Reporting principles

Sustainability statements 2021

This document explains the materiality assessment and the reporting principles of the sustainability performance indicators presented in the annual report 2021 and on the corporate website. This document needs to be read in conjunction with the Sustainability statements in the annual report 2021.

Last update: 2 March 2022

Contents

1. Reporting policies

1. Reporting boundaries

Please see Note 1: Summary of significant accounting policies of the consolidated financial statements. The reporting boundary of the consolidated financial statements relates to the reported metrics (unless noted otherwise) but not to the full sustainability statement disclosures.

2. Boundaries and Comparability

In general, we report acquisitions and demergers from the date of transaction, unless disclosed otherwise. We recognize that reporting improvements may be required at acquired facilities. Recent important facts:

- In 2021, data includes Titan and excludes the acquisitions of Grupo Orbis
- In 2020 data excludes the acquisitions of Mapaero, and Mauvilac
- In 2019 data includes the acquisition of Xylazel and excludes the acquisition of Mapaero
- In 2018 AkzoNobel completed the demerger of Specialty Chemicals (Nouryon). All data reported reflects AkzoNobel Paints & Coatings and excludes Specialty Chemicals, unless stated otherwise. Further, 2018 data includes the acquisitions of Fabryo and Colourland Paints and excludes the acquisition Xylazel

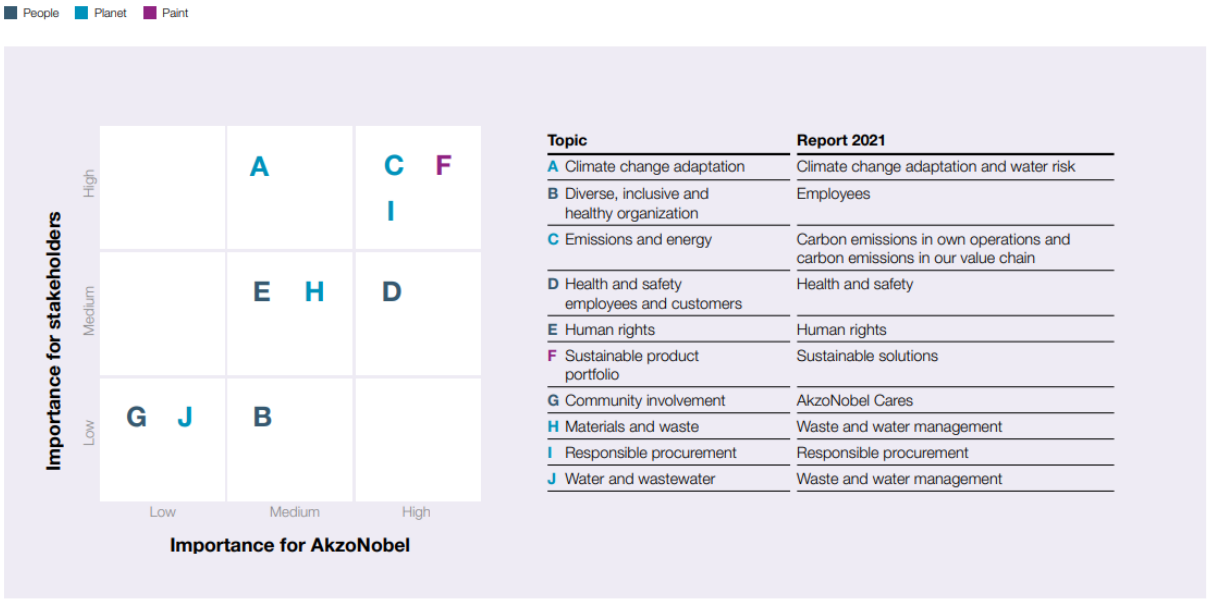
We identify events that affect comparability in the text or footnotes.

2. Materiality process

We use the principle of materiality to review our strategic priorities and to assess the topics included in the sustainability statements of the annual report. In 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 (GRI Universal Standards and SASB Chemical Sector) and sustainability indexes (EcoVadis, Vigeo Eiris (now part of Moody's) and Sustainalytics). The internal and external relative importance for each of these material topics are determined and validated annually and reported in the annual report.

