan specific basis must be agreed with each trustee board in accordance with UK regulations. The basis is not the same as the IFRS calculation as it uses more prudent assumptions about the life expectancy and the discount rates reflect prudent estimates of the expected return on assets actually held, thus the trustees' investment strategies will impact the discounted value of liabilities	
Frequency of funding reviews	Normally every three years	Normally every three years
Latest completed valuation	March 31, 2020	March 31, 2020
Funding deficit at latest completed valuation ^{1,2}	£23 million (£27 million) surplus	£62 million (£74 million) deficit
Recovery plan	As there were sufficient assets to cover the Fund's technical provisions, a recovery plan is not required	£26 million (£31 million) in 2021 and £4 million (£5 million) in 2022, paid in March in each year from an escrow account, originally pre-funded with £142 million (£161 million) ³ in February 2019
Next funding review	March 31, 2023 (due to be completed before June 30, 2024)	March 31, 2023 (due to be completed before June 30, 2024)
Asset allocation at March 31, 2021		
Matching:	99.8%	84%
Return seeking:	0.2%	16%
	Buy-in annuity contracts cover 99% of pensioner liabilities and 84% of total liabilities	The longevity hedge contract covers 48% of pensioner liabilities and 30% of total liabilities
Membership at March 31, 2021		
Active	95	304
Deferred	5,783	5,993
Pensioner	36,456	16,989
Total	42,334	23,286

¹ Amounts in euro are a convenience translation using the December 31, 2021, exchange rate, unless indicated otherwise.

² Based on local valuation regulations.

³ Actual rate at time of transfer.

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
2022	872	11
2023	882	11
2024	888	10
2025	894	10
2026	901	9
2027 - 2031	4,628	41

Note 20

OTHER PROVISIONS AND CONTINGENT LIABILITIES

General

Provisions are recognized when an outflow of economic benefits for settlement is probable and the amount can be reliably estimated. It should be understood that, in light of possible future developments, such as: (a) potential additional lawsuits; (b) possible future settlements; and (c) rulings or judgments in pending lawsuits, certain cases may result in additional liabilities and related costs. At this point in time, we cannot estimate any additional amount of loss or range of loss in excess of the recorded amounts with sufficient certainty to allow such amount or range of amounts to be meaningful. While the outcome of said cases, claims and disputes cannot be predicted with certainty, we believe, based upon legal advice and information received, that the final outcome will not materially affect our consolidated financial position but could be material to our results of operations or cash flows in any one accounting period.

Provisions for restructuring of activities

Provisions for restructuring of activities comprise of accruals for certain employee benefits and for costs which are directly associated with plans to exit or cease specific activities and closing down of facilities. For all restructuring provisions, a detailed formal plan exists and the implementation of the plan has started or the plan has been announced before the balance sheet date. Most restruc-

Movements in other provisions

In € millions	Restructuring of activities	Environmental costs	Liabilities to (former) employees	Sundry	Total
Balance at January 1, 2021	74	63	178	97	412
Additions made during the year	27	13	12	36	88
Utilization	(43)	(9)	(59)	(21)	(132)
Amounts reversed during the year	(16)	(2)	(8)	(16)	(42)
Unwind of discount	—	(3)	—	—	(3)
Acquisitions	—	—	2	—	2
Changes in exchange rates	1	4	7	3	15
Balance at December 31, 2021	43	66	132	99	340
Non-current portion of provisions	3	54	113	64	234
Current portion of provisions	40	12	19	35	106
Balance at December 31, 2021	43	66	132	99	340

turing plans are expected to be completed within one year from the balance sheet date.

Environmental liabilities

We are confronted with costs arising out of environmental laws and regulations, which include obligations to eliminate or limit the effects on the environment of the disposal or release of certain wastes or substances at various sites. Proceedings involving environmental matters, such as the alleged discharge of chemicals or waste materials into the air, water, or soil, are pending against us in various countries. In some cases, this concerns sites divested in prior years or derelict sites belonging to companies acquired in the past.

The provision has been discounted using an average pre-tax discount rate of 1.0% (2020: 0.3%).

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 1.5% (2020: 0.6%) 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 negative 1.0% (2020: 0.2% negative) has been used.

Contingent liabilities

Environmental liabilities can change substantially due to the emergence of additional information on the nature or extent of the contamination, the geological circumstances, the necessity of employing particular methods of remediation, actions by governmental agencies or private parties, or other factors. While it is not feasible to predict the outcome of all pending environmental exposures, it is reasonably possible that there will be a need for future provisions for environmental costs which, in management's opinion, based on information currently available, would not have a material effect on the company's financial position but could be material to the company's results of operations in any one accounting period.

A number of claims against AkzoNobel are pending, many of which are contested. We are also involved in legal disputes and disputes with tax authorities in several jurisdictions. AkzoNobel has provided various indemnities and guarantees in respect of past divestments to the relevant

purchasers and their permitted assigns (if applicable), which in general are capped in time and/or amount (in proportion to the value received). The provided guarantees and indemnities have varying maturity periods. AkzoNobel has received various claims under such indemnities and guarantees. In some instances, AkzoNobel has been named as a direct defendant despite the divestments.

Akzo Nobel N.V. has withdrawn its declarations of joint and several liability under Article 403 of Book 2 of the Dutch Civil Code for certain Dutch former Specialty Chemicals subsidiaries divested as per October 1, 2018, and is following the procedures to terminate its residual liability under those declarations under Article 404 of Book 2 of the Dutch Civil Code. One objection against the termination of residual liability is still pending and AkzoNobel, Nouryon and Nobian continue to cooperate to get this resolved.

Current portion of provisions

The current portion of post-retirement benefit provisions (€43 million) and the current portion of other provisions (€106 million) add up to €149 million (2020: €232 million), as reflected in the balance sheet.

Discount rates

The discount rates used in calculating the provisions recognized at December 31, 2021 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 €8 million on the provisions recognized at December 31, 2021.

Note 21 NET DEBT

Net debt

in € millions	Long-term borrowings	Short-term borrowings	Short-term investments	Cash and cash equivalents	Net debt
Net debt equivalents at January 1, 2020	2,042	169	(138)	(1,271)	802
Net cash from operating activities	—	—	—	(1,220)	(1,220)
Acquisitions	7	—	—	112	119
Investments in short-term investments	—	—	(248)	248	—
Repayments of short-term investments	—	—	136	(136)	—
Net cash from other investing activities	—	—	—	202	202
Buy-out of non-controlling interests	—	—	—	44	44
Unwind of discount and amortized cost	12	—	—	—	12
Proceeds from borrowings	756	214	—	(970)	—
Borrowings repaid	—	(339)	—	339	—
New/modification of lease contracts	82	—	—	—	82
Transfers from long-term to short-term	(117)	117	—	—	—
Movement bank overdrafts and short-term bank loans	—	(29)	—	29	—
Dividends	—	—	—	385	385
Share buyback	—	—	—	555	555
Net cash from discontinued operations	—	—	—	3	3
Changes in exchange rates	(11)	(13)	—	74	50
Net debt at December 31, 2020	2,771	119	(250)	(1,606)	1,034
Net debt at January 1, 2021	2,771	119	(250)	(1,606)	1,034
Net cash from operating activities	—	—	—	(605)	(605)
Acquisitions	2	13	—	73	88
Investments in short-term investments	—	—	(56)	56	—
Repayments of short-term investments	—	—	247	(247)	—
Net cash from other investing activities	—	—	—	252	252
Buy-out of non-controlling interests	—	—	—	1	1
Unwind of discount and amortized cost	8	—	1	—	9
Proceeds from borrowings	—	1,143	—	(1,143)	—
Borrowings repaid	—	(590)	—	590	—
New/modification/disposal of lease contracts	62	(1)	—	—	61
Transfers from long-term to short-term	(855)	855	—	—	—
Movement bank overdrafts and short-term bank loans	—	19	—	(19)	—
Dividends	—	—	—	391	391
Share buyback	—	—	—	1,135	1,135
Net cash from discontinued operations	—	—	—	1	1
Changes in exchange rates	6	(2)	—	(31)	(27)
Net debt at December 31, 2021	1,994	1,556	(58)	(1,152)	2,340

Analysis of net debt by category

In € millions, at December 31	2020	2021
Bonds issued	2,486	1,740
Lease liabilities	238	212
Other borrowings	47	42
Long-term borrowings	2,771	1,994
Current portion of long-term borrowings	5	754
Current portion of lease liabilities	86	87
Debt to credit institutions	25	711
Other	3	4
Short-term borrowings	119	1,556
Total borrowings	2,890	3,550
Short-term investments	(250)	(58)
Cash and cash equivalents	(1,606)	(1,152)
Net debt	1,034	2,340

AkzoNobel's net debt is mainly denominated in euro.

Long-term borrowings

We have a multi-currency revolving credit facility of €1.3 billion which was extended in 2021 to 2026. 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 2021 and 2020, this facility has not been drawn.

Bonds issued

In € millions, at December 31	2020	2021
2 5/8% 2012/22 (€750million)	748	—
1 3/4% 2014/24 (€500million)	498	499
1 1/8% 2016/26 (€500million)	497	497
1 5/8% 2020/30 (€750million)	743	744
Total	2,486	1,740

The part of long-term borrowings that is due within one year is presented under short-term borrowings. For details on the exposure to interest rate and foreign currency risk, refer to Note 27.

The average effective interest rate of the bonds included in long-term and short-term borrowings at year-end 2021 was 1.9% (year-end 2020: 1.9%).

Aggregated maturities of long-term borrowings

In € millions	2023-2026	After 2026
Bonds issued	996	744
Lease liabilities	165	47
Other borrowings	10	32
Total	1,171	823

The blended incremental borrowing rate applied to the lease liabilities at year-end 2021 was 1.8% (2020: 1.9%).

At year-end 2021 and 2020, none of the borrowings was secured by collateral.

Short-term borrowings

In July 2022, a bond of €750 million will mature. This bond is classified as a short-term borrowing. 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 €371 million commercial paper outstanding at year-end 2021 (2020: €nil) against an average negative interest rate of 0.5%. At year-end 2021, we had a €300 million short-term bank loan outstanding (2020: €nil) against a negative interest rate of 0.6%. Neither of these facilities contains financial covenants.

Short-term investments

Short-term investments almost entirely consist of time deposits, money market funds and other marketable securities with a life time at investment date longer than three months but shorter than twelve months. For more information on credit risk management, refer to Note 27.

Cash and cash equivalents

Deposits and money market funds within cash and cash equivalents almost entirely consist of time deposits immediately convertible into known amounts of cash and with a maturity of three months or less from the date of purchase and marketable securities that can be redeemed immediately when called.

At December 31, 2021, an amount of €14 million in cash and cash equivalents was restricted (2020: €14 million). Restricted cash is defined as cash that cannot be accessed centrally due to regulatory or contractual restrictions.

Cash and cash equivalents

In € millions, at December 31	2020	2021
Cash on hand and in banks	1,103	877
Deposits and money market funds with a life up to three months	503	275
Included under cash and cash equivalents in the balance sheet	1,606	1,152
Debt to credit institutions	(25)	(40)
Total per statement of cash flows	1,581	1,112

Note 22 TRADE AND OTHER PAYABLES

Trade and other payables

In € millions, at December 31	2020	2021
Trade payables to suppliers	1,703	2,028
Trade payables to customers	329	348
Taxes and social security contributions	186	191
Amounts payable to employees	265	264
Interest	53	42
FX contracts	8	27
Dividends	6	6
Other liabilities	30	42
Total	2,580	2,948

Note 23 CASH FLOW

Operating activities in 2021 resulted in a cash inflow of €605 million (2020: cash inflow of €1,220 million).

Changes in working capital as per consolidated statement of cash flows

In € millions	2020	2021
Trade and other receivables	(14)	(240)
Inventories	(84)	(439)
Trade and other payables	282	274
Total	184	(405)

The amounts cannot be reconciled directly to the respective balance sheet positions. They reflect changes in balance sheet positions only to the extent these have a cash flow impact, or they reverse the non-cash impact as included in profit for the period. These amounts exclude non-cash movements such as unwinding of discount, movements through other comprehensive income, acquisitions and divestments, and changes in exchange rates.

Note 24 COMMITMENTS

Purchase commitments for property, plant and equipment aggregated €35 million (2020: €24 million).

Note 25 RELATED PARTY TRANSACTIONS

We purchased and sold goods and services to various related parties in which we hold a 50% or less equity interest (associates and joint ventures). Such transactions were conducted at terms comparable with transactions with third parties.

During 2021, we considered the members of the Executive Committee and the Supervisory Board to be the key management personnel as defined in IAS 24 "Related parties". For details on their remuneration, as well as on shares held by members of the Supervisory Board or Board of Management, refer to Note 26. In the ordinary course of business, we also have transactions with various organizations with which certain members of the Supervisory Board or Executive Committee are associated.

For related party transactions with pension funds, refer to Notes 15 and 19.

Note 26 **REMUNERATION OF THE SUPERVISORY BOARD AND THE BOARD OF MANAGEMENT**

Total compensation for key management personnel expensed during the period amounted to €14.4 million (2020: €21.7 million). An amount of €6.6 million relates to short-term employee benefits (2020: €8.2 million); €0.6 million relates to post contract benefits and other post contract compensation (2020: €0.6 million); €7.2 million relates to share-based compensation (2020: €4.5 million), of which €1.8 million relates to the special re-appointment grant for the CEO; no payments relate to other long-term incentives (2020: €7.7 million); no payments relate to payments upon termination of employment (2020: €0.7 million). No additional charges were accrued which relate to taxation on excessive pay ("Belasting heffing excessieve beloningsbestanddelen") (2020: €1.4 million).

This compensation includes total remuneration for the members of the Supervisory Board of €0.8 million (2020: €0.8 million) and for the members of the Board of Management of €8.9 million (2020: €9.1 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.

Shares held by the members of the Supervisory Board

Number of shares at year-end	2020	2021
Nils Smedegaard Andersen, Chairman	4,500	4,500
Byron Grote*	6,667	7,394
Pamela Kirby	—	—
Dick Sluimers	—	—
Patrick Thomas	—	—
Jolanda Poots-Bijl	—	—

* In the form of ADRs.

Shares held by the Board of Management

Number of shares at year-end	2020	2021
Thierry Vanlancker	43,518	74,598
Maarten de Vries	5,678	14,643

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.

Note 27 **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 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 – mitigate these financial risks in order to minimize potential adverse effects on our financial performance.

