

Reporting principles 2018

This document provides further information on materiality and reporting indicators, additional to the information included in the chapter 'Managing Sustainability' in the Sustainability Statements of the AkzoNobel Annual Report 2018.

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1. Reporting policies

1.1. Reporting boundaries

We report on consolidated data from entities (more than 50% ownership) and joint ventures where we have management control, but exclude all data from entities in which we participate, but where we have minority ownership, or no management control. For joint operations, in accordance with IFRS 11 (joint arrangements), we report environmental data based on the consolidation percentage of the P&L statement. Health and safety aspects are included for the total operations if AkzoNobel is the employer and has the legal responsibility.

1.2. Comparability

Since 2010, we report acquisitions from the date of purchase, recognizing that reporting improvements may be required at these facilities. Recent significant changes:

- In 2018 AkzoNobel completed the separation of Specialty Chemicals. 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 (to start reporting in 2019)
- 2017 data excludes the acquisitions of Flexcrete and Disatech
- 2016 data excludes the acquisition of BASF's Industrial Coatings business, which was completed on December 14, 2016
- 2015 data includes Paper Chemicals until it was divested in May 2015

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

2. Materiality process

We have used the principle of materiality to review our strategic priorities and to assess the topics to include in this Report 2018. We updated the assessment of those topics most material for a focused Paints and Coatings company, based on the potential impact of each topic on the acceleration of our strategy and on its importance for stakeholder decision making.

The results are presented in a Materiality Matrix by plotting the strategic importance horizontally versus stakeholder decision making vertically, and can be found in the Managing sustainability section of the AkzoNobel Report 2018.

Internally, to assess the importance of each sustainability topic for our strategy four areas of risk and opportunity were identified: Operations, Markets, Remaining ahead of regulation and Identity. In each area, key topics were identified and classified as having a low, medium or high potential to accelerate our strategy, based on the current impact we have across our value chain.

Externally, the results were reviewed against the priorities of key stakeholders' decision making as it relates to AkzoNobel. The high priority topics are presented below for each stakeholder group.

Stakeholder focus

Investors	Suppliers	Governments
<ul style="list-style-type: none"> • Resource productivity • Employee development • Sustainable portfolios 	<ul style="list-style-type: none"> • Resource productivity • Safety • Customer satisfaction • Integrity 	<ul style="list-style-type: none"> • Resource productivity • Circular economy • Climate strategy
Peers	Media	Benchmarks / thought leaders
<ul style="list-style-type: none"> • Resource productivity • Safety • Sustainable portfolios • Integrity 	<ul style="list-style-type: none"> • Employee development • Customer satisfaction • Sustainable portfolios • Product safety 	<ul style="list-style-type: none"> • Resource productivity • Safety • Sustainable portfolios

3. Indicators and reporting processes

In our Annual Report 2018 the main sustainability themes and corresponding indicators are grouped according to our Sustainability business imperatives:

- Value Selling;
- Resource Productivity.

Please refer to the Sustainability Statements of the Annual Report 2018 for further information on the sustainability business imperatives.

3.1. Sustainability statements: Value Selling

Notes 1 and 2 of the Sustainability Statements in the Annual Report 2018 detail all themes and indicators related to Value Selling.

Economic indicators definitions

Products and services	Eco-premium solutions with customer benefits	<p>A measure of the sustainability of our products compared with competitive products, which have customer / consumer benefits, as percentage of our revenue.</p> <p>An eco-premium solution is significantly better than competing offers in the market in at least one eco-efficiency criterion (toxicity, energy use, use of natural resources/raw materials, emissions and waste, land use, risks, health & wellbeing), and not significantly worse in any other criteria.</p>
	Eco-performers	These are solutions offering clear sustainability benefits, but which are overall on a par with mainstream in terms of sustainability performance.
Customer engagement	Delivery efficiency index	<p>% of orders dispatched on time, in full (against promised delivery date).</p> <p>A measure of delivery/ service performance for our customers, based on On-time-in-full (OTIF).</p>

Reporting process

Eco-premium solutions (EPS) with customer benefits

Business units report their performance bi-annually, using a company-wide methodology, with guidance, and a standard template. Financial data used in this template are collected from business financial systems. The outcome is verified at BU level, critically reviewed by a sustainability specialist and audited at corporate level. Data covers November 2017 until October 2018 data.