- **Internal assessment:** the sustainability core team collectively determines the relative importance of each topic in a joined session (scoring: low, medium and high)
- **External assessment:** Our stakeholder liaisons determine the relative importance of each topic to their stakeholders (scoring: low, medium or high). Stakeholder groups and stakeholder liaison are:
  - Investors: Investor relations
  - Governments: Global public affairs
  - Suppliers: Global sustainability procurement
  - Peers: Sustainability analyst (annual reports peers)
  - Customers: Business development sustainability
  - Media/society: Media relations

Results of the internal and external assessments are reviewed and validated by the Sustainability Council and Executive Committee.



Topic	Report 2021
A Climate change adaptation	Climate change adaptation and water risk
B Diverse, inclusive and healthy organization	Employees
C Emissions and energy	Carbon emissions in own operations and carbon emissions in our value chain
D Health and safety employees and customers	Health and safety
E Human rights	Human rights
F Sustainable product portfolio	Sustainable solutions
G Community involvement	AkzoNobel Cares
H Materials and waste	Waste and water management
I Responsible procurement	Responsible procurement
J Water and wastewater	Waste and water management

We report on all material topics in the annual report independent on the relative importance. The materiality assessment is used to review our strategic priorities and to evaluate the topics included in the sustainability statements over the longer term.

The material topics in the materiality assessment from 2021 onwards include a few changes compared to previous' year:

- 'Product safety' and 'customer satisfaction' are included in 'sustainable product portfolio'
- 'Fair taxes' has been removed from the list
- 'Resource productivity' and 'circular economy' are changed to 'Materials and waste (Circular)', 'Emissions and Energy' and 'Water & wastewater' to be more specific

- Climate strategy' is split between 'Emissions and energy (climate change mitigation)' and 'climate adaptation' to better reflect the importance and difference of both topics

3. Indicators and reporting processes

In our annual report 2021 the main sustainability themes and corresponding indicators are grouped according to our approach to Sustainable business:

- People: Employees, Health & safety, AkzoNobel Cares, Human rights
- Planet: Carbon emissions own operation, Waste and water management, Responsible procurement
- Paint: Sustainable solutions, Carbon footprint in the value chain and Recycled content in packaging

In the annual report 2021, the most relevant performance indicators to material topics are presented. Our performance on other indicators is disclosed via our corporate website. In this section of the reporting principles, all performance and other indicators are described. For each indicator it is indicated if it is disclosed in the annual report 2021 or on the corporate website.

As broadly acknowledged by organizations, governments, regulators and reporting standards, the preparation of the Sustainability statements requires management to make judgments, estimates and assumptions that affect amounts reported. The estimates and assumptions are based on experience and various other factors that are believed to be reasonable under the circumstances. The estimates and underlying assumptions are reviewed on an ongoing basis. Mainly the indicators of sustainable solutions and climate (scope 3 upstream and downstream) have a higher degree of judgement and complexity for which changes in the assumptions and estimates could result in different results than those recorded in the Sustainability statements in the annual report 2021.

Please refer to the Sustainability statements of the annual report 2021 for further information on the sustainability business imperatives.

1. Sustainability statements: People

The People section of the annual report 2021 details the themes and indicators.

- **Employee indicators**

Reported in annual report 2021		
Organizational health	Organizational health score	The overall percentile score is used in external reports. In 2019 four quarterly surveys were held with results per quarter. For the annual report of 2019 the Q4 scores were reported. Since 2020, two quarterly surveys were conducted with results in Q1 and Q3. For these annual reports the Q3 scores are reported.
Diversity and inclusion	Female executives	Percentage of women at executive level, a pay grade level at AkzoNobel, which excludes the Executive Committee.

Reported on corporate website		
Talent management	**Executive vacancies filled internally**	Number of executive level appointments filled by internal candidate as a percentage of all executive appointments.
	High potential turnover	Number of employees who are identified as consistent high performer who leave the company, as percentage of all employees that are identified as consistent high performer (based upon the companies' annual performance and development review process).