Our risk mitigating activities include the use of derivative financial instruments to hedge certain risk exposures. The Board of Management is ultimately responsible for risk management. We centrally identify, evaluate and hedge financial risks, and monitor compliance with the corporate policies approved by the Board of Management, except for commodity risks, which are subject to identification, evaluation, hedging and monitoring in the businesses. We have treasury hubs located in Brazil and China that are primarily responsible for regional cash management and short-term financing. We do not allow extensive treasury operations at subsidiary level directly with external parties.

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 2021, we had €1.2 billion available as cash and cash equivalents (2020: €1.6 billion) and €58 million available as short-term investments (2020: €250 million), refer to Note 21.

In addition, we have a multi-currency revolving credit facility of €1.3 billion which was extended in 2021 to 2026. 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 2021 and 2020, 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

Maturity of liabilities and cash outflows

In € millions	Less than 1 year	Between 1 and 5 years	Over 5 years
At December 31, 2020			
Borrowings	33	1,259	1,274
Interest on borrowings	64	152	54
Lease liabilities	86	180	58
Trade and other payables	2,572	—	—
FX contracts (hedges)			
Outflow	1,570	—	—
Inflow	(1,572)	—	—
Total	2,753	1,591	1,386
At December 31, 2021			
Borrowings	1,469	1,006	776
Interest on borrowings	60	134	40
Lease liabilities	87	165	47
Trade and other payables	2,921	—	—
FX contracts (hedges)			
Outflow	2,819	—	—
Inflow	(2,806)	—	—
Total	4,550	1,305	863

facility is not used. We had €371 million commercial paper outstanding at year end 2021 (2020: €nil) against an average negative interest rate of 0.5%. At year-end 2021, we had a €300 million short-term bank loan outstanding (2020: €nil) against a negative interest rate of 0.6%. Both facilities have a maturity of less than a year. Neither of these facilities contains 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.

CREDIT RISK MANAGEMENT

Credit risk arises from financial assets such as cash and cash equivalents, deposits with financial institutions, money market funds, trade receivables and derivative financial instruments with a positive fair value. We have a credit risk management policy in place to limit credit losses due to non-performance of financial counterparties and customers. We monitor our exposure to credit risk on an ongoing basis at various levels. We only deal with financial counterparties that have a sufficiently high credit rating. Generally, we do not require collateral in respect of financial assets. Investments in cash and cash equivalents, short-term investments and transactions involving derivative financial instruments are entered into with counterparties that have sound credit ratings and a good reputation. Derivative transactions are concluded mostly with parties with whom we have contractual netting agreements and ISDA agreements in place. We set limits per counterparty for the different types of financial instruments we use. We closely monitor the acceptable financial counterparty credit ratings and credit limits and revise where required in line with the market circumstances. We do not expect non-performance by the counterparties for these financial instruments. Due to our geographical spread and the diversity of our customers, we were not subject to any significant concentration of credit risks at balance sheet date.

The credit risk from trade receivables is measured and analyzed at a local operating entity level, mainly by means of ageing analysis, refer to Note 17. Additionally, trade receivables and financial assets measured at amortized cost are subject to the expected credit loss impairment model either using the general or the simplified approach.

For more information on the applied impairment approaches per financial asset type, refer to Note 1.

Generally, the maximum exposure to credit risk is represented by the carrying value of financial assets in the balance sheet.

At year-end 2021, the credit risk on consolidated level was €3.9 billion (2020: €4.2 billion) for cash and cash equivalents, short-term investments, loans, trade and other receivables. Our credit risk is well spread among both global and local counterparties. Our largest counterparty risk amounted to €301 million at year-end 2021 (2020: €450 million).

FOREIGN EXCHANGE RISK MANAGEMENT

Trade and financing transactions

We operate in a large number of countries, where we have clients and suppliers, many of whom are outside of the local functional currency environment. This creates currency exposure which 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 forecast transactions. In 2021, we applied cash flow hedge accounting on a COP 1.600 billion hedge of the foreign currency risk related to the intended acquisition of Grupo Orbis. The fair value of the hedge at year-end 2021 was €19 million negative and the spot result related to this hedge was recognized in other comprehensive income and accumulated in the cash flow hedge reserve. The hedge will mature mid-March 2022. During 2021, the hedge was fully effective.

In general, our forward exchange contracts have a maturity of less than one year. When necessary, forward exchange contracts are rolled over at maturity.

Hedged notional amounts at year-end

In € millions	Buy 2020	Sell 2020	Buy 2021	Sell 2021
US dollar	174	379	263	413
Pound sterling	485	31	601	45
Chinese yuan	31	—	179	145
Colombian peso	1	2	348	1
Other*	204	491	391	745
Total	895	903	1,782	1,349

* No individually significant position is included in 'Other', the amounts per currency are highly disaggregated.

Currency derivatives are not used for speculative purposes.

Investments in foreign subsidiaries, associates and joint ventures

During 2021 and 2020, 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 Brazilian real, Chinese yuan, Indonesian rupiah and Vietnamese dong (2020: Chinese yuan and Vietnamese dong), which were hedged with forward exchange contracts for the same currencies. The spot results related to these hedges were recognized in other comprehensive income and accumulated in the cumulative translation reserves. At year-end 2021, hedges of net investments Chinese yuan were outstanding, which were not material to the financial statements. During 2021 and 2020, these hedges were fully effective.

INTEREST RATE RISK MANAGEMENT

We are partly financed with debt in order to obtain more efficient leverage. Fixed rate debt results in fair value interest rate risk. Floating rate debt results in cash flow interest rate risk. We treat fixed rate debt maturing within one year as floating rate debt for debt portfolio purposes. At the end of 2021, the fixed/floating ratio of our outstanding bonds was 70 percent fixed as we have one outstanding bond maturing within one year (2020: 100 percent fixed). During 2021 and 2020, we have not used any interest rate derivatives.

IBOR reform refers to the global reform of interest rate benchmarks, which includes the replacement of some interbank offered rates (IBOR) with alternative benchmark rates. Our long-term borrowings have fixed interest rates and we currently do not have any interest related hedging instruments. Fallback language has been added to our contracts while preparing for the transition to new rates. Based on this and following an internal assessment of the impact of the IBOR reform, we conclude that the interest rate benchmark reform does not have a material impact on the company's financial statements.

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. Consistent with other companies in the industry, we monitor capital headroom based on the leverage ratio net debt/EBITDA, for which we have set a target range of 1 to 2. The ratio was 1.6 in 2021 (2020: 0.8). EBITDA is the sum of operating income, depreciation and amortization; for 2021 amounting to €1,469 million (2020: €1,324 million). Net debt is calculated as the total of long and short-term borrowings less cash and cash equivalents and short-term investments; for 2021 amounting to €2,340 million (2020: €1,034 million).

The part of long-term borrowings that is due within one year is presented under short-term borrowings. Short-term borrowings include the €750 million bond maturing in 2022.

Fair value of financial instruments and IFRS 9 categories

In the table "Fair value per financial instrument category" insight is provided in the recognition of the respective financial instruments per IFRS 9 category. The total carrying value is based on the accounting principles as outlined in Note 1. Financial instruments are recognized at fair value and subsequently recognized either at fair value or at

Fair value per financial instrument category

In € millions	Carrying amount	Out of scope of IFRS 7 ¹	Carrying value per IFRS 9 category		Total carrying value	Fair value of items measured at amortized cost
			Measured at amortized cost	Measured at fair value through profit or loss		
2020 year-end						
Financial non-current assets	1,951	1,669	202	80	282	237
Trade and other receivables	1,994	121	1,863	10	1,873	1,863
Short-term investments	250	—	—	250	250	—
Cash and cash equivalents	1,606	—	—	1,606	1,606	—
Total financial assets	5,801	1,790	2,065	1,946	4,011	2,100
2021 year-end						
Long-term borrowings	2,771	—	2,771	—	2,771	2,995
Short-term borrowings	119	—	119	—	119	119
Trade and other payables	2,580	451	2,121	8	2,129	2,121
Total financial liabilities	5,470	451	5,011	8	5,019	5,235
2021 year-end						
Financial non-current assets ²	2,076	1,766	302	8	310	330
Trade and other receivables ³	2,339	182	2,089	68	2,157	2,089
Short-term investments	58	—	—	58	58	—
Cash and cash equivalents	1,152	—	—	1,152	1,152	—
Total financial assets	5,625	1,948	2,391	1,286	3,677	2,419
Long-term borrowings	1,994	—	1,994	—	1,994	2,114
Short-term borrowings	1,556	—	1,556	—	1,556	1,570
Trade and other payables ⁴	2,948	455	2,466	27	2,493	2,466
Total financial liabilities	6,498	455	6,016	27	6,043	6,150

¹ Mainly includes pension assets (refer to Note 15), (non) income tax related receivables (refer to Note 17), payables to employees and (non) income taxes payables (refer to Note 22).

² €302 million relates to loans and receivables (refer to Note 15), €8 million relates to other than financial instruments (refer to Note 15).

³ €2,089 million relates to the remainder of trade and other receivables (refer to Note 17), €68 million relates to FX contracts and the current portion of the escrow account for the Akzo Nobel (CPS) Pension Scheme in the UK.

⁴ €2,466 million relates to the remainder of trade and other payables (refer to Note 22), €27 million relates to FX contracts.

amortized cost, using the effective interest method. The financial instruments accounted for at fair value through profit or loss are derivative financial instruments and securities included in financial non-current assets, cash and cash equivalents and short-term investments. The remaining financial instruments are accounted for at amortized cost.

The following valuation methods for financial instruments carried at fair value through profit or loss are distinguished:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities

- Level 2: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable)

For the purpose of determining the fair value per financial instrument category, shown in the column 'fair value', the following valuation methods were used:

Note 28 SUBSEQUENT EVENTS

On February 9, 2022, AkzoNobel announced a €500 million share buyback program, to be completed in the first quarter of 2023.

Recent developments in Ukraine are of concern. These developments, as well as the related international government responses, are being closely monitored. Our first priority is to safeguard our people and businesses. Due to the limited size of our business in Ukraine, we expect the financial impact within the country to be limited. Broader assessments of the indirect macroeconomic effects (such as supply continuity and the impact on the markets) are ongoing, and will be updated as the situation unfolds. Mitigating actions are being put in place.

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) was used for the subordinated loan granted to the Pension Fund APF in the Netherlands, resulting in a fair value of €116 million.

MASTER NETTING AGREEMENTS

We enter into derivative transactions under International Swaps and Derivatives Association (ISDA) master netting agreements. In general, under such agreements the amounts owed by each counterparty on a single day in respect of transactions outstanding in the same currency may be aggregated into a single net amount that is payable by one party to the other. In certain circumstances – e.g. when a credit event such as a default occurs – all outstanding transactions under the agreement may be terminated, the termination value is assessed and a net amount is payable in settlement of the transactions. We have evaluated the potential effect of netting agreements, including the effect of rights of set-off and concluded the impact is immaterial. We did not offset any amounts regarding derivative transactions.

Sensitivities on financial instruments at year-end 2021

Sensitivity object	Sensitivity	Hypothetical impact
Foreign currencies:		
We perform foreign currency sensitivity analysis by applying an adjustment to the spot rates prevailing at year-end. This adjustment is based on observed changes in the exchange rate in the past and management expectation for possible future movements. We then apply the expected possible volatility to revalue all monetary assets and liabilities (including derivative financial instruments) in a currency other than the functional currency of the subsidiary in the balance sheet at year-end.	A 10% (2020: 10%) strengthening of the euro versus US dollar	Profit €6 million (2020: profit €8 million); Other comprehensive income, profit €1 million (2020: €nil)
	A 10% (2020: 10%) strengthening of the euro versus the pound sterling	Profit €1 million (2020: €nil)
	A 10% (2020: 10%) strengthening of the euro versus Chinese yuan	€nil (2020: loss €1 million). Other comprehensive income, profit €2 million (2020: €nil)
	A 10% (2020: 10%) strengthening of the euro versus Colombian peso	€nil (2020: €nil). Other comprehensive income, loss €35 million (2020: €nil)
Interest rate:		
We perform interest rate sensitivity analysis by applying an adjustment to the interest rate curve prevailing at year-end. This adjustment is based on observed changes in the interest rate in the past and management expectation for possible future movements. We then apply the expected possible volatility to revalue all interest bearing assets and liabilities.	A 100 basis points increase of EUR interest rates	Loss: €11 million (2020: profit €8 million)
	A 100 basis points increase of USD interest rates	Profit: €nil million (2020: profit €1 million)
	A 100 basis points increase of GBP interest rates	Profit: €1 million (2020: profit €1 million)

COMPANY FINANCIAL STATEMENTS

Statement of income

In € millions, for the year ended
December 31

	Note	2020	2021
Revenue	A	15	5
Other income	A	58	—
Gross profit		73	5
General and administrative expenses		(24)	(10)
Other results		—	—
		(24)	(10)
Operating income		49	(5)
Financing income and expenses	B	50	(25)
Net income from subsidiaries, associates and joint ventures		536	871
		586	846
Profit before tax		635	841
Income tax		(5)	(12)
Net income		630	829

Balance sheet, before allocation of profit

In € millions, at December 31

	Note	2020	2021
Assets			
Non-current assets			
Intangible assets	C	71	91
Deferred tax assets		31	30
Financial non-current assets	D	12,225	12,497
Total non-current assets		12,327	12,618
Current assets			
Short-term receivables	E	182	154
Short-term investments	G	245	—
Cash and cash equivalents	G	736	404
Total current assets		1,163	558
Total assets		13,490	13,176
Equity and liabilities			
Equity			
Subscribed share capital		95	91
Cash flow hedge reserve		—	(19)
Other legal reserves		246	275
Cumulative translation reserves		(873)	(493)
Actuarial gains and losses		(2,587)	(2,613)
Other reserves		8,317	7,435
Undistributed results		548	749
Shareholders' equity	F	5,746	5,425
Provisions		13	4
Non-current liabilities			
Long-term borrowings	G	7,515	6,225
Total non-current liabilities		7,515	6,225
Current liabilities			
Short-term borrowings	G	3	1,425
Other current liabilities	H	213	97
Total current liabilities		216	1,522
Total equity and liabilities		13,490	13,176

Note A GENERAL INFORMATION

Akzo Nobel N.V. is a company headquartered in the Netherlands. The address of our registered office is Christian Neefestraat 2, Amsterdam; the Chamber of Commerce number is 09007809.

The financial statements of Akzo Nobel N.V. have been prepared in accordance with Part 9 of Book 2 of the Dutch Civil Code, making use of the option of Article 362 of the Code, meaning that the accounting principles used are the same as for the Consolidated financial statements. Foreign currency amounts have been translated, assets and liabilities have been valued, and net income has been determined in accordance with the principles of valuation and determination of income presented in Note 1 of the Consolidated financial statements.

For the Company financial statements, revenue mainly concerns service contracts and royalty related revenue from third parties; other income mainly concerns intercompany royalty income.