The assessment reviews AkzoNobel product groups against a 'mainstream' product in the market which delivers the same function. This can be a AkzoNobel or competitor offering. The review evaluates the performance for each element of a matrix which covers six phases of the value chain (raw materials, and upstream; processing, own manufacturing; distribution, customer; use phase/end user; end of life) and seven sustainability aspects (toxicity and eco-toxicity; energy efficiency; natural resources/ raw materials; emissions and waste; risks, land use; health/wellbeing). For each element the assessment is 'significantly better'; 'same as mainstream'; or 'significantly worse'.

In order to qualify as an eco-premium solution, the product group needs to be 'significantly better' in at least one sustainability aspect, across the value chain, and not 'significantly worse' in any aspect. Eco-premium solutions with customer benefits deliver the benefit in the sustainability aspect (are 'significantly better') in one of the downstream phases (customer; use phase/end user; end of life).

Where a benefit can be determined quantitatively, 'significantly better' is defined as a 10% improvement versus the mainstream solution. Where quantification is not possible, a weight of evidence approach is permitted, supported by external sources (e.g. customer testimonials) if available.

Annually, each eco-premium solution is assessed as to whether it is still an eco-premium solution, the mainstream is still valid and the sustainability criteria assessed are still correct.

Eco-performers are which have clear sustainability features that are at least as good as mainstream alternatives.

3.2. Sustainability statements: Resource Productivity

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 is described below. Notes 3 to 9 of the Sustainability Statements in the Annual Report 2018 detail all themes and indicators related to Resource Productivity.

Economic indicators

<p>Supplier Management</p>	<p>Product related suppliers signed Business Partner Code of Conduct (% of spend)</p> <p>And</p> <p>Non Product Related (NPR) suppliers signed Business Partner Code of Conduct (% of spend)</p>	<p>% product related (PR) spend with suppliers (raw materials and packaging) who have signed our business partner Code of Conduct</p> <p>% non-product related (NPR) spend with suppliers who have signed our business partner Code of Conduct</p> <p>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.</p>
	<p>Third party online sustainability assessments (Together for Sustainability – TfS)</p> <p>And</p> <p>Third party onsite sustainability audits (TfS)</p>	<p>Number of. suppliers who have completed an EcoVadis assessment</p> <p>Number of. suppliers who have had on-site TfS audit</p> <p>Together for Sustainability is a Chemicals Industry initiative to improve the sustainability practices of the industry supply chains. The assessments and audits are based on established global principles, for example UN Global Compact, Responsible Care charter.</p> <p>Suppliers are classified in four risk categories using the EcoVadis 3rd party assessment total score results and the sub scheme scores on LABOR PRACTICES & HUMAN RIGHTS (LAB):</p> <p>High risk: total score <25; LAB score <30 Medium risk: total score <45; LAB score <50 In control: total score 45-50; LAB score 50 Low risk: total score >50; LAB score >50</p>
	<p>Supplier sustainability balanced scorecard (SSBS)</p>	<p>Number of suppliers who have completed a Supplier sustainability balanced scorecard including a review with AkzoNobel and deliver quarterly updates.</p> <p>We use our Supplier Sustainability Balanced Scorecard (SSBS) with a group of suppliers who have a significant impact on our sustainability resource efficiency/carbon footprint objectives.</p> <p>The SSBS gives an objective measure across both 'compliance' and 'performance improvement' aspects. The result of the SSBS is used to allocate supplier maturity levels. The levels move from compliance and risk management (using data from the Together for Sustainability processes), to improvement programs that contribute to other sustainability objectives, including carbon footprint reduction and collaboration with AkzoNobel on innovations.</p> <p>SSBS improvements are calculated in % against the baseline score we set in January 2018.</p>

Procurement systems and databases

- Business Partner Code of Conduct

The progress on signed business partner Code of Conduct (CoC) declarations across AkzoNobel is reported on a quarterly basis.