Reporting process

HR Data Management system (SuccessFactors)

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

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

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

Organizational Health Index

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

- **Health and safety indicators**

Reported in annual report 2021		
	Fatalities employees (number)	A fatality of an employee is an instantaneous work-related event or exposure which leads to death within one year of the event or exposure.
	Fatalities contractors - temporary workers plus independent (number)	A fatality of a contractor is an instantaneous work-related event or exposure which leads to death of a contractor within one year of the event or exposure.
People safety	**Total reportable injury rate employees/temporary workers**	The total reportable injury rate (TRR) is the number of injuries resulting in a medical treatment case, restricted work case, lost time case or fatality, per 200,000 hours worked., Temporary workers are reported with employees, since day-to-day management is by AkzoNobel. The classifications of injuries are in line with OSHA guidelines.

	Total reportable injury rate (TRR) Contractors	The contractor's total reportable rate (TRR) is the number of contractor injuries, resulting in medical treatment cases, restricted work cases, lost time injuries or fatalities, per 200,000 hours worked.
	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.
	Loss time injury rate Contractors	The contractor lost time injury rate (LTIR) is the number of contractor injuries resulting in a lost time case per 200,000 hours worked.
	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
Employee health	**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.
Process safety	**Loss of primary containment** **Process safety event**	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.
	Loss of primary containment level 1	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.
	Loss of primary containment level 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 2 chemical release threshold. Level 2 includes reportable injury; medical treatment injury, restricted work injury, or lost time injury not resulting in severe injury, release almost

		certainly contained on site, not readily controlled, with no observable impact off-site, external complaint which affects company reputation for some employees, or exceeding €2,500 asset damage.
	Process safety event - Level 3	PSE Level 3 covers all Losses of Primary Containment and Near Misses which are not level 1 or 2. A level 3 PSE is triggered by the following types of events: • 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 of operation • Primary containment inspection or testing results outside documented acceptable limits • Trip or Safety Instrumented system (SIS) activation • Other Process Safety Near Misses
HSE&S management	**Regulatory actions level 4**	Formal legal notification with fines above €100,000 (level 4).
Security	**Security incident Level 3**	Security incidents are divided into three categories, dependent on severity, from small up to Level 3 – a significant security incident. Also, they are separated into three incident category types (crime against a person, property crime and financial crime). Security Incidents level 3: This is the number of Security Incidents (L3) resulting from 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

Reported on corporate website		
Employee health	**Total illness absence rate**	The number of lost working hours, whether work-related or not work-related, per reporting period due to all illnesses and injuries as a percentage of the scheduled working hours per reporting period. This parameter is reportable for employees only.
	Wellness checkpoint use	The wellness checkpoint is the electronic company occupational health tool available for all employees. It allows employees, and their families, to carry out health risk assessments and develop improvement plans. Anonymous data can be collected at team, location or business level to identify common improvement activities required. The absolute number is reported.
Product safety	**Priority substances policies**	A priority substance is reviewed and managed when it has been reviewed under the AkzoNobel priority substance process and is listed as prohibited or restricted in the AkzoNobel company-wide priority substance standard (STD 6).
HSE&S management	**Management audits plus reassurance audits**	Number of HSE&S audits, including reassurance audits. The HSE&S Audit process combines a continuous improvement tool for sites with a periodic audit managed by the AkzoNobel HSE&S team

		supervised by the internal auditing department. Audits include experienced practitioners from business and expertise groups. For most sites the frequency is every five years. For sites with an intrinsic high hazard rating, this frequency is every three years.

Reporting process

HSE&S Suite (Enablon)

Each location reports its health and safety data on a monthly basis via the HSE&S Suite (Enablon). The HSE&S Manual includes detailed reporting guidance: this includes performance data and progress against company programs, e.g. Behavioral Based Safety, Life Saving Rules. The data is authorized at local and regional level and internally reviewed and externally assured at AkzoNobel corporate level. Locations cover the employee population in all AkzoNobel premises, including manufacturing sites, office blocks, group of stores/sales offices, etc.

