

AkzoNobel Modern Slavery Statement 2017

June 15th, 2018

This statement has been published in accordance with the UK Modern Slavery Act 2015 and the California Transparency in Supply Chains Act. It sets out the steps taken by Akzo Nobel N.V. and its subsidiaries, for and on behalf of all reporting entities within the AkzoNobel Group, up to December 31, 2017, to prevent modern slavery in its business and supply chain.

Introduction

Slavery, servitude, forced labor and human trafficking (modern slavery as defined in the UK Modern Slavery Act 2015) are infringements of human rights which have a profound, negative impact on people's lives. AkzoNobel has a zero tolerance approach to modern slavery of any kind. We define modern slavery within AkzoNobel to include child labor, debt bondage, forced labor, human trafficking, servitude, slavery and slavery-like practices.

At AkzoNobel, we understand that through our roles as employer, manufacturer, business partner and member of many communities, we can potentially directly and indirectly impact the lives of millions of people. While we are committed to making a positive impact through our products and our community programs, we are aware of the potential negative impact we might cause, contribute to or be linked to. We recognize our responsibility to respect the human rights of all stakeholders across our value chain and are committed to actively and systematically assess (potential) human rights impacts and take action where needed to ensure our impacts on people's lives are as positive as possible.

As part of our core principles and in line with the United Nations Guiding Principles on Business and Human Rights (UNGPs), we are committed in our operations and across our value chains to respecting all internationally recognized human rights as set out in the International Bill of Human Rights (consisting of the Universal Declaration of Human Rights, the International Covenant on Civil and Political Rights and the International Covenant on Economic, Social and Cultural Rights) and in the International Labour Organization's Declaration on Fundamental Principles and Rights at Work. We support the Organization for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises. We expect all our business partners to respect human rights and apply equivalent principles, and we seek to support them actively in their implementation where needed.

We encourage our colleagues, business partners and people affected by our activities or products to raise complaints and grievances about any potential human rights concerns. We address these complaints and grievances fairly, in confidence and in accordance with laws. You can raise complaints and grievances through our [Speak Up! website](#).

Our business and supply chains

AkzoNobel is a leading global paints and coatings company and a major producer of specialty chemicals. We supply essential ingredients, essential protection and essential color to industries and consumers worldwide. In 2017, the turnover for the group was 14.575 billion.

Headquartered in Amsterdam, the Netherlands, we have approximately 45,400 people in around 80 countries, while our portfolio includes well-known brands such as Dulux, Sikkens, International, Interpon and Eka. We are dedicated to energizing cities and communities while creating a protected, colorful world where life is improved by what we do.

AkzoNobel purchases and sells a wide array of diverse products catering to many customers in many different markets all over the world. Our supply chains are long and often complex. As a result, the company has tens of thousands of suppliers, large and small. While sourcing is partially centralized and key products and large volume products are sourced company-wide, managing our supply chain will continue to be a significant challenge.

Policies and contractual controls

AkzoNobel's policies include principles on how its employees and business partners should respect human rights. Our [Code of Conduct](#) states that we will not tolerate abuses of human rights, whether at the company or across our value chain, and that we will take any adverse impacts on these rights very seriously and act accordingly. Our contracts with suppliers require compliance with all applicable laws. Policies are developed by experts at the company and signed off at Executive Committee level. For example, we also have a specific policy on child labor and do not employ people under the age of 16, irrespective of whether local laws provide for a lower minimum age. Each year, management in the organization needs to certify compliance with our Code of Conduct and policies. If deficiencies are noted, they must set and execute actions to remedy them.

We operate a whistleblowing mechanism known as [SpeakUp!](#) with supporting processes and staff. This mechanism is available for both employees and third parties, including suppliers and their employees. People are encouraged to report any concerns of wrongdoing, including human rights violations such as modern slavery. All reports are investigated and appropriate action is taken.

All our business partners are required to sign and comply with our [Business Partner Code of Conduct](#) (or confirm that they apply similar business principles) before engaging in business with us, which includes a commitment to avoid impacting people's human rights, and to apply principles of the International Labour Organization (ILO) Declaration on Fundamental Principles and Rights at Work. The code explains, for example, that people should not be employed against their will, transported for exploitation, engaged in slavery or servitude, nor deprived of their rights. In addition, legal minimum age requirements – as outlined in the relevant ILO conventions and the laws of the countries of operation – should be adhered to and children under the age of 16 should not be employed. The code is available in 21 languages.