Business units report their progress on signed business partner CoC declarations using a standard template. The suppliers in scope for each year are based on spend from the previous year, with new suppliers covered as part of the contract set-up process.

On corporate level an overview is maintained of all product related vendors which have signed the business partner CoC declaration plus, for the non-product related suppliers, the declarations are part of a cross AkzoNobel contract.

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 and audited at corporate level.

- Together for Sustainability
 - 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 audited at corporate level.

The EcoVadis assessment is a key component of our supplier evaluation process for Product Related and Non Product Related suppliers. In scope are suppliers with global spend >1 million Euro and/or suppliers material/important to AkzoNobel's sustainability performance. Suppliers with a total score <45 and human right 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

Environmental indicators

Climate change – cradle-to-grave	Cradle-to-grave carbon footprint (product related)	<p>Our CO₂(e) footprint in million tons of CO₂(e) including scope 1 (own operations), scope 2 (energy use) and scope 3 (upstream suppliers) and scope 3 (downstream). Absolute measure and per ton of external product sales</p> <p>The footprint includes the six main greenhouse gases defined in the Greenhouse gas protocol. Climate impact of VOC emissions are included (with magnitude of VOC emissions identified).</p>
Raw materials	Raw material sources	<p>Raw materials purchased classified from different sources as % of total volume of raw materials purchased</p> <ul style="list-style-type: none"> • Organic materials <ul style="list-style-type: none"> • Bio-based materials • Fossil fuel derived materials (petrochemicals) • Inorganic materials (e.g. salt, minerals, clays)
	Renewable raw materials	<p>Renewable raw materials as % of organic materials purchased</p> <p>Renewable raw materials as % of total materials purchased</p> <p>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 bio-mass 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)</p> <p>We use Renewable raw materials as % of organic materials purchased as the main KPI since this focuses on fossil materials which may be replaced by renewables.</p>
Own operations	Renewable energy	<p>% renewable energy consumed</p> <p>Renewable energy is energy (electricity or heat) that is generated from inexhaustible resources e.g. wind, solar, hydro, biomass and tidal.</p> <p>Energy is expressed as 'primary' energy, or fuel equivalents. We use an average efficiency factor of 40%. Expressed as the share of renewable energy AkzoNobel uses in its own operations relative to the total energy used.</p>
	Renewable electricity	<p>% renewable electricity used in our operations</p> <p>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.</p>
	Renewable heat	<p>% renewable heat used in our operations</p> <p>Renewable heat is heat that is generated from inexhaustible resources e.g. wind, solar, hydro, biomass and tidal. Expressed as the share of renewable heat AkzoNobel measures/ uses in its own operations relative to the total heat used</p>
	Energy use	<p>The energy consumption of AkzoNobel in absolute measures (1000*TJ) and per ton of production.</p> <p>Energy is expressed as 'primary' energy, or fuel equivalents, used on our sites and to generate electricity/heat used on our sites.</p> <p>Production is output from each designated production unit (external and internal sales)</p>