Other reporting routes:

Wellness Checkpoint

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

Product Stewardship & Regulatory Affairs SharePoint

- Priority substances with management plan
  Data is reported quarterly and reviewed by the Raw Material Sustainability Group (formerly Product Stewardship Leadership Team).

HSE&S Audit summary

- HSE&S Audits

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

- **Social programs indicators**

Reported in annual report 2021		
Community	**AkzoNobel Cares**	Social impact programs effort; consists of four programs: Let's Colour, SOS Children's Villages, Education Fund, and local AkzoNobel CSR projects (e.g. CSR in India). • # of projects • # of community people trained AN Cares projects are defined as a separate activity benefiting community people involving AkzoNobel employees or funding reported to the central AN Cares team quarterly. Community people trained are people with vulnerable backgrounds, including young people at risk, trained in painting, professional- and life/soft skills as a

		result of project/activity/ participation delivered by AkzoNobel employees or through financial donations.

Reporting process

Let's Colour program

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

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

SOS Children's Villages

The program is managed by the Global Marketing Team. The measurement is taken from a database digital platform that is developed by SOS. The database is based on the theory of change and all partnership activities are filled in by local SOS and local AkzoNobel teams. The total overview of the data collected and provided to AkzoNobel at the end of the year.

Education Fund

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

Local AkzoNobel CSR projects (e.g. CSR in India)

The program is managed by local CSR team. The measurement of the social impact is calculated by our partners whom we engage for the projects, which includes the number of community people participating and receiving the training, and the number of projects carried out throughout the year.

2. Sustainability statements: Planet

Our value chain reporting is carried out using standard templates and procedures. The definition of each value chain parameter that is reported and the reporting process in place for each value chain aspect are described below. The Planet section of the annual report 2021 details the themes and indicators.

Environmental indicators *(Carbon emissions own operations)*

Reported in annual report 2021		
Own operations	**Renewable energy**	% renewable energy 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%.
	Renewable electricity	% renewable electricity used in our operations Renewable electricity is electricity that is generated from inexhaustible resources; e.g. wind, solar, hydro, biomass and tidal. Expressed as the share of renewable electricity AkzoNobel measures/ uses in its own operations relative to the total electricity used.
	Energy use	The energy consumption of AkzoNobel in absolute measures (1000*TJ) and per ton of production. Energy is expressed as 'primary' energy, or fuel equivalents, used on our sites and to generate electricity/ heat used on our sites. Production is output from each designated production unit (external and internal sales).
	Volatile organic compounds	Volatile organic compound emissions in absolute measures (kilotons) and kg per ton production. Note: In 2018 and 2019 we have further improved our VOC modeling. As the emissions are strongly dependent on solvent type, process, use of an abatement system and product composition, we developed and implemented a tool incorporating all these factors.
	Direct CO_2(e) emissions (scope 1) **Indirect CO_2(e) emissions (scope 2)**	The total greenhouse gas emissions from processes and combustion at our facilities and indirect emissions from purchased energy in absolute measures (Mt CO_2e) and kg CO_2e per ton production. Emissions from transport in own operations is very limited and therefore not material compared to other Scope 1 and 2 emissions. As transport is not material to Scope 1 and 2, these scopes exclude transport. We measure the six main greenhouse gases defined in the Greenhouse Gas Protocol.
Reported on corporate website		
Raw materials	**Renewable raw materials**	Renewable raw materials as % of organic materials purchased Renewable raw materials as % of total materials purchased A renewable raw material is one that is wholly or partly derived from a biomass source that is continually replenished. If the RM is partly based on biomass, the renewable share is defined by the fraction of renewable carbon. Excludes: energy, utilities and other auxiliaries; water purchased on site; packaging materials; non-product related materials (NPR). We use renewable raw materials as % of organic materials purchased as the main indicator since this focuses on fossil materials which may be replaced by renewables.

	NOx and SOx emissions	NOx and SOx emissions in absolute measures (kilotons) and kg per ton production. Emissions from manufacturing processes which are discharged directly to air (e.g. after any abatement process). NOx comprises NO and NO_2 and is expressed as metric tons of NO_2, SOx comprises SO_2 and compounds of sulfur and is expressed as metric tons SO_2.