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 derecognized 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 at net asset value. Net asset value is based on the measure-

ment 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 income statement. 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 income statement.

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 26 of the Consolidated financial statements. The number of employees having a contract with the Company at year-end 2021 was 6 (2020: 6). All employees are based in the Netherlands.

Akzo Nobel N.V. is head of the Dutch fiscal unity for corporate income tax. Members of the fiscal unity are taxed on the basis as if they are taxable on a standalone basis.

Note B FINANCING INCOME AND EXPENSES

Other items in 2021 and 2020 mainly include foreign currency results related to financing activities.

Financing income and expenses

In € millions	2020	2021
Financing income - third parties	2	2
Financing income - subsidiaries	91	77
Financing expense - third parties	(49)	(94)
Financing expense - subsidiaries	(6)	(6)
Net interest on net debt	38	(21)
Other items	12	(4)
Net other financing income/(expenses)	12	(4)
Total	50	(25)

Note C INTANGIBLE ASSETS

Intangible assets include (internally developed) software and other intangibles, mainly licenses.

Intangible assets

In € millions	Other intangibles
Balance at January 1, 2020	
Cost of internally developed intangibles	51
Accumulated amortization	(6)
Carrying value at January 1, 2020	45
Movements in 2020	
Additions	31
Amortization	(5)
Total movements	26
Cost of internally developed intangibles	82
Accumulated amortization	(11)
Balance at December 31, 2020	71
Movements in 2021	
Additions	31
Amortization	(11)
Total movements	20
Cost of internally developed intangibles	113
Accumulated amortization	(22)
Balance at December 31, 2021	91

Note D FINANCIAL NON-CURRENT ASSETS

Movements in non-current assets

In € millions	Subsidiaries		Other non-current assets	Total
	Share in capital	Loans*		
Balance at January 1, 2020	9,159	2,245	91	11,495
Investments/acquisitions/capital contributions	—	—	2	2
Divestments/capital repayments/dividends	(92)	—	(1)	(93)
Impairments	—	—	(2)	(2)
Net income from subsidiaries	536	—	—	536
Equity-settled transactions	10	—	—	10
Loans granted	—	469	—	469
Loans transferred	—	919	—	919
Repayment of loans	—	(775)	—	(775)
Changes in exchange rates	(390)	(7)	—	(397)
Post-retirement benefits	90	—	—	90
Acquisition of non-controlling interests	(29)	—	—	(29)
Balance at December 31, 2020	9,284	2,851	90	12,225
Investments/acquisitions/capital contributions	41	—	—	41
Divestments/capital repayments/dividends	(61)	—	—	(61)
Net income from subsidiaries	871	—	—	871
Equity-settled transactions	11	—	—	11
Loans granted	—	293	—	293
Loans transferred	—	29	—	29
Repayment of loans	—	(1,298)	—	(1,298)
Changes in exchange rates	337	57	—	394
Post-retirement benefits	(8)	—	—	(8)
Balance at December 31, 2021	10,475	1,932	90	12,497

* Part of the loans to these companies has no fixed repayment schedule.

Investments in subsidiaries are measured using the equity method of accounting. Due to an intra-group funding restructuring, several intercompany loans were transferred in 2020 and 2021 from certain foreign subsidiaries to Akzo Nobel N.V. This intra-group funding restructuring has been finalized in 2021. 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.

Loans to subsidiaries that will mature in 2022 amounted to €202 million, and €1,481 million will mature between 2023 and 2026 and an amount of €74 million after 2026. The remainder of the loans to subsidiaries has no fixed repayment schedule.

Note E SHORT-TERM RECEIVABLES

Short-term receivables

In € millions, at December 31	2020	2021
Receivables from subsidiaries	125	133
FX contracts	10	14
Other receivables	47	7
Total	182	154

Short-term receivables are expected to be settled within a year. Receivables from subsidiaries include interest to be received on intercompany loans of €10 million (2020: €9 million). The fair value of the receivables from subsidiaries approximates the book value.

Note F SHAREHOLDERS' EQUITY

The holders of common shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at the Annual General Meeting of shareholders. The holders of the priority shares are entitled to a dividend of 6% per share or the statutory interest in the Netherlands, whichever is lower, plus any accrued and unpaid dividends. They are entitled to 800 votes per share (in accordance with the 800 times higher nominal value per share) at the Annual General Meeting of shareholders. In addition, the holders of priority shares have the right to draw up binding lists of nominees for appointment to the Supervisory Board and the Board of Management; amendments to the Articles of Association are subject to the approval of the Meeting of Holders of Priority Shares.

Priority shares may only be transferred to a transferee designated by a Meeting of Holders of Priority Shares and against payment of the par value of the shares, plus interest at the rate of 6 percent 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 2021 to authorize the Board of Management for a period

Statement of changes in equity

In € millions	Legal reserves				Actuarial gains & losses	Other reserves	Undistributed results	Shareholders' equity
	Subscribed share capital	Cash flow hedge reserve	Other legal reserves	Cumulative translation reserves				
Balance at January 1, 2020	100	—	211	(469)	(2,684)	8,735	457	6,350
Changes in exchange rates in respect of subsidiaries, associates and joint ventures	—	—	—	(404)	—	—	—	(404)
Post-retirement benefits	—	—	—	—	97	—	—	97
Net income	—	—	—	—	—	—	630	630
Comprehensive income	—	—	—	(404)	97	—	630	323
Dividend	—	—	—	—	—	—	(366)	(366)
Equity-settled transactions	—	—	—	—	—	13	—	13
Share buyback	(5)	—	—	—	—	(540)	—	(545)
Acquisition of non-controlling interests	—	—	—	—	—	(29)	—	(29)
Addition to other reserves	—	—	35	—	—	138	(173)	—
Balance at December 31, 2020	95	—	246	(873)	(2,587)	8,317	548	5,746
Changes in exchange rates in respect of subsidiaries, associates and joint ventures	—	—	—	380	—	—	—	380
Other comprehensive income/(expense)	—	(19)	—	—	—	—	—	(19)
Post-retirement benefits	—	—	—	—	(26)	—	—	(26)
Net income	—	—	—	—	—	—	829	829
Comprehensive income	—	(19)	—	380	(26)	—	829	1,164
Dividend	—	—	—	—	—	—	(365)	(365)
Equity-settled transactions	—	—	—	—	—	16	—	16
Share buyback	(4)	—	—	—	—	(1,131)	—	(1,135)
Acquisition of non-controlling interests	—	—	—	—	—	(1)	—	(1)
Addition to other reserves	—	—	29	—	—	234	(263)	—
Balance at December 31, 2021	91	(19)	275	(493)	(2,613)	7,435	749	5,425

of 18 months (i) to issue shares (or grant rights to shares) in the capital of the company up to a maximum of 10%, which in case of mergers or acquisitions can be increased by up to a maximum of 10%, of the total number of shares outstanding (and to restrict or exclude the pre-emptive rights to those shares) and (ii) to acquire shares in the

Unrestricted reserves at year-end

In € millions	2020	2021
Shareholders' equity at year-end	5,746	5,425
Subscribed share capital	(95)	(91)
Subsidiaries' restrictions to transfer funds	(163)	(174)
Reserve for development costs	(83)	(101)
Unrestricted reserves	5,405	5,059

capital of the company, provided that the shares that will at any time be held will not exceed 10% of the issued share capital. The issue or repurchase of shares requires the approval of the Supervisory Board.

During 2021, 9,247,489 common shares repurchased in 2020 and 2021 were cancelled (2020: 9,331,481 common shares). We held 2,744,210 repurchased common shares to be cancelled at year-end 2021 (year-end 2020: 695,776).

On October 23, 2019, a €500 million buyback program was announced, for which 0.4 million common shares were acquired in 2019 and 6.2 million shares in 2020, which have all been cancelled. On October 21, 2020, a €300 million share buyback program was announced which was completed in 2021. On February 16, 2021, a

€1 billion share buyback program was announced, which was completed in January 2022. This program started in April 2021. As at December 31, 2021, a total of 8.6 million shares had been acquired under this program, of which 5.9 million were cancelled.

Of the shareholders' equity of €5.4 billion (2020: €5.7 billion), €5.1 billion (2020: €5.4 billion) was unrestricted and available for distribution, subject to the relevant provisions of our Articles of Association and Dutch law.

Legal reserves include a €174 million reserve relating to earnings retained by subsidiaries, associates and joint ventures after the year 1983, to the extent that there are limitations to arrange profit distributions; and the €101 million reserve for capitalized development costs.

Dividend

Our dividend policy is to pay a stable to rising dividend.

In 2021, an interim dividend of €0.44 (2020: €0.43) per common share was paid. We propose a 2021 final dividend of €1.54 (2020: €1.52) per common share, which would equal a total 2021 dividend of €1.98 (2020: €1.95).

Note G NET DEBT

Analysis of net debt by category

In € millions, at December 31	2020	2021
Bonds issued	2,486	1,740
Debt from subsidiaries*	5,029	4,485
Long-term borrowings	7,515	6,225
Current portion of long-term borrowings	—	749
Debt to credit institutions	—	672
Short-term loans	3	4
Short-term borrowings	3	1,425
Total borrowings	7,518	7,650
Short-term investments	(245)	—
Cash and cash equivalents	(736)	(404)
Net debt	6,537	7,246

* Part of the debt from subsidiaries has no fixed repayment schedule. The fair value of the debt from subsidiaries approximates the book value.

Bonds issued

In € millions, at December 31	2020	2021
2 5/8% 2012/22 (€750 million)	748	—
1 3/4% 2014/24 (€500 million)	498	499
1 1/8% 2016/26 (€500 million)	497	497
1 5/8% 2020/30 (€750 million)	743	744
Total	2,486	1,740

Long-term borrowings

The part of long-term borrowings that is due within one year is presented under short-term borrowings. Short-term borrowings include the €750 million bond maturing in 2022.

For the fair value of the bonds issued, refer to Note 27 of the Consolidated financial statements. We estimated the fair value of the bonds issued based on the quoted market prices (level 1) for the same or similar issues or on the current rates offered to us for debt with similar maturities. At year-end 2021, the fair value of the bonds included in long-term and short-term borrowings was €2,624 million (2020: €2,710 million).

We have a multi-currency revolving credit facility of €1.3 billion which was extended in 2021 to 2026. 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 2021 and 2020, this facility has not been drawn.

At year-end 2021 and 2020, none of the borrowings was secured by collateral.

In 2022, an amount of €216 million of debt from subsidiaries will mature and an amount of €1 million of debt from subsidiaries will mature after 2026. The remainder of the loans to subsidiaries has no fixed repayment schedule.

Short-term borrowings

In July 2022, a bond of €750 million will mature. This bond is classified as a short-term borrowing. 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 €371 million commercial paper outstanding at year-end 2021 (2020: €nil) against an average negative interest rate of 0.5%. At year-end 2021, we had a €300 million short-term bank loan outstanding (2020: €nil) against a negative interest rate of 0.6%. Neither of these facilities contains financial covenants.

Short-term investments

Short-term investments almost entirely consist of time deposits, money market funds and marketable securities with a life time at investment date longer than three months but shorter than twelve months. At year-end 2021, we had no short-term investments outstanding (2020: €245 million).

Cash and cash equivalents

Deposits and money market funds within cash and cash equivalents almost entirely consist of time deposits immediately convertible into known amounts of cash and with a maturity of three months or less from the date of purchase and marketable securities that can be redeemed immediately when called.

Cash and cash equivalents

In € millions, at December 31	2020	2021
Cash on hand and in banks	427	304
Deposits and money markets funds with a maturity less than three months	309	100
Included in cash and cash equivalents in the balance sheet	736	404

Note H OTHER CURRENT LIABILITIES

Other current liabilities

In € millions, at December 31	2020	2021
Payables to subsidiaries*	63	30
FX contracts	7	27
Debt related to pensions	3	—
Other suppliers	58	1
Interest payable	22	22
Other liabilities	60	17
Total	213	97

* 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 2021, Akzo Nobel N.V. had outstanding foreign exchange contracts to buy currencies for a total of €1.7 billion (year-end 2020: €0.9 billion), while contracts to sell currencies totaled €1.2 billion (year-end 2020: €0.9 billion). The contracts mainly related to US dollars, pound sterling and Colombian peso, and all have maturities within one year. These contracts offset the foreign exchange contracts concluded by the subsidiaries, and the fair value changes are recognized in the statement of income to offset the fair value changes on the contracts with the subsidiaries, or recognized in other comprehensive income in case hedge accounting is applied. For information on risk exposure and risk management, see Note 27 of the Consolidated financial statements.

Note J CONTINGENT LIABILITIES

Akzo Nobel N.V. is parent of the group's fiscal unity in the Netherlands, and is therefore liable for the liabilities of said fiscal unity as a whole.

Akzo Nobel N.V. has declared in writing that it accepts joint and several liability for contractual debts of certain Dutch consolidated companies (Article 403 of Book 2 of the Dutch Civil Code). These debts, at year-end 2021, aggregating €0.5 billion (2020: €0.4 billion), are included in the Consolidated balance sheet.

Akzo Nobel N.V. has withdrawn its declarations of joint and several liability under Article 403 of Book 2 of the Dutch Civil Code for certain Dutch former Specialty Chemicals subsidiaries divested as per October 1, 2018 and is following the procedures to terminate its residual liability under those declarations under Article 404 of Book 2 of the Dutch Civil Code. One objection against the termination of residual liability is still pending and AkzoNobel, Nouryon and Nobian continue to cooperate to get this resolved.

Additionally, at year-end 2021, guarantees were issued on behalf of consolidated companies for an amount of €0.3 billion (2020: €0.3 billion). The debts and liabilities of

the consolidated companies underlying these guarantees are included in the Consolidated balance sheet.

Note K 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 statutory financial statements, mainly statutory audits of controlled entities.

Fees PricewaterhouseCoopers			2021
In € millions	In the Netherlands	Network outside the Netherlands	Total
Audit of the financial statements	4.1	4.3	8.4
Other audit	0.2	0.1	0.3
Tax services	—	—	—
Other non-audit services	—	—	—
Total	4.3	4.4	8.7

Fees PricewaterhouseCoopers			2020
In € millions	In the Netherlands	Network outside the Netherlands	Total
Audit of the financial statements	4.3	5.3	9.6
Other audit services	0.1	0.2	0.3
Tax services	—	—	—
Other non-audit services	—	—	—
Total	4.4	5.5	9.9

Amsterdam, February 28, 2022

The Board of Management

Thierry Vanlancker
Maarten de Vries

The Supervisory Board

Nils Smedegaard Andersen
Jolanda Poots-Bijl
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 €474 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 €355 million (to be increased by dividend on shares issued and reduced by dividend on shares repurchased in 2022 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 4, 2022.