Greenhouse gas emissions	<p>The total greenhouse gas emissions from processes and combustion at our facilities and indirect emissions from purchased energy in absolute measures (Mt CO₂e) and kg CO₂e per ton production. Excludes transport.</p> <p>We measure the six main greenhouse gases defined in the Greenhouse Gas Protocol.</p>
Energy use	<p>The energy consumption of AkzoNobel in absolute measures (1000*TJ) and per ton of production.</p> <p>Energy is expressed as 'primary' energy, or fuel equivalents, used on our sites and to generate electricity/heat used on our sites.</p>
Greenhouse gas emissions	<p>The total greenhouse gas emissions from processes and combustion at our facilities and indirect emissions from purchased energy in absolute measures (Mt CO₂e) and kg CO₂e per ton production. Excludes transport. We measure the six main greenhouse gases defined in the Greenhouse Gas Protocol.</p>
VOC emissions	<p>Volatile organic compound emissions in absolute measures (kilotons) and kg per ton production.</p>
NOx and SOx emissions	<p>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).</p> <p>NOx comprises NO and NO₂ and is expressed as metric tons of NO₂, SOx comprises SO₂ and compounds of sulfur and is expressed as metric tons SO₂.</p>
Waste	<p>Total waste in absolute measures (kilotons) and kg per ton production. Waste is reported as total weight, not dry weight.</p> <ul style="list-style-type: none"> • Reusable waste • Non-reusable <p>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.</p> <p>Non reusable waste is waste which is not used for resource recovery, recycling, reclamation, direct re-use or alternative uses e.g. composting.</p>
Hazardous waste	<p>Total hazardous waste in absolute measures (kilotons) and kg per ton of production.</p> <ul style="list-style-type: none"> • Reusable waste • Non-reusable waste, not to landfill and • Non-reusable waste to landfill, <p>Hazardous Waste is waste that is classified as such according to the definition of the national, state or local legislation in place.</p>
Sustainable fresh water management	<p>% of manufacturing sites with sustainable free water management in place.</p> <p>Sustainable fresh water management is defined as a low risk score in all categories of the AkzoNobel sustainable fresh water assessment tool. Criteria are water sources, supply reliability, water discharge, efficiency, compliance, social competitive factors.</p>
Fresh water	<p>Fresh water use as absolute measure (million m³) and m³ per ton production.</p> <ul style="list-style-type: none"> • Extraction recorded as surface, ground and potable water; • Use recorded as cooling, process and other use (eg hygiene, grounds). <p>Water consumption is a small proportion of water use: majority of water is used for</p>

	cooling and returned to the original source, slightly heated.
Chemical Oxygen Demand (COD)	<p>Chemical oxygen demand of the waste water effluent discharged directly from our facilities into surface waters as absolute measure (kilotons) and kg per ton production.</p> <p>Chemical Oxygen Demand is amount of oxygen required for the chemical oxidation of substances in the waste water effluent.</p>
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 and audited by External Audit) for such remediation in millions of EUR.

A. Reporting processes – own operations

HSE&S Performance Management System (EPM)

Each designated environmental Reporting Unit reports their environmental data monthly via the HSE&S Management System (EPM). The HSE&S Manual includes detailed reporting guidance. The data is authorized at site and regional level and critically reviewed by the HSE&S Global team

- Renewable energy (electricity and heat)

Site data is extracted from EPM – calculated from ‘fuel mix’ data from our energy suppliers or country grid factors.

Procurement raw materials warehouse

- 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 listing which identifies which material categories are ‘renewable raw materials’ and ‘organic raw materials’ and the basis for this assessment.

B. Reporting processes – value chain

Value chain carbon footprint

Each Business assesses their product cradle-to-grave carbon footprint bi-annually assisted by reporting guidance, recognized assessment tools and according to the Greenhouse Gas (GHG) Protocol. Our printed report uses the market based scope 2 method of reporting which is our reference for calculating and follow-up on our total operational carbon footprint as well as our carbon footprint in the value chain (cradle-to-grave).

Cradle-to-grave includes Scope 1 and 2 and Scope 3 upstream and downstream emissions. We include the climate change impact from VOCs in our measurements.

We have developed a central raw materials/energy database to provide consistency/transparency of data use for the Scope 3 upstream and downstream footprint. This database includes default or proxy data which has been selected as the most representative data for our activities from recognized data sources, as well as specific supplier/ customer data. Review and revision of data sources occurs every one or two years, where material changes occur. The absolute Scope 3 data and year-on-year comparison provide indicative assessments.