Environmental indicators *(Waste and water management)*

Reported in annual report 2021		
Own operations	**Total waste**	Total waste in absolute measures (kilotons) and kg per ton production. Waste is reported as total weight, not dry weight. • 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 re-used 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	Fresh water use as absolute measure (million m^3) and m^3 per ton production. • Extraction recorded as surface, ground and potable water. • Use recorded as cooling, process and other use (e.g. hygiene, grounds). Water consumption is a small proportion of water use: majority of water is used for cooling and returned to the original source, slightly heated.
	Fresh water consumption	Fresh water consumption as absolute measure (million m^3) and m^3 per ton production. Freshwater consumption is the Fresh water use minus cooling water and water in product. Cooling water is excluded as it is extracted and returned from the same basin only with an adjusted temperature (chemically unchanged).
Reported on corporate website		
Own operations	**Hazardous waste**	Total hazardous waste in absolute measures (kilotons) and kg per ton of production. • Reusable waste • Non-reusable waste, not to landfill and • Non-reusable waste to landfill, Hazardous Waste is waste that is classified as such according to the definition of the national, state or local legislation in place.
	Soil & Groundwater remediation	Costs associated with the assessment and remediation of historical soil and groundwater contamination. We report the provision we have set aside (as per IFRS standards) for such remediation in € millions.

	Chemical Oxygen Demand (COD)	Chemical oxygen demand of the wastewater effluent discharged directly from our facilities into surface waters as absolute measure (kilotons) and kg per ton production. Chemical Oxygen Demand is amount of oxygen required for the chemical oxidation of substances in the wastewater effluent.

Reporting processes – own operations

HSE&S Suite (Enablon)

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

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

Supplier indicators *(responsible procurement)*

Reported in annual report 2021		
Responsible procurement	**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 business partners who endorse our ethical values and our social and environmental standards. We therefore require suppliers to sign our business partner Code of Conduct, which is based on the AkzoNobel Code of Conduct.
	Sustainability Risk Analysis **Suppliers participating in Sustainability program** **Suppliers in sustainability program - In line with our expectation** **Suppliers in sustainability program - Under development**	Number of suppliers who have been identified as risk to AkzoNobel due to their spend level (>€250,000), country risk (sensitive and emerging countries using EcoVadis' country risk profile) and category risk (baseline). Number of suppliers who performed an EcoVadis online assessment or TfS onsite audit (in % of baseline). Number of suppliers who meet our expectation in the EcoVadis assessment (in % of baseline): 45 Total score and human right and labor score of 50. Together for Sustainability (TfS) is an initiative of the Chemical Industry to improve the sustainability practices in their supply chains and of which AkzoNobel is a member of since 2013. The assessments (performed by EcoVadis) and audits are based on established global principles, for example UN Global Compact, Responsible Care charter.
	Raw materials possibly impacting	Number of suppliers identified using materials in their manufacturing of products delivered to AkzoNobel, possibly impacting human rights in our

	human rights in our supply chain	supply chain – in particular regarding health and safety, working conditions and modern slavery, (Materials identified are barytes, calcium carbonate, cobalt, copper, fluorspar, mica mineral, talcum and tin). Number of suppliers who responded to our human right due diligence survey in % out of total number of suppliers identified. Number of suppliers disclosing smelters in their supply chain for cobalt and tin in % of suppliers confirmed using these materials. Number of unique smelters participating in RMAP or equivalent in % of smelters reported.

Procurement systems and databases

- Renewable raw materials

  Reporting is based on:
  1. The master purchasing database with spend and volume data for each material category, extracted annually
  2. A list with material categories that are ‘renewable raw materials’ and ‘organic raw materials’.