PROFIT ALLOCATION AND DISTRIBUTIONS

PROFIT ALLOCATION AND DISTRIBUTIONS

The following articles of our articles of association govern profit allocation and distribution:

Article 43 43.6

The Board of Management shall be authorized to determine, with the approval of the Supervisory Board, what share of profit remaining after application of the provisions of the foregoing paragraphs shall be carried to reserves. The remaining profit shall be placed at the disposal of the Annual General Meeting of shareholders, with due observance of the provisions of paragraph 7, it being provided that no further dividends shall be paid on the preferred shares.

43.7

From the remaining profit, the following distributions shall, to the extent possible, be made as follows:

- (a) To the holders of priority shares: 6% per share or the statutory interest referred to in paragraph 1 of article 13, whichever is lower, plus any accrued and unpaid dividends
- (b) To the holders of common shares: a dividend of such an amount per share as the remaining profit, less the aforesaid dividends and less such amounts as the Annual General Meeting of shareholders may decide to carry to reserves, shall permit

43.8

Without prejudice to the provisions of paragraph 4 of this article and of paragraph 4 of article 20, the holders of common shares shall, to the exclusion of everyone else, be entitled to distributions made from reserves accrued by virtue of the provision of paragraph 7b of this article.

43.9

Without prejudice to the provisions of article 42 and paragraph 8 of this article, the Annual General Meeting of shareholders may decide on the utilization of reserves only on the proposal of the Board of Management approved by the Supervisory Board.

Article 44 44.7

Cash dividends by virtue of paragraph 4 of article 20, article 42, or article 43 that have not been collected within five years of the commencement of the second day on which they became due and payable shall revert to the company.

SPECIAL RIGHTS TO HOLDERS OF PRIORITY SHARES

The priority shares are held by “Stichting Akzo Nobel” (Foundation Akzo Nobel), whose board is composed of the members of the Supervisory Board who are not members of the Audit Committee. They each have one vote on the board of the Foundation.

The Meeting of Holders of Priority Shares has the right to draw up binding lists of nominees for appointment to the Supervisory Board and the Board of Management. Amendments to the Articles of Association are subject to the approval of this meeting.

INDEPENDENT AUDITOR'S REPORT

To: The Annual General Meeting and the Supervisory Board of Akzo Nobel N.V.

Report on the Financial statements 2021

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, 2021 and of its result and cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code
- The Company financial statements of Akzo Nobel N.V. ("the company") give a true and fair view of the financial position of the company as at December 31, 2021, 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 2021 of Akzo Nobel N.V., Amsterdam, the Netherlands. The financial statements include the Consolidated financial statements of the Group and the Company financial statements.

The Consolidated financial statements comprise:

- The Consolidated balance sheet as at December 31, 2021
- The following statements for 2021: the Consolidated statement of income; the Consolidated statements of comprehensive income; of changes in equity and of cash flows and
- The notes, comprising significant accounting policies and other explanatory information

The Company financial statements comprise:

- The Balance sheet as at December 31, 2021
- The Statement of income for the year then ended
- The notes, comprising the accounting policies applied and other explanatory information

The financial reporting framework applied in the preparation of the financial statements is EU-IFRS and the relevant provisions of Part 9 of Book 2 of the Dutch Civil Code for the Consolidated financial statements and Part 9 of Book 2 of the Dutch Civil Code for the Company financial statements.

The basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. We have further described our responsibilities under those standards in the section "Our responsibilities for the audit of the financial statements" of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of Akzo Nobel N.V. in accordance with the European Union "Regulation on specific requirements regarding statutory audit of public-interest entities", the "Wet toezicht accountantsorganisaties" (Wta, Audit firms supervision act), the "Verordening inzake de onafhankelijkheid van accountants bij assuranceopdrachten" (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence 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, going concern and the findings resulting thereof in the context of our audit of the financial statements as a whole and our forming of an opinion thereon. The information we use in support of our opinion, such as our findings and observations related to individual key audit matters, the audit approach to fraud risk and the audit approach to going concern, was addressed in this context. We do not provide a separate opinion or conclusion on these matters.

Overview and context

Akzo Nobel N.V. is a global paints and coatings company headquartered in the Netherlands and with operations in over 150 countries. Our group audit scope and approach are set out in the section "The scope of our

group audit". In our audit we paid specific attention to the areas of focus driven by the operations of the Group, as set out below.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where the Board of Management made important judgments, for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. In Note 1 of the Consolidated financial statements, the company describes areas of judgment in applying accounting policies and the key sources of estimation uncertainty. We consider the valuation of the post-retirement benefit provisions and the valuation of deferred tax assets and uncertain tax positions to be key audit matters as set out in the section "Key audit matters" of this report, given the significant estimation uncertainty, the judgemental nature and the related higher inherent risks of material misstatement.

The new "Grow & Deliver" strategy of Akzo Nobel N.V. aims to balance growth with further profitability improvements. Due to the new strategy, we discontinued the prior year key audit matter "Transformation to deliver towards the 'Winning together: 15 by 20' strategy". Over the past years, the company executed a wide range of transformational projects impacting the company's systems, processes and controls.

These projects continued in 2021, with the goal to align to the company'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 extended our audit procedures to evaluate the impact of the transformation on our audit. Due to the significance of the ongoing transformation to the company and the extended audit procedures, we included "Ongoing transformation of the organization, systems, processes and controls" as a new key audit matter, as set out in the section "Key audit matters" of this report.

The ongoing impact of the COVID-19 pandemic, combined with several extreme weather events early in the year, caused disruption across the company's incoming supply chains. This resulted in shortages of key raw

materials and input cost increase compared with 2020. The company responded with pricing initiatives to compensate for the raw material cost inflation. We considered the impact of these developments on our audit approach, including our scoping, materiality and risk assessment. In particular, we assessed the impact on significant management accounting judgments, including future business and cash flow projections underpinning impairment assessments, deferred tax asset recoverability and the going concern assumption. We concluded this to be an area of focus, that is not considered as a key audit matter.

AkzoNobel N.V. assessed the possible effects of climate change and their plans to meet emissions reduction commitments. The company considered, among others, 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. 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 company's strategy and sustainability targets, evaluated the potential impact on the financial statements and discussed this with management. We concluded that the impact of climate change is not considered 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 brands with indefinite useful lives, testing of valuation of the other provisions and 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: €55 million (2020: €45 million)

Audit scope

- We conducted audit work at 49 components in 18 countries
- Site reviews were virtually conducted to 9 countries (39 components)
- Audit coverage: 64% of consolidated revenue, 68% of consolidated total assets and 60% of consolidated profit before tax

Key audit matters

- Ongoing transformation of the organization, systems, processes and controls
- Valuation of post-retirement benefit provisions
- Valuation of deferred tax assets and uncertain tax positions

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	€55 million (2020: €45 million).
Basis for determining materiality	We used our professional judgment to determine overall materiality. As a basis for our judgment we used 5% of profit before tax.
Rationale for benchmark applied	We used profit before tax as the primary benchmark, a generally accepted auditing practice, based on our analysis of the common information needs of the users of the financial statements. On this basis, we believe that profit before tax is an important metric for the financial performance of the company.
Component materiality	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 €43 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 the Supervisory Board that we would report to them misstatements identified during our audit above €2 million (2020: €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 managed by the Board of Management and Executive Committee. The financial information of this Group is included in the Consolidated financial statements of Akzo Nobel N.V.

We tailored the scope of our audit to ensure that we, in aggregate, provide sufficient coverage of the financial statements for us to be able to give an opinion on the financial statements as a whole, taking into account the management structure of the Group, the nature of operations of its components, the accounting

processes and controls, and the markets in which the components of the Group operate. In establishing the overall group audit strategy and plan, we determined the type of work required to be performed at component level by the group engagement team and by each component auditor.

The group audit includes 24 components which were subjected to audits of their complete financial information, selected on the basis of the relative size of their operations. None of the components are individually financially significant to the group. We further subjected 13 components to specific focused audit procedures on individual financial statement line items, such as post-retirement benefit provisions, tax, cash and cash equivalents and short-term investments, based on the relative size or related higher inherent risks of material misstatement.

Additionally, we selected 12 components for audit procedures to achieve appropriate audit coverage on financial line items in the Consolidated financial statements.

In total, in performing these procedures, we achieved the following coverage on the financial line items:

Revenue	64%
Total assets	68%
Profit before tax	60%

None of the remaining components represented more than 3% of total group revenue or total group assets or profit before tax. For those remaining components we performed, among others, analytical procedures to corroborate our assessment that there were no significant risks of material misstatement within those components.

For all components we used component auditors who are familiar with the local laws and regulations to perform the audit work. We collectively performed hard close audit procedures on the interim October balance sheet positions and results. These hard close audit procedures included substantive audit work on certain material balances and transactions. Roll-forward procedures and top-up testing were performed at year-end to cover the full year period.

Where component auditors performed the work, we determined the level of involvement we needed to have in their 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 are relevant for the component auditors, the risks identified, the materiality levels to be applied and our global audit approach. We had individual calls with each of the in-scope component audit teams throughout the audit. During these calls, we discussed the significant accounting and audit matters identified by the component auditors, their reports, the findings of their procedures and other matters that could be of relevance for the Consolidated financial statements.

The group engagement team virtually attended site review meetings with a selection of the component teams and local management. During these meetings we discussed the strategy and financial performance of the local businesses, as well as the audit plan and execution, significant risks and other relevant audit topics. The most significant components are selected every year and other components are selected depending on specific considerations which include, 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, France, United Kingdom, Italy, India, Sweden and the Netherlands. Finally, for all in-scope components in Europe we set-up a physical site visit to the company's Regional Accounting Center ("RAC") in Poland, to increase our and the component teams' understanding of the developments and processes in the RAC.

The group engagement team performed the audit work on the group consolidation, financial statement disclosures and a number of more complex items and processes controlled and monitored centrally by Akzo Nobel N.V. These include impairment testing of goodwill and other intangible assets with indefinite useful lives, share-based payments, valuation of deferred tax assets and uncertain

tax positions, other provisions (i.e. corporate material claims), treasury, ITGCs and the Akzo Nobel N.V. stand-alone entity.

By performing the procedures outlined above at the components, combined with additional procedures at group level, we have been able to obtain sufficient and appropriate audit evidence on the Group's financial information, as a whole, to provide a basis for our opinion on the financial statements.

Audit approach fraud risks

Akzo Nobel N.V. has an integrity and compliance program, which includes a governance structure, policies and procedures around risk management, policy management, communication, training and education, third party risk management, monitoring, grievance and investigation and reporting.

Our risk assessment

We identified and assessed the risk of material misstatements to the financial statements due to fraud. During our audit we obtained an understanding of the entity and its environment and the elements of the system of internal control, in particular the fraud risk assessment, as well as among others, the Code of Conduct, procedures on various anti-bribery and anti-corruption risks, the SpeakUp! program and incident registration and reporting. This includes the risk assessment process and management's process for responding to the risks of fraud and monitoring the system of internal control and how the Supervisory Board exercises oversight, as well as the outcomes thereof.

As part of our process of identifying fraud risks, we evaluated fraud risk factors with respect to financial reporting fraud, misappropriation of assets, and bribery and corruption. Together with our forensic specialists, we evaluated the risk of material misstatement due to fraud to the financial statements. We conducted interviews with both members of the Board of Management, with members of the Executive Committee, with members of the Supervisory Board and others within the company, including the Internal Audit and Integrity and Compliance function, to obtain an understanding of the company's fraud risk assessment and the processes for identifying and responding to the risks of fraud and the internal control that management has established to mitigate these risks.

As described in the auditing standards, management override of controls and risk of fraud in revenue recognition are presumed risks of fraud.

Inherently, management of a company is in a unique position to perpetrate fraud because of management's ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We addressed this risk of management override of controls, including evaluating whether there was evidence of potential bias by management that may represent a risk of material misstatement due to fraud (for examples of our audit response refer to the key audit matters "Valuation of post-retirement benefit provisions" and "Valuation of deferred tax assets and uncertain tax positions"). The audit procedures to respond to the assessed risks include, among others, evaluation of the design and the implementation of internal controls that intend to mitigate fraud risks (such as processing and review of journal entries). In addition, we performed retrospective review of prior year's estimates, and procedures on unexpected journal entries with the support of data analytics. Furthermore, we, together with our forensic specialists, assessed matters reported on the Group's whistleblowing and complaints procedures and results of management's investigation of such matters, if deemed applicable, and discussed this with the Audit Committee. We also paid attention to significant transactions outside the normal course of business.

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. We instructed our components to perform 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. As described in the section "The scope of our group audit" we reviewed the audit procedures performed by our component teams. We incorporated elements of unpredictability in our audit. We also considered the outcome of our other audit procedures and evaluated whether any findings were indicative of fraud or non compliance.

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 the foreseeable future 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 risks). Our procedures to evaluate management's going concern assessment included, among others:

- Considering whether management's going concern assessment includes the relevant information of which we are aware as a result of our audit, inquiring with management regarding management's most important assumptions underlying their 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 27 of the Consolidated financial statements
- Evaluating management's current budget, including expected future cash flows in comparison with last year, market developments (for example, development in raw materials), credit ratings and the relevant information of which we are aware as a result of our audit, including, among others, the cash flow projection of the five-year plan obtained as part of the goodwill impairment testing
- 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 described the key audit matters and included a summary of the audit procedures we performed on those matters.

We addressed the key audit matters in the context of our audit of the financial statements as a whole, and in forming our opinion thereon. We do not provide separate opinions on these matters or on specific elements of the financial statements. Any comment or observation we made on the results of our procedures should be read in this context.

Key audit matters

Key audit matter

Ongoing transformation of the organization, systems, processes and controls

Over the past years, the company executed a wide range of transformational projects, which included centralization of finance activities in global business service hubs and simplification of the IT environment, impacting the company's systems, processes and controls. These projects continued in 2021, with the goal to align to the company's evolving operating model, focusing on end-to-end processes and to increase operational efficiencies and effectiveness.

As disclosed in the "Report of the Supervisory Board", the company's overall approach to governance, risk management and internal controls, its processes, outcomes, financial reporting and disclosures were regularly reviewed by the Audit Committee throughout the year.

In its review, the Audit Committee considered the impact of changes to systems, processes and controls, such as the IT landscape rationalization and the implementation of Regional Accounting Centers ("RAC") on the internal controls.

Inherently, transformation processes encompass changes in the organization, processes and culture and as such contribute to the risk of management override of internal controls, which is a presumed audit risk in our audit.