A signing requirement of our Business Partner Code of Conduct was introduced and currently 97% of the product related (PR) spend and 86% of the non-product related (NPR) spend are covered.

In 2017, we rolled out a new Business Partner Compliance Framework (“the Framework”) throughout the organization. The Framework will provide for a company-wide, risk-based screening of business partners, both on the supply side and sales side. The scope for screening, which is supported by a third-party screening system, includes adverse media which covers human rights and modern slavery related issues.

Due diligence and audits of suppliers and supply chain

AkzoNobel is fully aware that multiple risks come with a complex and long supply chain, including the risk that modern slavery may exist in these supply chains. The company has taken various initiatives to address this risk and will continue to assess their effectiveness to ensure these risks continue to be mitigated.

Supplier sustainability framework

We work together with our suppliers to create a sustainable supply database. Our supplier sustainability framework continuously monitors the sustainability level of our suppliers, including human rights. The framework has three formal processes in place to ensure compliance, manage risks and promote supplier development. Two of them include integral human rights monitoring processes and are described below.

(1) Supplier Support Visits (SSV)

In 2007, the SSV program was introduced. It was designed to develop long-term local suppliers in emerging markets by raising their capability and performance. The SSV program is an important supplier management tool. The program is risk-based and focuses on critical suppliers. Supportive visits are carried out by teams from Procurement, and Health, Safety and Environment (HSE). Formal follow-up visits by these teams are conducted to verify implementation of agreed plans and overall progress. In order to ensure continued development of sustainable supply chains in emerging markets, selected approved SSV suppliers continue their sustainability journey by entering AkzoNobel’s third party assessment and audit programs. Awareness of, and compliance with, corporate social responsibility, including modern slavery, is monitored with continued support from local, cross-functional AkzoNobel teams.

(2) [Together for Sustainability \(TfS\)](#)

TfS is an industry initiative made up of 20 leading global chemical companies and continues to expand. It aims to improve sustainability practices within the global supply chains of the chemical industry, building on established global principles such as the United Nations Global Compact, UN Guiding Principles on Business and Human Rights and the Responsible Care Global Charter. With TfS, we aim to implement effective, leading edge practices across the industry. We are implementing standardized global sustainability assessments and continue to engage independent, third parties to conduct announced audits of our suppliers, which incorporates a review of their social compliance program, including respecting human rights.

The results of our TfS assessments and audits allow us to identify common areas for improvement and focus improvement activities relating to the suppliers that are assessed through the platform. Improvement areas include the introduction of a formal reporting system on our suppliers' sustainable procurement performance and business ethics issues, including human rights. TfS assessment of our suppliers covered more than 63% of spend in 2017, while the average score improved by 3%, including a positive impact on the human rights score.

Read more about our supplier sustainability framework in our [annual report](#) and on our [business partner engagement website](#).

Assessment of modern slavery risk within our supply chain

We are aware that multiple risks come with complex and long supply chains, including the risk that modern slavery may occur in these supply chains. As an outcome of the [human rights risk assessment](#) which resulted in our salient human rights issues, we recognize that there is an inherent risk of [modern slavery](#) in global supply chains, including our own, and particularly as we move into tier two and onwards (indirect) suppliers.

In 2017, we started due diligence into several raw material supply chains that are identified as high-risk in impacting human rights, particularly in terms of (salient issues) health and safety, working conditions and modern slavery. The current raw materials in scope – which we mostly procure indirectly – are barite, cobalt, copper, cotton linters, mica minerals, palm oil, talc and tin. These materials are prioritized and brought in scope with the help of information provided by NGOs. The objective of this due diligence is to increase the traceability of the materials in scope back to the smelter, refinery, mine of origin or plantation and assess whether our procured materials are sourced in a sustainable manner with no adverse impacts on human rights.

Training

Training on our Code of Conduct (which includes respect for human rights) and grievance mechanism are mandatory to all employees of AkzoNobel. All employees must have completed our [Code of Conduct](#) training and confirm that they have understood and acted in accordance with the Code of Conduct in their annual performance evaluation form.

Incentives

Sustainable performance, which includes respect for human rights, is incentivized through the targets set in AkzoNobel's short term incentive for all executives and middle managers. This includes the company's efforts with regard to respect for human rights.

This statement was approved by the Board of Management and Executive Committee of Akzo Nobel N.V. This statement covers Akzo Nobel N.V. and its group companies, with reporting companies proceeding with their own Board approvals according to the UK Modern Slavery Act.

Signed,

Thierry Vanlancker
CEO AkzoNobel