- Business Partner Code of Conduct

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

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

- Together for Sustainability (TfS)
  - EcoVadis assessment
  - TfS audit

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

The EcoVadis assessment is a key component of our supplier evaluation process for Product Related and Non-Product Related suppliers, and Logistic provider. In scope are suppliers with global spend >250,000 Euro work in a risk category or country, or have a global spend above 1 Million Euro irrespectively of their risk rating. Suppliers with a total score <45 and human rights and labor score <50 are required to perform annual re-assessment until the target score is reached. The TfS audit is focused on important suppliers based on their location (risk region) and the type of product (risk material) they are delivering on-site.

3. Sustainability statements: Paint

The Paint section of the annual report 2021 details the themes and indicators.

Economic indicators definitions

Reported in the annual report 2021		
Products and services	**Sustainable solutions**	A measure of the sustainability of our products, which have customer/ consumer sustainability benefits, as percentage of our revenue. A sustainable solution is a product or solution that has a sustainability benefit (when compared to other products or solutions which provide a similar functional effect / benefit to the user), which is a benefit in one or more of the following sustainability criteria: 1) Reduced carbon & energy, 2) Health & well-being, 3) Less waste, 4) Reduced/reused and renewed material use, 5) Longer-lasting performance Sustainability benefits are estimated downstream and should be justified quantitatively (e.g. by use of life cycle assessment, company tool, a standard industry test or company measurement) or qualitatively by written justification. A sustainable solution does not have any adverse effects in any of these sustainability criteria throughout the value chain. This means that a sustainable solution contains no chemical substance of concern for which a) a date for phase-out or restriction of use is known or the use of the substance is prohibited, or b) a sustainability or regulatory issue can be expected within the next five years. These substances of concern are identified by the AkzoNobel Priority Substance Program. Note that for business units that are not analyzed in full yet, an extrapolation based on revenue of the analyzed business units is made.
Reported on corporate website		
Customer engagement	**Delivery efficiency index**	% of orders dispatched on time, in full (against promised delivery date). A measure of delivery/ service performance for our customers, based on On-Time-In-Full (OTIF).

Reporting process

Sustainable solutions

Business units report their performance annually, using a company-wide methodology called Sustainable Product Portfolio Assessment (SPPA), with detailed guidance, and a standard template. Financial data used in this template is collected from business financial systems. The main financial data used for the Sustainable Solutions calculation is the revenue per BU. Actual revenue is used for all BUs. All the outcomes are verified at BU level and critically reviewed by a sustainability specialist. Data covers 1 November 2021 until 31 October 2021 sales data.

The assessment reviews AkzoNobel product groups on their sustainability benefits for our customers/ consumers. Annually, sustainable solutions are assessed as to whether they are still a sustainable solution, and the sustainability criteria assessed are still correct.

Carbon footprint value chain

Reported in annual report 2021		
Climate change – cradle-to-grave	**Cradle to Grave Carbon Footprint (Scope 1, 2, and 3)**	Our CO_2(e) footprint in million tons of CO_2(e) including scope 1 (own operations), scope 2 (energy use) and scope 3 (upstream) and scope 3 (downstream). The footprint includes the six main greenhouse gases defined in the Greenhouse Gas Protocol. Upstream: category 1—purchased goods and services. Downstream: category 10—processing of sold products, category 11—use of sold products, category 12—end-of-life treatment of sold products. The climate change impact of VOC emissions is included in the cradle-to-grave footprint, due to the impact VOC emissions have within the paints and coatings industry.

Reporting processes – Climate

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

We use the reporting period of 1 October to 30 September for Scope 3 carbon footprint as the calculations are based on multiple data sources which requires more time to prepare, review and audit.