Valuation of post-retirement benefit provisions

Note 19

The post-retirement benefit provisions consist of defined benefit obligations (€14.3 billion) more than offset by plan assets (€15.3 billion). The largest pension plans are the ICI Pension Fund (ICIPF) and the AkzoNobel (CPS) Pension Scheme in the UK, which together account for 87% of the defined benefit obligation (DBO) and 91% of the plan assets.

We consider the valuation of these post-retirement benefit provisions to be a key audit matter because positions are significant to the company 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, benefit increases/indexation and inflation), as disclosed in Note 19 of the Consolidated financial statements. Technical expertise is required to determine closing positions.

Valuation of deferred tax assets and uncertain tax positions

Note 9

The Group operates globally and is therefore subject to income taxes in various tax jurisdictions. The assessment of the valuation of deferred tax assets, resulting from net operating losses, tax credits and temporary differences, and provisions for uncertain tax positions is significant to our audit as the positions are significant to the company, calculations are complex and involve high estimation uncertainty and judgmental assumptions, which could be subject to management bias. The key assumptions include long-term projected revenue growth, margin development and local fiscal regulations. The company's disclosures concerning income taxes are included in Note 9 to the Consolidated financial statements.

Our audit work and observations

We extended our audit procedures to evaluate the impact of the transformation on systems, processes and controls.

During our audit we updated our understanding of the ongoing transformation programs. We held discussions with group management, global process owners, functional management and with the business service hubs in Poland, India, China, Brazil and United States, in order to understand the status of the transition, understand the processes and controls in place to address the changes in the internal controls and evaluate the maturity of the processes. In order to obtain further evidence of the effectiveness of the controls in place, we also performed walkthroughs on selected controls. We used this information as part of our risk assessment procedures, determination of the scope of our audit and communication to our component teams.

For the simplification of the IT environment, we involved our IT specialists. We obtained an understanding of the project governance and the validation approach and we tested 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.

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 company's external pension experts used for the calculation of the post-retirement benefit positions.

We have challenged management, primarily on their assumptions applied to which the post-retirement benefit provisions are the most sensitive, by performing independent testing over the assumptions and methodologies used and comparing with the published actuarial tables, among others, with support of our actuarial experts. We paid particular attention to the discount rate changes as described by the company in Note 19, given the significance.

We also tested the participant census data and the valuation of the plan assets through independent price testing (e.g. by reconciling to independently published market prices).

Furthermore, we tested the transactions as described in Note 19 and we verified the appropriate accounting. We also assessed the adequacy of the company's disclosure in Note 19 to the Consolidated financial statements.

Our procedures did not result in material findings with respect to the valuation and disclosure of post-retirement benefit provisions at December 31, 2021.

With respect to the valuation of deferred tax assets and uncertain tax positions we performed the following procedures with the assistance of our tax specialists:

- We tested management's assessment of the recoverability of the deferred tax assets, by challenging their key assumptions. We specifically focused on the development of the budget compared to the actual results, the impact of margin management, the completeness of the future cost included in the forecasts compared to the current cost base and the impact of COVID-19 on the country results
- We obtained an understanding and assessed completeness of the tax exposures and uncertain tax positions recognized, through discussions with group and local management. We evaluated the probability of future cash outflows related to the uncertain tax positions identified by the company
- We also assessed the applicable local fiscal regulations and developments, in particular those related to changes in the statutory income tax rates and the statutes of limitation, since these are key assumptions underlying the valuation of the deferred tax assets and uncertain tax positions. We analysed the tax positions and evaluated the assumptions and methodologies used
- Furthermore, we tested the transactions and positions, including the developments with respect to Advanced Corporation Tax (ACT) in the UK and the Brazilian state tax on goods and services (ICMS), as described in Notes 4 and 9 and we verified the appropriate accounting
- In addition, we assessed the adequacy of the company's disclosures on deferred tax assets and uncertain tax positions and assumptions used

Our procedures did not result in material findings with respect to the valuation of deferred tax assets, the uncertain tax positions recorded and related disclosures at December 31, 2021.

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 and the remuneration report 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, including the financial statements, in ESEF. The requirements for this format are set out in the Commission Delegated Regulation (EU) 2019/815 with regard to regulatory technical standards on the specification of a single electronic reporting format (these requirements are hereinafter referred to as: the RTS on ESEF).

In our opinion, the annual report prepared in XHTML format, including the partially tagged Consolidated financial statements as included in the reporting package by Akzo Nobel N.V., has been prepared in all material respects in accordance 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 whether the annual report in this reporting package, is in accordance with the RTS on ESEF.

Our procedures, taking into account Alert 43 of the NBA (Royal Netherlands Institute of Chartered Accountants), included among others:

- Obtaining an understanding of the company's financial reporting process, including the preparation of the reporting package
- 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, has been prepared, in all material respects, in accordance with the technical specifications as included in the RTS on ESEF
- Examining the information related to the Consolidated financial statements in the reporting package to determine whether all required taggings 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; and for
- Such internal control as the Board of Management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error

As part of the preparation of the financial statements, the Board of Management is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, the Board of Management should prepare the financial statements using the going concern basis of accounting, unless the Board of Management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so. The Board of Management should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

The Supervisory Board is responsible for overseeing the company's financial reporting process.

Our responsibilities for the audit of the financial statements

Our responsibility is to plan and perform an audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence to provide a basis for our opinion. Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an auditor's report that includes our opinion. Reasonable assurance is a high, but not absolute,

level of assurance, which makes it possible that we may not detect all material misstatements. Misstatements may arise due to fraud or error. They are considered 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 28, 2022

PricewaterhouseCoopers Accountants N.V.

Original has been signed by Fernand Izeboud RA

Appendix to our auditor's report on the financial statements 2021 of Akzo Nobel N.V.

In addition to what is included in our auditor's report, we have further set out in this appendix our responsibilities for the audit of the financial statements and explained what an audit involves.

The auditor's responsibilities for the audit of the financial statements

We have exercised professional judgment and have maintained professional scepticism throughout the audit in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit consisted, among others, of the following:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the intentional override of internal control

- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Management
- Concluding on the appropriateness of the Board of Management's use of the going concern basis of accounting, and based on the audit evidence obtained, concluding whether a material uncertainty exists related to events and/or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report and are made in the context of our opinion on the financial statements as a whole. However, future events or conditions may cause the company to cease to continue as a going concern
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation

Considering our ultimate responsibility for the opinion on the Consolidated financial statements, we are responsible for the direction, supervision and performance of the group audit. In this context, we have determined the nature and extent of the audit procedures for components of the Group to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole. Determining factors are the geographic structure of the Group, the significance and/or risk profile of group entities or activities, the accounting processes and controls, and the industry in which the Group operates. On this basis, we selected group entities for which an audit or review of financial information or specific balances was considered necessary.

We communicate with the Supervisory Board regarding, among other matters, the planned scope and timing of the

audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit. In this respect, we also issue an additional report to the Audit Committee in accordance with article 11 of the EU Regulation on specific requirements regarding statutory audit of public interest entities. The information included in this additional report is consistent with our audit opinion in this auditor's report.

We provide the Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and 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, not communicating the matter is in the public interest.

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 2021.

Our conclusion

We have examined the selected non-financial performance indicators in the Sustainability statements of the annual report 2021 of Akzo Nobel N.V. (“AkzoNobel” or “the company”). Based on the procedures performed and evidence obtained, nothing has come to our attention that causes us to believe that the selected non-financial performance indicators in the Sustainability statements of the annual report 2021 are not prepared, in all material respects, in accordance with the AkzoNobel’s Reporting principles Sustainability statements 2021.

What we have examined

The object of our assurance engagement concerns the selected non-financial performance indicators in the Sustainability statements of the annual report 2021 marked with the symbol '»' (“the Indicators”) for the year ended December 31, 2021. The Indicators examined are as follows:

- Organizational health score (score)
- Female executives (%)
- Fatalities employees (number)
- Fatalities contractors (temporary workers plus independent) (number)
- Life-changing injuries (number)
- Lost time injury rate employees/temporary workers (/200,000 hours)
- Lost time injury rate contractors (/200,000 hours)
- Regulatory actions – Level 4 (number)
- Total reportable injury rate employees/temporary workers (/200,000 hours)
- Total reportable injury rate contractors (/200,000 hours)
- Loss of primary containment – Level 1 (number)
- Loss of primary containment – Level 2 (number)
- Process safety event – Level 3 (number)

- Occupational illness rate employees (/200,000 hours)
- Security incidents Level 3 (number)
- Volatile organic compounds (kilotons)
- Volatile organic compounds (kg per ton of production)
- Energy use (1,000 TJ)
- Energy use (GJ per ton of production)
- Total waste (kilotons)
- Total waste (kg per ton of production)
- Hazardous waste to landfill (kilotons)
- Hazardous waste to landfill (kg per ton of production)
- Renewable energy (own operations) (%)
- Renewable electricity (own operations) (%)
- Greenhouse gas emissions (kg CO₂(e) per ton of production)
- Greenhouse gas emissions – Direct CO₂(e) emissions (Scope 1) (kiloton)
- Greenhouse gas emissions – Direct CO₂(e) emissions (Scope 1) (kg per ton of production)
- Greenhouse gas emissions – Indirect CO₂(e) emissions (Scope 2) (kiloton)
- Greenhouse gas emissions – Indirect CO₂(e) emissions (Scope 2) (kg per ton of production)
- Total reusable waste (kilotons)
- Total non-reusable waste (kilotons)
- Total non-reusable waste (kg per ton of production)
- Total waste – circular (%)
- Fresh water use (million m³)
- Fresh water use (m³ per ton of production)
- Fresh water consumption (million m³)
- Fresh water consumption (m³ per ton of production)
- Scope 3 upstream (million tons)
- Scope 3 downstream (million tons)
- Cradle-to-grave carbon footprint (Scope 1, 2 and 3) (million tons)
- Suppliers participating in sustainability program (% against baseline)
- Suppliers in sustainability program – in line with our expectation (% against baseline)
- Suppliers in sustainability program – under development (% against baseline)
- Sustainable solutions (% of revenue)

Some Indicators have a different reporting period compared to the calendar year 2021, in these cases, this is indicated in the annual report and the Reporting principles Sustainability statements 2021.

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 Akzo Nobel N.V. in accordance with the “Verordening inzake de onafhankelijkheid van accountants bij assurance opdrachten” (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence requirements in the Netherlands. Furthermore, we have complied with the “Verordening gedrags- en beroepsregels accountants” (VGBA, Code of Ethics for Professional Accountants, a regulation with respect to rules of professional conduct).

We apply the “Nadere voorschriften kwaliteitssystemen” (NVKS, Regulations for quality systems) and accordingly maintain a comprehensive system of quality control, including documented policies and procedures regarding compliance with ethical requirements, professional standards and other applicable legal and regulatory requirements.

Applicable criteria

The Indicators need to be read and understood in conjunction with the reporting criteria. The reporting criteria used for the preparation of the Indicators are AkzoNobel’s Reporting principles Sustainability statements 2021 developed by the company, as disclosed in the “Managing sustainability” paragraph of the annual report 2021 and further elaborated in the document “Reporting principles Sustainability statements 2021” which was made available online* at www.akzonobel.com/en/about-us/sustainability-reporting-principles-. The absence of a significant body

* 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 2021 when presented on AkzoNobel’s website after the date of this assurance report.

of established practice on which to draw, to evaluate and measure non-financial information allows for different, but acceptable, measurement techniques and can affect comparability between entities and over time.

Responsibilities for the Indicators and the examination thereof

Responsibilities of the Board of Management and the Supervisory Board

The Board of Management of Akzo Nobel N.V. is responsible for selecting the criteria, taking into account applicable law and regulations related to reporting, and for the preparation of the Indicators in accordance with the AkzoNobel Reporting principles Sustainability statements 2021, 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 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. The level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

Misstatements may arise due to fraud or error. They are considered to be material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users taken on the basis of the Indicators. Materiality affects the nature, timing and extent of our assurance procedures and the evaluation of the effect of identified misstatements on our conclusion.

Procedures performed

We have exercised professional judgement and have maintained professional scepticism 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.
- Obtaining an understanding of the reporting process for the Indicators, including obtaining a general 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 with a higher risk of a material misstatement, whether due to fraud or error.
- Designing and performing assurance procedures responsive to those risks and obtaining evidence that is sufficient and appropriate to provide a basis for our conclusion. These procedures consisted, among others, of:
 - Interviewing management (and/or relevant staff) 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 procedures relating to group components and locations. For this, the nature, extent and/or risk profile of these components are decisive. Based thereon, we selected a component and location (Chengdu, China) for which we performed remote review procedures to validate our understanding of local processes and internal control, and validated selected source data
 - Obtaining assurance evidence that the Indicators reconcile with underlying records of the company;
 - Reviewing, on a limited test basis, relevant internal and external documentation;

- Performing an analytical review of the data and trends of the Indicators submitted for consolidation at corporate level.
- Evaluating the consistency of the Indicators with the information in the annual report 2021, which is not included in the scope of our review.
- To consider whether the Indicators as a whole, including the disclosures, reflect the purpose of the reporting criteria used.

We communicated with the Supervisory Board and 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 28, 2022

PricewaterhouseCoopers Accountants N.V.