Employee indicators

Employees	Human Capital ROI ratio	Human Capital ROI is the return for a one euro investment into human capital for AkzoNobel, which is calculated by the EBIT divided by the total cost of workforce.
	Return on Human Capital investment (%)	Human Capital ROI ratio = the total operating revenue minus non-workforce related costs (all operating expenses except for the total cost of workforce), divided by the total cost of workforce.
	Employee numbers	Number of FTE (full time equivalent) at year-end. Reported for AkzoNobel as a whole and per Business Area .
Organisation Health	Organisational health index	In 2018, for the first time the organisation's health was measured by the Organisational Health Index survey. The overall percentile score is used in external reports. In 2018 four quarterly surveys were held with results per quarter. For the annual report the Q4 scores are reported. In previous years the Gallup engagement survey (Gallup Q12) was used to measure employee engagement.
Diversity and inclusion	Female executives	Percent of women at executive level.
	Female executive potential pool	Number of women identified as executive potentials as a percentage of all executive potentials.
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 have been identified with upwards potential who leave the company voluntarily as percentage of all employees who have been identified with upwards potential.

Reporting process

HR Data Management systems (myHR and myCareer)

myHR is AkzoNobel's HR system for managing employee data across the company. The system stores a range of personal and job information, including management line, salary, job history, etc.

myCareer is AkzoNobel's HR system for talent and performance management, recruitment and learning.

Both are real time systems running company process and form the basis of monthly or quarterly internal reporting as well as external HR reporting.

Data is input 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 company level.

Spotfire is used for data visualization and analytics on the source data derived from the abovementioned systems.

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.

Safety indicators

People safety	Total reportable rate (TRR) Employee/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
	Total reportable rate (TRR) Contractors	The contractors 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.
	Loss time injury frequency rate (LTI) Employee/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 frequency rate (LTI) for 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.
Employee health	Total illness absence rate Reported in the Sustainability Performance Summary	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
	Occupational illness rate	The total number of reportable Occupational Illness Cases of Occupational Illnesses for the reporting period per 200,000 Hours Worked. This parameter is reportable for Employees and Temporary Workers.
	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.
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 Level1	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. Level1 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 25k Euro asset damage.
	Loss of primary containment Level2	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 2.5K Euro asset damage.
	PSE Level 3: Remaining Losses of Primary Containment and Near Misses	<p>PSE Level 3 covers all Losses of Primary Containment and Near Misses which are not level 1 or 2.</p> <p>A level 3 PSE is triggered by the following types of events:</p> <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 of operation • Primary containment inspection or testing results outside documented acceptable limits • Trip or Safety Instrumented system (SIS) activation • Other Process Safety Near Misses
Product safety	<p>Priority substances with management plan</p> <p>Reported in the Sustainability Performance Summary</p>	<p>% progress on current phase of the priority substance program</p> <p>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).</p>
HSE&S Management	<p>HSE&S Audits</p> <p>Reported in the Sustainability Performance Summary</p>	<p>Number of HSE&S audits, including reassurance audits.</p> <p>The HSE&S Audit process combines a continuous improvement tool for sites with a periodic audit managed by our 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.</p>
	<p>Safety Incidents</p> <p>Reported in the Sustainability Performance Summary</p>	<p>Safety incidents are those that involve severe consequences requiring an independent investigation. We classify incidents based on severity of outcome from local impact (Level 1) to serious incident (Level 3).</p>
	<p>Regulatory actions</p> <p>Reported in the Sustainability Performance Summary</p>	<p>Regulatory actions from self-reported issues (level 1) to formal legal notification with fines above € 100,000 (level 4).</p>

Reporting process

HSE&S Performance Management System (EPM)

Each Reporting Unit reports their health and safety data monthly/quarterly via the HSE&S Performance Management System (EPM). The HSE&S Manual includes detailed reporting guidance: this includes performance data and progress against company programs, e.g. BBS, Life saving rules. The data is authorized at regional level and critically reviewed and audited at corporate level. From 2012 safety data has been reported monthly. Reporting units cover the employee population including manufacturing sites, office blocks, group of stores/ sales offices etc.

Other reporting routes:

Wellness Check Point

- Wellness checkpoint use

Data is collected from the web-based wellness checkpoint system and reviewed and audited at corporate level.

Product Stewardship & Regulatory Affairs SharePoint

- Priority substances with management plan

Data is reported quarterly and reviewed by the Product Stewardship and Regulatory Affairs Leadership group and audited at corporate level.