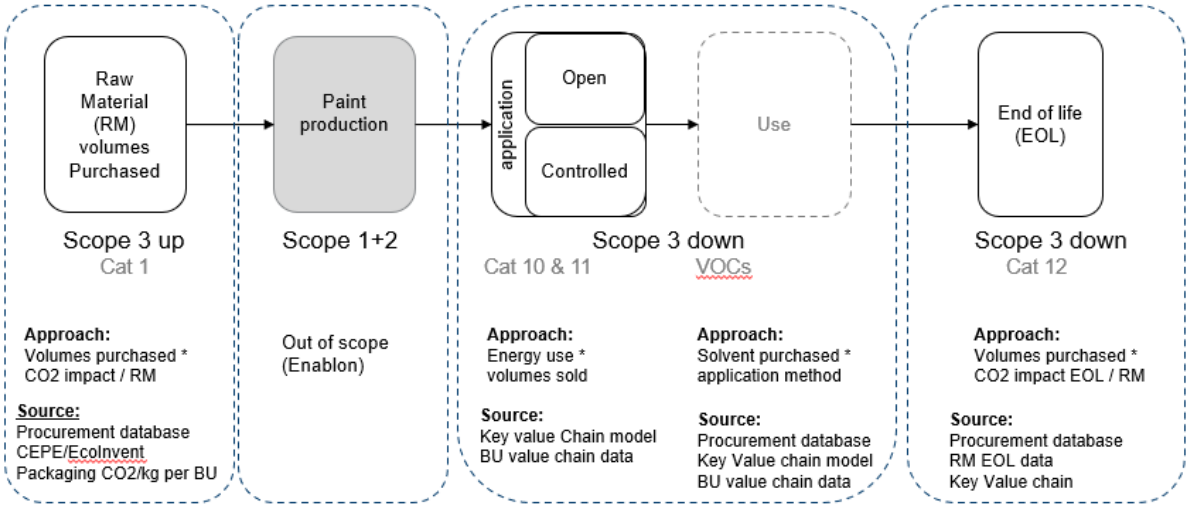
The results in the annual report 2021 include the following GHG protocol scope 3 emission categories:

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

In line with the GHG protocol, the CO_2 quantities calculated for these categories (1, 10, 11, 12 and VOC's), are included in Scope 3 reporting of the AkzoNobel annual report 2021. The other categories are not included in the annual report 2021, based on the following reasoning:

- These categories include a small amount of CO_2 kt eq. for AkzoNobel as whole;
- These categories have traditionally not been reported in the annual report.

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



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

Category description GHG protocol:

Extraction, production, and transportation of goods and services purchased or acquired by the reporting company in the reporting year, not otherwise included in Categories 2 – 8. Packaging is also included as part of the purchased goods and services

AkzoNobel methodology:

Each of the purchased raw materials is matched with the CO_2 eq/kg related factors of that material, extracted from the CEPE and Ecoinvent databases taking into consideration the concentration of water, solids and solvents. These databases are updated on a regular basis ensuring up to date CO_2 eq/kg factors for each of the raw materials are used. Primary suppplier data can be used for specific raw materials and overrule the secondary industry data (CEPE and EcoInvent) only when the primary data is complying with the GHG protocol and is approved by R&D, Procurement and the Sustainability Team. This data is updated from the year the primary data has been internally validated.
Packaging materials are currently not included in the AkzoNobel purchased goods and services database and are therefore calculated separately. The amount of CO_2 eq/kg related to packaging per kg of sold product is fixed for each business unit, business area and key value chain (KVC). These datapoints are validated by each BUs each year.

Category 10 & 11. Processing of sold products, Use of sold products

Category description GHG protocol:

Processing of intermediate products sold in the reporting year by downstream companies (e.g., manufacturers). End use of goods and services sold by the reporting company in the reporting year.

AkzoNobel methodology:

For Decorative Paints processing and use of sold products is not reported, since there is no curing for Decorative Paints products, and therefore assumed no energy use or other relevant carbon dioxide emissions in application & use phase.

In Performance Coatings, for each key value chain (KVC) the power use (MJ) per kg of sold product

and natural gas use (MJ) per kg of sold product, and average share of VOC incineration in application and use are stored in LCA models available in the GaBi software. These values are mutiplied by the sales volumes per KVC to calculate the category 10 & 11 carbon emmisions. Each of the BUs validates the data, and signed off their approval for using these datapoints for carbon reporting.
Emission factors for power use and natural gas for all products were assumed to be equal. The CO_2 eq/kg factor for power use (kg/MJ) is based on the IEA world average The CO_2 eq/kg factor for natural gas (kg/MJ) is taken from DEFRA: Conversion-Factors-2019-Full-set-for-advanced-users.
Additionally, the emissions caused by VOC incineration in curing process was added to the application and use stage. VOC carbon content identified based on the raw materials and procurement database was matched with the VOC incineration scenario per business unit.