Original has been signed by Fernand Izeboud RA

FINANCIAL SUMMARY

Consolidated statement of income

In € millions	2012	2013	2014	2015	2016 ⁶	2017	2018	2019 ⁷	2020	2021
Revenue	15,390	14,590	14,296	14,859	9,434	9,612	9,256	9,276	8,530	9,587
Operating income	(1,198)	958	987	1,573	923	825	605	841	963	1,118
Adjusted operating income ¹	972	897	1,072	1,462	928	905	798	991	1,099	1,092
Financing income and expenses	(205)	(200)	(156)	(114)	(91)	(78)	(52)	(76)	(69)	(39)
Income tax	(203)	(111)	(252)	(416)	(234)	(253)	(118)	(230)	(241)	(246)
Results from associates and joint ventures	13	14	21	17	18	17	20	20	25	26
Profit/(loss) for the period from continuing operations	(1,593)	661	600	1,060	616	511	455	555	678	859
Discontinued operations	(436)	131	18	6	436	393	6,274	22	(7)	6
Non-controlling interests	(63)	(68)	(72)	(87)	(82)	(72)	(55)	(38)	(41)	(36)
Net income, attributable to shareholders	(2,092)	724	546	979	970	832	6,674	539	630	829
Common shares, in millions at year-end	239.0	242.6	246.0	249.0	252.2	252.6	256.2	199.6	190.6	181.6
Dividend ²	214	210	212	222	239	1,287	390	1,423	366	365
Number of employees at year-end	50,610	49,600	47,200	45,600	36,300	35,700	34,500	33,800	32,200	32,800
Average number of employees	52,200	50,200	48,200	46,100	36,200	36,200	34,900	34,200	33,000	32,700
Employee benefits	3,018	2,950	2,824	2,728	1,794	1,935	1,976	1,875	1,850	1,773
Average revenue per employee (in €1,000)	295	291	297	322	261	266	265	271	258	293
Average operating income per employee (in €1,000)	(23)	19	20	34	25	23	17	25	29	34
Ratios										
ROS ³	6.3	6.1	7.5	9.8	9.8	9.4	8.6	10.7	12.9	11.4
OPI margin	(7.8)	6.6	6.9	10.6	9.8	8.6	6.5	9.1	11.3	11.7
ROI ³	8.2	9.0	10.9	14.0	14.4	13.9	12.6	14.1	16.1	16.0
Net income in % of shareholders' equity	- ⁴	12.9	9.5	15.1	14.8	14.2	56.4	8.5	11.0	15.3
Employee benefits in % of revenue	19.6	20.2	19.8	18.4	19.0	20.1	21.3	20.2	21.7	18.5
Interest coverage	- ⁴	5.1	8.6	16.2	13.2	12.3	8.0	14.3	18.5	18.0
Per share information										
Net income	(8.82)	3.00	2.23	3.95	3.87	3.31	26.19	2.53	3.29	4.48
Adjusted earnings per share	2.55	2.62	2.81	4.02	3.80	4.40	1.91	3.10	3.88	4.07
Shareholders' equity	24.12	23.06	23.53	26.04	25.99	23.22	46.19	32.33	30.26	30.32
Highest share price during the year	49.75	56.08	60.77	74.81	64.74	82.64	82.70	91.86	91.60	107.80
Lowest share price during the year	35.16	42.65	47.63	55.65	50.17	59.11	68.82	69.12	48.50	83.50
Year-end share price	49.75	55.71	57.65	61.68	59.39	73.02	70.40	90.69	87.86	96.50

¹ Adjusted operating income is operating income excluding identified items.

² Cash dividend paid to shareholders of AkzoNobel.

³ ROS has been restated and are based on revenues from third parties. ROS% is calculated as adjusted operating income (operating income excluding identified items) as a percentage of revenues from third parties (as from 2020, before 2020 this was based on group revenue). ROI% is calculated as adjusted operating income (operating income excluding identified items) of the last 12 months as a percentage of average invested capital of the last 12 months. Invested capital is calculated as total assets (excluding cash and cash equivalents, short-term investments, investments in associates, the receivable from pension funds in an asset position and assets held for sale) less current tax liabilities, deferred tax liabilities and trade and other payables. OPI margin has been restated and is calculated as operating income as a percentage of revenues from third parties.

⁴ Not meaningful as operating income and net income were losses.

⁵ Represented to present the Specialty Chemicals business as discontinued operations.

⁶ Represented to the new adjusted earnings per share definition, which no longer excludes post-tax amortization charges.

⁷ Includes the impact of the adoption of IFRS 16 "Leases".

Consolidated balance sheet

In € millions	2012	2013	2014	2015	2016	2017	2018	2019 ⁵	2020	2021
Intangible assets	4,454	3,906	4,142	4,156	4,413	3,409	3,458	3,625	3,554	3,690
Property, plant and equipment	3,739	3,589	3,835	4,003	4,190	1,832	1,748	1,700	1,621	1,800
Right-of-use assets	–	–	–	–	–	–	–	374	324	304
Other non-current assets	2,628	2,219	2,148	2,125	1,736	1,894	1,965	2,541	2,614	2,736
Total non-current assets	10,821	9,714	10,125	10,284	10,339	7,135	7,171	8,240	8,113	8,530
Inventories	1,545	1,426	1,545	1,504	1,532	1,094	1,139	1,139	1,159	1,650
Receivables	2,789	2,622	2,831	2,810	2,846	2,026	2,215	2,196	2,049	2,488
Short-term investments	–	–	–	–	–	–	5,460	138	250	58
Cash and cash equivalents	1,752	2,098	1,732	1,365	1,479	1,322	2,799	1,271	1,606	1,152
Assets held for sale	921	203	66	–	–	4,601	–	–	–	–
Total current assets	7,007	6,349	6,174	5,679	5,857	9,043	11,613	4,744	5,064	5,348
Shareholders' equity	5,764	5,594	5,790	6,484	6,553	5,865	11,834	6,350	5,746	5,425
Non-controlling interests	464	427	477	496	481	442	204	218	204	211
Total equity	6,228	6,021	6,267	6,980	7,034	6,307	12,038	6,568	5,950	5,636
Provisions	2,677	1,938	2,143	1,865	1,938	964	899	981	896	812
Long-term borrowings	3,388	2,666	2,527	2,161	2,644	2,300	1,799	2,042	2,771	1,994
Other non-current liabilities	434	389	412	360	367	285	368	391	467	567
Total non-current liabilities	6,499	4,993	5,082	4,386	4,949	3,549	3,066	3,414	4,134	3,373
Short-term borrowings	662	961	811	430	87	973	599	169	119	1,556
Other current liabilities	3,632	3,438	3,634	3,716	3,704	2,912	2,870	2,602	2,742	3,164
Current portion of provisions	455	601	494	451	422	241	211	231	232	149
Liabilities held for sale	352	49	11	–	–	2,196	–	–	–	–
Total current liabilities	5,101	5,049	4,950	4,597	4,213	6,322	3,680	3,002	3,093	4,869
Average invested capital ¹	11,817	10,007	9,871	10,475	6,422	6,494	6,340	7,026	6,834	6,829
Capital expenditures ²	826	666	588	651	634	613	184	214	258	288
Depreciation ¹	463	472	477	487	206	202	181	293	297	281
Operating Working Capital ³	1,572	1,384	1,418	1,385	1,405	927	898	1,068	878	1,247
Net debt	2,298	1,529	1,606	1,226	1,252	1,951	(5,861)	802	1,034	2,340
Ratios										
Equity/non-current assets	0.58	0.62	0.62	0.68	0.68	0.88	1.68	0.80	0.73	0.66
Inventories and receivables/other current liabilities	1.19	1.18	1.20	1.16	1.18	1.07	1.17	1.28	1.17	1.31
Operating working capital as % of revenue ⁴	10.7	9.9	10.1	9.7	10.2	10.2	9.7	11.9	9.9	13.0

¹ 2016 is represented to present the Specialty Chemicals business as discontinued operations.

² Capital expenditures include investments in intangible assets as from 2018.

³ As from 2018 trade payables include certain other payables, which were previously classified as Other working capital. Trade payables, Operating working capital and Other working capital items have been represented for this change of definition for some €240 million.

⁴ Operating working capital is measured against four times fourth quarter revenue.

⁵ Includes the impact of the adoption of IFRS 16 "Leases".

Segment statistics

In € millions	2012	2013	2014	2015	2016	2017	2018	2019 ³	2020	2021
Decorative Paints										
Revenue ¹	4,297	4,174	3,909	4,007	3,835	3,898	3,699	3,670	3,558	3,979
Adjusted operating income	108	199	248	345	357	351	346	418	573	598
Operating income	(2,012)	398	248	345	366	334	308	425	551	640
ROS ²	2.5	4.8	6.3	8.6	9.3	9.0	9.4	11.4	16.1	15.0
OPI margin ²	(46.8)	9.5	6.3	8.6	9.5	8.6	8.3	11.6	15.5	16.1
Average invested capital	4,701	2,896	2,824	2,959	2,783	2,803	2,798	3,106	2,799	2,872
ROI ²	2.3	6.9	8.8	11.7	12.8	12.5	12.4	13.4	20.5	20.8
Capital expenditures	206	171	143	158	107	112	50	62	77	108
Average number of employees	17,200	16,800	15,500	15,100	14,800	14,700	14,100	12,900	12,100	12,500
Average revenue per employee (in €1,000)	250	248	252	265	259	265	262	284	294	318
Average operating income per employee (in €1,000)	(117)	24	16	23	25	23	22	33	46	51
Performance Coatings										
Revenue ¹	5,702	5,571	5,589	5,955	5,665	5,775	5,587	5,549	4,957	5,603
Adjusted operating income	542	525	545	792	759	669	629	688	700	648
Operating income	542	525	545	792	735	668	577	565	665	650
ROS ²	9.5	9.4	9.8	13.3	13.4	11.6	11.3	12.4	14.1	11.6
OPI margin ²	9.5	9.4	9.8	13.3	13.0	11.6	10.3	10.2	13.4	11.6
Average invested capital	2,499	2,463	2,480	2,692	2,586	2,860	3,066	3,325	3,388	3,520
ROI ²	21.7	21.3	22.0	29.4	29.4	23.4	20.5	20.7	20.7	18.4
Capital expenditures	123	143	143	147	159	129	107	113	146	147
Average number of employees	21,700	21,300	21,000	19,700	19,300	19,800	19,200	18,000	17,500	17,000
Average revenue per employee (in €1,000)	263	262	266	302	294	292	291	308	283	330
Average operating income per employee (in €1,000)	25	25	26	40	38	34	30	31	38	38

¹ The 2019 figures are restated to represent revenue from third parties instead of group revenue.

² ROS, ROI and OPI margin have been restated and are based on adjusted operating income. ROS% is calculated as adjusted operating income (operating income excluding identified items) as a percentage of revenues from third parties (as from 2020, before 2020 this was based on group revenue). ROI% is calculated as adjusted operating income (operating income excluding identified items) of the last 12 months as a percentage of average invested capital of the last 12 months. Invested capital is calculated as total assets (excluding cash and cash equivalents, short-term investments, investments in associates, the receivable from pension funds in an asset position and assets held for sale) less current tax. OPI margin is calculated as operating income as a percentage of group revenue.

³ Includes the impact of the adoption of IFRS 16 "Leases".

Regional statistics¹

In € millions	2017	2018	2019 ³	2020	2021	2017	2018	2019 ³	2020	2021	2017	2018	2019 ³	2020	2021
The Netherlands						North America					China				
Revenue by destination	282	318	359	342	335	1,288	1,233	1,246	1,114	1,163	1,494	1,329	1,268	1,205	1,418
Revenue by origin	423	458	484	434	445	1,320	1,263	1,278	1,126	1,194	1,493	1,321	1,271	1,198	1,389
Capital expenditures	17	25	42	46	45	24	20	32	43	37	32	13	15	24	30
Average invested capital	1,528	1,560	1,622	1,713	1,701	883	716	707	689	784	787	732	908	852	876
Number of employees ²	2,500	2,400	2,400	2,300	2,400	3,200	3,000	3,100	3,000	3,100	6,000	5,300	4,900	4,500	4,400
UK						South America					Other Asian countries and Pacific				
Revenue by destination	777	818	838	838	882	801	716	709	601	744	1,614	1,538	1,548	1,282	1,454
Revenue by origin	891	918	951	975	1,034	776	718	674	588	724	1,553	1,482	1,525	1,215	1,416
Capital expenditures	39	29	16	15	26	21	12	11	11	15	45	29	32	44	61
Average invested capital	746	758	850	623	553	372	335	350	290	315	587	706	773	768	684
Number of employees ²	3,200	3,200	3,200	3,000	3,000	2,600	2,400	2,400	2,300	2,400	7,300	7,100	6,800	6,100	6,200
Other EMEA countries															
Revenue by destination	3,356	3,304	3,308	3,147	3,591										
Revenue by origin	3,156	3,096	3,093	2,994	3,385										
Capital expenditures	72	56	66	75	74										
Average invested capital	1,591	1,533	1,816	1,899	1,916										
Number of employees ²	10,900	11,100	11,000	11,000	11,300										

¹ The regional split has been changed compared to previous year to align to our new internal regional structure.

² At year-end.

³ includes the impact of the adoption of IFRS 16 "Leases".

GLOSSARY

Adjusted EBITDA

Adjusted EBITDA is operating income excluding depreciation, amortization and identified items.

AGM or EGM

Annual General Meeting of shareholders; Extraordinary General Meeting of shareholders.

Alternative performance measures (APM)

AkzoNobel uses APM adjustments to the IFRS measures to provide supplementary information on the reporting of the underlying developments of the business. APM include, but are not limited to, adjusted operating income, (adjusted) EBITDA, adjusted earnings per share, ROS and ROI.

BBS

Behavior-based safety. A global program run at all AkzoNobel locations.

Business Partner Code of Conduct

Explains what we stand for as a company, what we value and how we run our business. It brings our core values of safety, integrity and sustainability to life and shows what they mean in practice.

Capital expenditures

The total of investments in property, plant and equipment and investments in intangible assets.

Carbon footprint

The total amount of greenhouse gas (GHG) emissions caused during a defined period of a product's lifecycle. It is expressed in terms of the amount of carbon dioxide equivalents CO₂(e) emitted. Greenhouse gases include CO₂, CO, CH₄, N₂O and HFCs, which have a global warming impact. We also include the impact of VOCs in our targets.

Circular economy

An economic system which is restorative and regenerative by design, and which aims to keep products, components and materials at their highest utility and value at all times, distinguishing between technical and biological cycles.

Code of Conduct

Defines our core values and how we work. It incorporates fundamental principles on issues such as business integrity, labor relations, human rights, health, safety, environment and security and community involvement.

Comprehensive income

The change in equity during a period resulting from transactions and other events, other than those changes resulting from transactions with shareholders in their capacity as shareholders.

Constant currencies

Calculations exclude the impact of changes in foreign exchange rates.

Earnings per share

Net income attributable to shareholders divided by the weighted average number of common shares outstanding during the year. Adjusted earnings per share are the basic earnings per share, excluding identified items and taxes thereon.

EBITDA

Operating income excluding depreciation and amortization.

EMEA

Europe, Middle East and Africa.

Emissions and waste

We report emissions to air, land and water for those substances which may have an impact on people or the environment: CO₂, NO_x and SO_x, VOCs, hazardous and non-hazardous waste. Definitions are in the Sustainability statements.

HSE&S

Health, safety, environment and security.

Identified items

Identified items are special charges and benefits, results on acquisitions and divestments, major restructuring and impairment charges and charges related to major legal, environmental and tax cases.

Invested capital

Total assets (excluding cash and cash equivalents, short-term investments, investments in associates, the receivable from pension funds in an asset position, assets held for sale) less current income tax payable, deferred tax liabilities and trade and other payables.

Leverage ratio

Calculated as net debt divided by EBITDA, which is calculated as the total of the last 12 months.

Loss of primary containment

A loss of primary containment is an unplanned release of material, product, raw material or energy to the environment (including those resulting from human error). Loss of primary containment incidents are divided into three categories, dependent on severity, from small, on-site spill/near misses up to Level 1 – a significant escape.