Category 12. End-of-life treatment of sold products
Category description GHG protocol:
Waste disposal and treatment of products sold by the reporting company (in the reporting year) at the end of their life

AkzoNobel methodology
For all BUs key value chains (KVC) the share of raw material reaching end-of-life as a part of a product was identified as the mass of the raw material not lost in application and use through release or incineration of VOCs. Each of the BUs validates the data and signs off their approval for using these datapoints for the carbon reporting.

Primary data used to detemrine the End of Life are the purchased goods database and the sales breakdown for each KVC. The material codes were used to identify fossil and biogenic carbon content of the raw material not attributed to VOC solvents. The fossil carbon content is multiplied by the factor 3.67 based on the molecular mass of CO_2 (44) and atom of carbon (12).

Category A1. VOC Emissions from processing and use of sold products
Category description GHG protocol:
Not part of the GHG protocol categories

AkzoNobel methodology
Volatile organic compounds (VOCs) are emitted as gases from certiain solids or liquids, for instance from solvent based paints. Based on IPCC 2013 data, the CO_2 eq/kg factor for VOC's is set by the European Commission (PEF method) at 4.23kg CO_2 eq/kg of VOCs.
All VOCs in raw materials are released in application and are either emitted to the atmosphere or captured and incinerated. The incineration of VOC ins included in the carbon footprint of category 11&12 emissions. For all BUs the share of VOCs released in application and use are calculated based on the weighted average of the VOC procured and released to the atmosphere in each considered KVC of the business unit, LCA models available in the GaBi software. Each of the BUs validated, and updated the data, and signed off their approval for using these datapoints for the carbon reporting.

4. Governance and Compliance: Compliance and Integrity management

Under the heading Compliance and Integrity Management, we report our integrity management indicators. These can be found on in the Compliance and Integrity management section of the AkzoNobel annual report 2021. As in previous years this information is reported in the main body of the report.

Integrity management indicators

Reported in the annual report 2021	
Total reports registered	Overall number of alleged breaches of the Code of Conduct for calendar year registered through all channels, including SpeakUp (hotline, web, email) as well as those alleged breaches reported directly to and registered by management or Compliance. (For 2021 all reporting categories below reflect numbers based on all cases registered, not just those registered through the SpeakUp channels)
Registered reports Substantiated / unsubstantiated / referred	For 2021, number of reports alleging breaches Substantiated (in whole or in part) within reporting year and including breaches reported in prior year, reported directly to and registered by management or Compliance. For 2018/2019, number of reports alleging breaches Substantiated (in whole or in part) within the reporting year and including breaches substantiated in later year, reported directly to and registered by management or Compliance. Referred means: allegation not related to a Code of Conduct violation; investigation referred to another department.
Total number of dismissals resulting from registered reports	Number of dismissals for Code of Conduct breaches from registered reports by management or Compliance • Resolved within reporting year, including dismissals for reports registered in prior year

Reporting process

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

Speak Up Database

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

Learning management system

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

Data is collected from the web-based system and reviewed and audited at corporate level.
The learning management system also records data on mandatory e-learnings for compliance areas such as competition law, export control, anti-bribery, fraud, Life-Saving Rules and privacy

4. Annex 1: Materiality assessment external stakeholders

Stakeholder group	Material topics
Investors	Climate change adaptation Emissions & Energy (climate mitigation) Sustainable product portfolio
Customers	Health and Safety employees and Customers Sustainable product portfolio Responsible procurement
Suppliers	Emissions & Energy (climate mitigation) Health and Safety employees and customers Responsible procurement Water & wastewater
Governments	Climate change adaptation Emissions & Energy (climate mitigation) Sustainable product portfolio
Peers	Emissions & Energy (climate mitigation) Health and Safety employees and customers Materials & waste (Circular)
Media	Climate change adaptation Diverse, inclusive and healthy organization Emissions & Energy (climate mitigation) Sustainable product portfolio