Lost time injury rate (LTIR)

The number of lost time injuries per 200,000 hours worked. Full definitions are in the Sustainability statements.

Net debt

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.

Operating income

Operating income is defined in accordance with IFRS and includes the relevant identified items. Adjusted operating income excludes identified items.

Operational cash flow

We use operational cash flow to monitor cash generation. It is defined as operating income excluding depreciation and amortization, adjusted for the change in operating working capital and capital expenditures.

OPI margin

Operating income as a percentage of revenue.

R&D

Research and development.

Regulatory action

We have defined four categories of regulatory action, from self-reported issues (Level 1) to formal legal notifications with fines above €100,000 (Level 4).

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.

Safety incident

We have defined three levels of safety incidents. The highest category – Level 3 – involves: any loss of life; more than five severe injuries; environmental, asset or business damage totaling more than €25 million; inability to maintain business; or serious reputational damage to AkzoNobel stakeholders.

Shareholders' equity per share

Akzo Nobel N.V. shareholders' equity divided by the number of common shares outstanding at year-end.

South America

Excludes Mexico.

South Asia Pacific

Includes South East Asia and Asia Pacific.

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.

INDEX

2021 results at a glance	2
Acquisitions	7, 100
AkzoNobel Cares	37
Assurance report of the independent auditor	144
Audit Committee	62
Automotive and Specialty Coatings	20
Behaviors	13, 36
Board of Management	56, 88
Borrowings	100, 124, 134
Carbon footprint/cradle-to-grave carbon footprint	40, 48, 53
Case studies	10, 19, 46, 54, 79
Cash, cash flow and net debt	6, 96, 120, 124, 134
CEO statement	4
Circular economy	42
Climate	44, 46, 48
Code of Conduct	45, 78
Company financial statements	130
Company purpose	Inside cover, 1, 4, 13
Compliance	69, 76
Consolidated balance sheet	92
Consolidated statement of cash flows	93
Consolidated statement of changes in equity	94
Consolidated statement of comprehensive income	91
Consolidated statement of income	91
Core values	13, 45
Corporate governance	66
COVID-19	4, 9, 37, 44, 58
Decorative Paints	16-18
Dividend proposal	8, 62, 117
Earnings per share	8, 98, 111
Eco-premium solutions	2, 31, 47, 53
Emissions	41, 48
Employees	7, 32, 38

Energy	8, 31, 40, 41
Executive Committee	56
Financial information	90
Financial instruments	99
Financial summary	146
Grow & Deliver	13
How we created value	6
Human rights	38
Independent auditor's report	137
Industrial Coatings	22
Innovation	15
Intangible assets	98, 112, 131
Internal controls	57, 62, 73
Invested capital	6
"Let's Colour"	19, 37
Marine and Protective Coatings	24
Net debt	6, 124, 134
Nomination Committee	64
Operating income	7
Outlook	9
Paint the Future	14, 15, 16, 54
People. Planet. Paint.	Inside cover, 1, 5, 30
Pensions	118
Performance Coatings	20-27
Powder Coatings	26
Product stewardship	47
Profit allocation	62, 136
Property, plant and equipment	51, 98, 113
Provisions	99, 118, 122
Raw materials	4, 39, 40, 42
Regional statistics	149
Remuneration	80, 126
Remuneration Committee	64
Report of the Supervisory Board	60
Resource productivity	31, 41
Return on investment	3, 6

Return on sales	3, 6
Risk management	74
Safety	35
Segment information	101
Shareholders' equity	132
Strategy	13
Supervisory Board	59, 60, 69
Supervisory Board Chair's statement	58
Supplier sustainability	44
Sustainable Development Goals (SDGs)	31
Sustainable solutions	2, 31, 47
Sustainability statements	30
Talent management	61
Waste	8, 31, 41, 42
Water	8, 42, 43, 44
Winning together: 15 by 20	58, 84

APPENDIX

Reporting principles

People

Organizational health score	The overall percentile score is used in the Report 2021. In 2019, four quarterly surveys were held with results per quarter. For the 2019 annual report, the Q4 score was reported. Since 2020, we've been conducting two quarterly surveys, with results in Q1 and Q3. For the annual report, the Q3 scores are now reported.
Female executives	Percentage of women at executive level, a pay grade level at AkzoNobel, which excludes the Executive Committee.
Total reportable injury rate	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. 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, contractors and members of the public 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, the insertion of plates, pins or screws.
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.
Loss of primary containment Level 1 and 2	A loss of primary containment (LOPC) from a process or uncontrolled or unsafe release from a pressure relief device (PRD) that exceeds the Level 1 chemical release threshold. Level 1 includes on-site injury to employees, contractors or members of the general public which leads to severe injury; release that is observable or has impact off-site and can give rise to public concern and local media attention; permit violation (significant regulatory action as a result of LOPC Level 1 release); damage (including financial and quality of life) to local stakeholders (such as local suppliers or neighbors), or exceeding €25,000 asset damage. Level 2 includes reportable injury, medical treatment injury, restricted work injury, or lost time injury not resulting in severe injury; release almost certainly contained on site, not readily controlled, with no observable impact off-site; external complaint which affects company reputation for some employees, or exceeding €2,500 asset damage.
Process safety event - Level 3	Covers all losses of primary containment and near misses which are not Level 1 or 2. A Level 3 PSE is triggered by the following types of events: <ul style="list-style-type: none"> • LOPC below threshold conditions of PSE Level 1 and 2 according to the categorization flowchart • Safe operating limit excursions: process parameter deviation that exceeds the safe operating limit applicable to the phase operation • Primary containment inspection or testing results outside documented acceptable limits • Trip or safety instrumented system (SIS) activation • Other process safety near misses
Regulatory actions Level 4	Formal legal notification with fines above €100,000 (Level 4).
Security incident Level 3	Security incidents are divided into three categories, dependent on severity, from small up to Level 3 – a significant security incident. They are also separated into three incident category types (crime against a person, property crime and financial crime). This is the number of security incidents Level 3 in a reporting entity during the reporting period resulting from: <ol style="list-style-type: none"> 1. Crime against person/organization (CAPO): Kidnapping, robbery, malicious wounding, murder, other fatality resulting from criminal activity, multiple victims >5 2. Property crime (PC): Hijacking, sabotage, terrorism or any of the above, with loss or damage to property >€10,000 3. Financial crime (FC): >€10,000
AkzoNobel Cares (number of projects and number of community people trained)	Social impact programs, consisting of four initiatives: "Let's Colour", SOS Children's Villages, Education Fund, and local AkzoNobel CSR projects (e.g. CSR in India). 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. Community people trained 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.

Planet

Renewable energy	% renewable energy and electricity consumed. Renewable energy is energy (electricity or heat) that is generated from inexhaustible resources; e.g. wind, solar, hydro, biomass and tidal. 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%.
Energy use	The energy consumption of AkzoNobel in absolute measures (1,000 TJ) and per ton of production.
Volatile organic compounds	Volatile organic compound emissions in absolute measures (kilotons) and kg per ton of production. Note: In 2018 and 2019 we further improved our VOC modeling. As the emissions are strongly dependent on solvent type, process, use of an abatement system and product composition, we developed and implemented a tool incorporating all these factors.
Direct CO₂(e) emissions (Scope 1 and 2)	The total greenhouse gas emissions from processes and combustion at our facilities and indirect emissions from purchased energy in absolute measures (Mt CO ₂ e) and kg CO ₂ e per ton of production. Emissions from transport in own operations is very limited and therefore not material compared with other Scope 1 and 2 emissions. As transport is not material to Scope 1 and 2, these scopes exclude transport. We measure the six main greenhouse gases defined in the Greenhouse Gas Protocol.
Total waste	Total waste in absolute measures (kilotons) and kg per ton of production. Waste is reported as total weight, not dry weight. <ul style="list-style-type: none"> • Reusable waste • Non-reusable waste 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. Non-reusable waste is waste which is not used for resource recovery, recycling, reclamation, direct re-use or alternative uses, e.g. composting.
Percentage circular	The amount of materials reused by AkzoNobel and partners (reusable waste and by-products) divided by the total waste plus by-products.
Hazardous waste	Total hazardous waste to landfill in absolute measures (kilotons) and kg per ton of production.
Fresh water use and consumption	Fresh water use and consumption as absolute measure (million m ³) and m ³ per ton of production. Fresh water 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 an adjusted temperature (chemically unchanged).
Suppliers signed Business Partner Code of Conduct (% of spend)	% product related (PR) spend (measured in euro value) with suppliers (raw materials and packaging) who have signed our Business Partner Code of Conduct. % 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 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.
Sustainability risk analysis	Number of suppliers who have been identified as a risk to AkzoNobel due to their spend level (>€250,000), country risk (sensitive and emerging countries using EcoVadis' country risk profile) and category risk (baseline).
Suppliers participating in sustainability program	Number of suppliers who performed an EcoVadis online assessment or TFS onsite audit (in % of baseline).
Suppliers in sustainability program – in line with our expectations	Number of suppliers who meet our expectations in the EcoVadis assessment (in % of baseline): 45 total score and human right and labor score of 50.
Suppliers in sustainability program – under development	Together for Sustainability (TFS) is a chemical industry initiative designed to improve the sustainability practices in their supply chains and of which AkzoNobel has been a member since 2013. The assessments (performed by EcoVadis) and audits are based on established global principles, for example the UN Global Compact, Responsible Care charter.

Paint

Sustainable solutions	A measure of the sustainability of our products, which have customer/consumer sustainability benefits, as a percentage of our revenue. Reporting period for sustainable solutions is November-October A sustainable solution is a product which has a benefit in one or more sustainability criteria (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 adversely affect 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), Scope 3 (upstream) and Scope 3 (downstream). Reporting period is October-September. 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 carbon footprint due to the impact VOC emissions have within the paints and coatings industry.

The complete reporting principles can be found on our [website](#).

Appendix: List of affiliated legal entities and corporations

List at December 31, 2021, 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	100.000
Australia		
Akzo Nobel Coatings (Holdings) Pty Limited	Sunshine	100.000
Akzo Nobel Pty Limited	Sunshine	100.000
Austria		
Akzo Nobel Coatings GmbH	Salzburg	100.000
Akzo Nobel Holding Österreich GmbH	Vienna	100.000
Belgium		
Akzo Nobel Paints Belgium NV	Vilvoorde	100.000
Auto Body Services CV (ABS)	Vilvoorde	84.615
Cleming BV	Vilvoorde	100.000
International Paint (Belgium) NV	Vilvoorde	100.000
Bolivia		
Pinturas Coral De Bolivia Ltda	Santa Cruz de la Sierra	100.000
Botswana		
Dulux (Botswana) (Pty) Limited	Gaborone	100.000
Brazil		
Akzo Nobel Ltda	Barueri	100.000
Canada		
Akzo Nobel Coatings Ltd	Ontario	100.000
Akzo Nobel Wood Coatings Ltd	Port Hope	100.000
Cayman Islands		
Ichem Reinsurance Company Limited	George Town	100.000
ICI International Investments	George Town	100.000
Chile		
International Paint (Akzo Nobel Chile) Ltda	Santiago	100.000
China		
Akzo Nobel (China) Investment Co., Ltd.	Shanghai	100.000
Akzo Nobel Car Refinishes (Suzhou) Company Limited	Suzhou	100.000
Akzo Nobel Chang Cheng Coatings (Guangdong) Co., Ltd.	Shenzhen	100.000
Akzo Nobel Coatings (Dongguan) Co., Ltd.	Dongguan	100.000
Akzo Nobel Coatings (Jiaxing) Co., Ltd.	Jiashan	100.000
Akzo Nobel Coatings (Tianjin) Co., Ltd.	Tianjin	100.000
Akzo Nobel Decorative Coatings (China) Ltd (in liquidation)	Guangzhou	100.000
Akzo Nobel Decorative Coatings (Langfang) Co., Ltd.	Langfang	100.000
Akzo Nobel International Paint (Suzhou) Co., Ltd.	Suzhou	100.000
Akzo Nobel Paints (Chengdu) Co., Ltd.	Chengdu	100.000
Akzo Nobel Paints (Guangzhou) Co., Ltd.	Guangzhou	90.000

Akzo Nobel Paints (Shanghai) Co., Ltd.	Shanghai	100.000
Akzo Nobel Performance Coatings (Changzhou) Co., Ltd.	Changzhou	100.000
Akzo Nobel Performance Coatings (Shanghai) Co., Ltd.	Shanghai	100.000
Akzo Nobel Powder Coatings (Chengdu) Co., Ltd.	Chengdu	100.000
Akzo Nobel Powder Coatings (Langfang) Co., Ltd.	Langfang	100.000
Akzo Nobel Powder Coatings (Ningbo) Co., Ltd.	Ningbo	100.000
Akzo Nobel Powder Coatings (Wuhan) Co., Ltd.	Wuhan	100.000
International Paint of Shanghai Co., Ltd.	Shanghai	51.000
Colombia		
Interquim S.A.	Medellin	100.000
Czech Republic		
Akzo Nobel Coatings CZ, a.s.	Prague	100.000
Denmark		
Akzo Nobel Deco A/S	Copenhagen	100.000
International Farvefabrik A/S	Herlev	100.000
Ecuador		
Interquimec S.A.	Quito	100.000
Egypt		
Akzo Nobel Egypt LLC	6th of October City	100.000
Akzo Nobel Powder Coatings S.A.E.	Giza	100.000
Estonia		
Akzo Nobel Baltics AS	Tallinn	100.000
Eswatini		
Dulux Swaziland (Pty) Limited	Matsapha	100.000
Finland		
Oy International Paint (Finland) AB	Vantaa	100.000
France		
Akzo Nobel Decorative Paints France S.A.	Thiverny	99.975
Akzo Nobel Distribution SAS	Corbas	99.975
Akzo Nobel SAS	Montataire	100.000
Mapaero SAS	Pamiers	100.000
SAS BOUCHER	Pamiers	100.000
Germany		
Akzo Nobel Coatings GmbH	Stuttgart	100.000
Akzo Nobel Deco GmbH	Wunstorf	100.000
Akzo Nobel GmbH	Cologne	100.000
Akzo Nobel Hilden GmbH	Hilden	100.000
Akzo Nobel Powder Coatings GmbH	Reutlingen	100.000
International Farbenwerke GmbH	Börsen	100.000
Mapaero GmbH	Norderstedt	100.000
Schramm Coatings GmbH	Offenbach am Main	100.000
Schramm Holding GmbH	Offenbach am Main	100.000
Greece		
Akzo Nobel Anonymous Company of Paints and Related Products	Athens	100.000
Varnishes and Paints Industry Vivechrom Dr. Stefanos D. Pateras S.A.	Mandra Attica	79.184
Guernsey		
Impkemix Trustee Limited	St. Peter Port	100.000
Hong Kong SAR²		
Akzo Nobel Chang Cheng Limited	Hong Kong	100.000
Akzo Nobel HK (Holdings) Limited	Hong Kong	100.000
Akzo Nobel Paints Limited	Hong Kong	100.000
International Paint (Hong Kong) Limited	Hong Kong	100.000
Mapaero HK Limited	Hong Kong	100.000
Schramm Hong Kong Co., Limited	Hong Kong	100.000

Hungary		
Akzo Nobel Coatings Zrt	Budapest	100.000
India		
Akzo Nobel Global Business Services LLP	Pune	100.000
Akzo Nobel India Limited	Kolkata	74.756
ICI India Research & Technology Centre	Mumbai	18.690
Indonesia		
PT Akzo Nobel Car Refinishes Indonesia	Jakarta	100.000
PT Akzo Nobel Wood Finishes and Adhesives Indonesia	Jakarta	100.000
PT ICI Indonesia	Jakarta	100.000
PT ICI Paints Indonesia	Jakarta	55.000
PT International Paint Indonesia	Jakarta	100.000
Ireland		
Akzo Nobel (CR9) Limited	Dublin	100.000
Akzo Nobel Car Refinishes (Ireland) Limited	Dublin	100.000
Dulux Paints Ireland Limited	Cork	100.000
ICI Fertilisers (Ireland) Limited	Cork	100.000
ICI Ireland Limited	Cork	100.000
Italy		
Akzo Nobel Coatings S.P.A.	Cesano Boscone (MI)	100.000
Japan		
Akzo Nobel Coatings K.K.	Tokyo	100.000
Kenya		
Akzo Nobel Kenya Limited	Nairobi	100.000
Korea (South)		
Akzo Nobel Industrial Coatings Korea Ltd	Ansan	100.000
Akzo Nobel Powder Coatings Korea Co., Limited	Ansan	100.000
International Paint (Korea) Ltd	Busan	60.000
International Paint (Research) Ltd	Geoje City	100.000
Kuwait		
International Warba Coatings Paint Mfg Co. W.L.L.	Kuwait	49.000
Latvia		
Akzo Nobel Baltics SIA	Riga	100.000
Lithuania		
Akzo Nobel Baltics, UAB	Vilnius	100.000
Malaysia		
Akzo Nobel Adhesives Sdn Bhd	Selangor	100.000
Akzo Nobel Industrial Coatings Sdn Bhd	Kuala Lumpur	100.000
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	70.000
Mauritius		
Coloris Ltd	Les Pailles	100.000
Mauvilac Industries Limited	Les Pailles	100.000
Mexico		
Akzo Nobel Performance Coatings S.A. de C.V	Mexico City	100.000
Akzo Nobel Inda S.A. de C.V.	Monterrey	100.000
Compania Mexicana de Pinturas International S.A. de .C.V.	Mexico City	100.000
Morocco		
Akzo Nobel Coatings S.A.	Casablanca	59.628
Akzo Nobel Performance Coatings Morocco S.A.R.L.	Casablanca	100.000
Distral Maroc S.A.	Rabat	59.608
Sadvel S.A.	Casablanca	59.625
Myanmar		
Akzo Nobel (M) Co. Ltd.	Yangon	100.000

Netherlands⁹		
*Akzo Nobel (C.) Holdings B.V.	Woerden	100.000
Akzo Nobel Assurantie N.V.	Arnhem	100.000
*Akzo Nobel Car Refinishes B.V.	Sassenheim	100.000
*AKZO Nobel Coatings B.V.	Sassenheim	100.000
Akzo Nobel Coatings Chile Holding I B.V.	Amsterdam	100.000
Akzo Nobel Coatings Chile Holding II B.V.	Amsterdam	100.000
*Akzo Nobel Coatings International B.V.	Arnhem	100.000
*AKZO Nobel Decorative Coatings B.V.	Sassenheim	100.000
*De Sikkens Decorative Coatings Turkey B.V.	Arnhem	100.000
*Akzo Nobel Insurance Management B.V.	Arnhem	100.000
*Akzo Nobel Management B.V.	Arnhem	100.000
*Akzo Nobel Nederland B.V.	Arnhem	100.000
*Akzo Nobel Powder Coatings B.V.	Sassenheim	100.000
*Akzo Nobel Sino Coatings B.V.	Sassenheim	100.000
*Akzo Nobel Sourcing B.V.	Arnhem	100.000
*B.V. Alabastine (Holland)	Ammerzoden	100.000
*Carelaa B.V.	Arnhem	100.000
*De Sikkens Grossier B.V.	Wormerveer	100.000
*ICI Omicron B.V.	Rotterdam	100.000
ICI Theta B.V.	Rotterdam	100.000
*International Paint (Nederland) B.V.	Rhoon	100.000
*Panter B.V.	Hoofddorp	100.000
*Remmert Holland B.V.	Arnhem	100.000
*Sikkens Verkoop B.V.	Sassenheim	100.000
*Sikkens Verkoop Nederland B.V.	Weert	100.000
*Syncoflex B.V.	Arnhem	100.000
New Zealand		
Akzo Nobel Coatings Ltd	Avondale	100.000
Norway		
Akzo Nobel Coatings AS	Oslo	100.000
Oman		
Akzo Nobel Oman SAOC	Muscat	50.000
Pakistan		
Akzo Nobel Pakistan Limited	Karachi	98.030
Panama		
International Paint (Panama) Inc.	Mercantil	100.000
Papua New Guinea		
Akzo Nobel Limited	Geheru	100.000
Peru		
Akzo Nobel Peru S.A.C.	Lima	100.000
Poland		
Akzo Nobel Car Refinishes Polska Sp. z o.o.	Warsaw	100.000
Akzo Nobel Decorative Paints Sp. z o.o.	Warsaw	100.000
Akzo Nobel Industrial Coatings Sp. z o.o.	Kostrzyn Wlkp.	100.000
International Paint Sp. z o.o.	Gdansk	100.000
Portugal		
Akzo Nobel Tintas para Automoveis Lda	Carregado	100.000
International Paint Ibéria, Lda	Setúbal	100.000
Tintas Titan, S.A.	Maia	100.000
Qatar		
Akzo Nobel LLC	Doha	100.000
Romania		
Fabryo Corporation S.r.l.	Popesti Leordeni	100.000
Russian Federation		
Akzo Nobel Dekor CJSC	Balashikha	100.000
International Paint (East Russia) LLC	Vladivostok	51.000
OOO "Akzo Nobel Car Refinishes"	Moscow	100.000
OOO "Akzo Nobel Coatings"	Moscow	100.000
OOO "Akzo Nobel Lakokraska"	Orehovo-Zuevo	100.000

Saudi Arabia			
Akzo Nobel Saudi Arabia Ltd	Dammam	60.000	
Singapore			
Akzo Nobel Adhesives Pte Ltd	Singapore	100.000	
Akzo Nobel Car Refinishes (Singapore) Pte Ltd	Singapore	100.000	
Akzo Nobel Paints (Singapore) Pte Ltd	Singapore	100.000	
International Paint Singapore Pte Ltd	Singapore	100.000	
Slovenia			
Akzo Nobel Adhezivi d.o.o.	Ljubljana	100.000	
South Africa			
Akzo Nobel Powder Coatings South Africa (Pty) Ltd			
	Alberton	100.000	
Akzo Nobel South Africa (Pty) Ltd	Johannesburg	100.000	
ICI Dulux (Pty) Limited	Johannesburg	100.000	
P J A (South Africa) (Pty) Ltd	Alberton	100.000	
Spain			
Akzo Nobel Coatings, S.L.U.	Barcelona	100.000	
INDUCAN DE PINTURAS, S.L.	Las Palmas de Gran Canaria	100.000	
		100.000	
Industrias Titan, S.A.	Barcelona	100.000	
TITAN SERVICIO DE ATENCIÓN AL CLIENTE, S.L.	Madrid	100.000	
Sri Lanka			
Akzo Nobel Paints Lanka (Pvt) Ltd	Colombo	40.000	
Sweden			
Akzo Nobel Adhesives AB	Stockholm	100.000	
Akzo Nobel Car Refinishes AB	Tyresoe	100.000	
Akzo Nobel Decorative Coatings AB	Malmö	100.000	
Akzo Nobel Industrial Coatings AB	Malmö	100.000	
Akzo Nobel Industrial Finishes AB	Garnleby	100.000	
Akzo Nobel Sweden Finance AB	Göteborg	100.000	
International Färg AB	Göteborg	100.000	
Switzerland			
Akzo Nobel Car Refinishes AG	Bäretswil	100.000	
Akzo Nobel Coatings AG	Neuenkirch	100.000	
Taiwan			
Akzo Nobel Paints Taiwan Limited	Chung Li	100.000	
International Paint (Taiwan) Limited	Kaoshiung	100.000	
Thailand			
Akzo Nobel Coatings Limited	Nakornprathom	100.000	
Akzo Nobel Paints (Thailand) Limited	Amphur Pakkred	100.000	
Schramm SSCP (Thailand) Co., Ltd.	Rayong	100.000	
Tunisia			
Société Tunisienne de Peintures Astral S.A.	Megrine	60.000	
Turkey			
Akzo Nobel Boya Sanayi ve Ticaret A.S.	Izmir	100.000	
Akzo Nobel Kemipol A.S.	Izmir	51.000	
Akzo Nobel Server Boya Sanayi ve Ticaret A.S.	Tuzla	55.000	
International Paint Pazarlama Limited Sirketi	Istanbul	100.000	
Marshall Boya Ve Vernik Sanayii A.S.	Gebze	92.974	
Tekyar Teknik Yardim A.S.	Dilovasi	100.000	
Uganda			
Akzo Nobel Uganda Limited	Kampala	100.000	
Ukraine			
LLC "Akzo Nobel Holding Ukraine"	Kiev	100.000	
United Arab Emirates			
Akzo Nobel Decorative Paints L.L.C.	Dubai	49.000	
Akzo Nobel ME Coatings FZE	Jebel Ali Free Zone	100.000	
Akzo Nobel UAE Paints L.L.C.	Dubai	48.979	

United Kingdom			
Akzo Nobel (CPS) Pension Trustee Limited	Slough	100.000	
Akzo Nobel (NASH) Limited	Slough	100.000	
Akzo Nobel (NSC) Limited	Slough	99.902	
Akzo Nobel Aerospace Coatings Limited	Slough	100.000	
Akzo Nobel CIF Nominees Limited	Slough	100.000	
Akzo Nobel Coatings (BLD) Limited	Slough	100.000	
Akzo Nobel Coatings Limited	Slough	100.000	
Akzo Nobel Decorative Coatings Limited	Slough	100.000	
Akzo Nobel Finance Limited	Slough	100.000	
Akzo Nobel Finance (2) Limited	Slough	100.000	
Akzo Nobel Holdings Limited	Slough	100.000	
Akzo Nobel ICI Holdings	Slough	100.000	
Akzo Nobel Industrial Coatings Limited	Slough	100.000	
Akzo Nobel Limited	Slough	100.000	
Akzo Nobel Packaging Coatings Limited	Slough	100.000	
Akzo Nobel Powder Coatings Limited	Slough	100.000	
Akzo Nobel Properties Limited	Slough	100.000	
Akzo Nobel UK Ltd	Slough	100.000	
Cambrian Decorator Supplies (C.D.S) Limited	Slough	100.000	
Cuprinol Limited	Slough	100.000	
Deeside Coatings Limited	Slough	100.000	
Dulux Limited	Slough	100.000	
Ergon Investments International Limited	Slough	100.000	
Ergon Investments UK Limited	Slough	100.000	
Flexcrete Technologies Limited	Slough	100.000	
Hammerite Products Limited	Slough	100.000	
Holywell-Halkyn Mining and Tunnel Company Limited			
	Slough	96.955	
Horseferry Investments Limited (in liquidation)	Slough	100.000	
I C I Finance Limited	Slough	100.000	
ICI Chemicals & Polymers Limited	Slough	100.000	
ICI International Limited (in liquidation)	Slough	100.000	
ICI North America Limited (in liquidation)	Slough	100.000	
ICI Paints (Trade Contract) Limited	Slough	100.000	
Imperial Chemical Industries Limited	Slough	100.000	
International Coatings Limited	Slough	100.000	
International Paint Limited	Slough	100.000	
International Paints (Holdings) Limited	Slough	100.000	
Intex Yarns (Manufacturing) Limited	Slough	100.000	
J.P. McDougall & Co. Limited	Slough	100.000	
Mapaero UK Ltd	Crawley	100.000	
Mortar Investments International Limited	Slough	100.000	
Mortar Investments UK Limited	Slough	100.000	
Polycell Products Limited	Slough	100.000	
Resinous Chemicals Limited	Slough	100.000	
Sales Support Group Limited	Slough	100.000	
Scottish Agricultural Industries Limited	Edinburgh	100.000	
Stevenston Holdings Limited	Edinburgh	100.000	
United States of America			
Akzo Nobel Coatings Inc.	Delaware	100.000	
Akzo Nobel Inc.	Delaware	100.000	
Akzo Nobel Services Inc.	Delaware	100.000	
Blue Water Marine Paint LLC	Delaware	100.000	
Expert Management Inc.	Delaware	100.000	
ICI Americas Inc.	Delaware	100.000	
International Paint LLC	Delaware	100.000	
Mapaero Inc.	Delaware	100.000	
New Nautical Coatings Inc.	Florida	100.000	
Uruguay			
Pinturas Inca S.A.	Montevideo	100.000	

Vietnam		
Akzo Nobel Coatings Vietnam Ltd	Bien Hoa	100.000
Akzo Nobel Paints Vietnam Ltd	Binh Duong	100.000
Akzo Nobel Powder Coatings (Vietnam) Co., Ltd.		
	Dong Nai	100.000
Schramm SSCP Hanoi Co., Ltd.	Phuong Lieu Commune	
		100.000
Zambia		
Dulux Zambia (2005) Limited	Lusaka	100.000

1 The ownership percentage represents the interest Akzo Nobel N.V. or one or more of its majority subsidiaries singly or jointly have in the issued share capital of the participation. The list does not include entities that are of insignificant relevance in respect of the insight required by law, such as dormant companies and companies in liquidation.

2 Hong Kong Special Administrative Region.

3 With respect to the Dutch legal entities marked *, Akzo Nobel N.V. has declared in writing that it accepts joint and several liability for contractual debts of the relevant companies, in conformity with article 403, Book 2, of the Netherlands Civil Code.

List of non-consolidated legal entities and corporations

Italy		
Metlac Holding S.r.l.	Alessandria	49.000
Metlac S.p.A.	Alessandria	71.666