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 corporate level, then reported to business managers, HSE&S leadership group and Audit Committee.

Social programs indicators

Community	Community Program Project breakdown by site	Annual involvement in the Community Program <ul style="list-style-type: none"> • Number of projects • Number of employees • Estimated beneficiaries • Spend / investment <p>The Community Program encourages employees to engage in hands on involvement in their local communities in projects contributing to increasing education, wellbeing, healthcare and sanitation as well as eradicating poverty. The Community Program is regulated by a Directive and a Rule, stating responsibilities and supported by a toolkit for easier and consistent implementation of projects across the company.</p>
	Let's Colour program	Annual involvement in the Let's Colour program: <ul style="list-style-type: none"> • Number of projects • Liters of paint used • Estimated beneficiaries • Painters trained <p>The Let's Colour program demonstrates our belief in the power of color to improve people's lives. By adding color to societal programs we help to improve urban environments and make people's lives more liveable and inspiring. The program is managed within the Decorative Paints business.</p>

Reporting process

While using different reporting systems, both Community program and Let's Color program track the same set of metrics, including the number of projects, estimated beneficiaries and liters of paint used.

Community Program

- Community Program Involvement

The program is managed by the Social Sustainability Manager or Community Program administrator. Every project reports their data using a standard on-line template, which includes providing information on participants, estimated beneficiaries, detailed spend, employees' hours, liters of paints (donated or reimbursed). Company data is monthly reviewed by the program administrator and the outcome is audited at corporate level. The beneficiaries number per project is estimated using standard guidance on how to evaluate different types of project, for example houses/ street; public building/ establishment, public areas, others (see Let's Color explanation below). In order to ensure consistent data reporting across the company, an explanatory guidance has been developed and comprehensively communicated to all the employees. Calculation of beneficiaries are performed by each project team the. Where actual numbers are not available, project teams are responsible for determining underlying assumptions to calculate overall estimated number of beneficiaries. Comparatives are based on internal data, but are outside of the scope of the external assurance statement.

Let's Colour program

- Program involvement

The program is managed with the decorative Paints business. Marketing groups report project data every three months using a standard template. The outcomes are reviewed by business management teams and auditing at corporate level.

- Lives impacted

The Lives impacted is estimated using standard guidance on how to evaluate different types of project, for example houses/ street; public building/ establishment, public areas, others.

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

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 Report 2018. As in previous years this information is reported in the main body of the report; and is subject to External Audit review.

Integrity management indicators

Total reports registered	Overall number of alleged breaches of the Code of Conduct
Reports received through SpeakUp!	<p>Number of alleged breaches of the Code of Conduct reported via the SpeakUp! grievance mechanism. These reports are divided into the below main categories (depending on the nature of the alleged breach):</p> <ul style="list-style-type: none"> • Safety • Integrity • Sustainability
SpeakUp! reports Category 1 / Category 2	Category 1 SpeakUp! reports refer to matters with a financial impact of >€0.5 million; or involving senior management; or relating to competition law, anti-bribery or export control.
SpeakUp! reports (partially) substantiated / unsubstantiated / referred	<p>Number of alleged breaches (partially)substantiated within reporting year and including breaches substantiated in later year.</p> <p>Referred means: allegation not related to a Code of Conduct violation; investigation referred to another department.</p>
Total number of dismissals resulting from SpeakUp! reports	<p>Number of dismissals for Code of Conduct breaches</p> <ul style="list-style-type: none"> • within reporting year • total, including dismissals in later year
Competition Law Compliance Declaration Reported in text	Number of employees that sign the annual declaration to confirm adherence to competition laws as articulated in the Competition Law Compliance Manual.
Non-financial letter of representation	Number of general managers that has signed the Non-financial letter of representation to confirm compliance with the Code of Conduct and other corporate non-financial requirements.
Code of conduct and Life Saving Rules training Reported in text	Percentage of employees with on-line access that have completed the mandatory online Code of Conduct and Life Saving Rules trainings.

Reporting process

Integrity data is collected from businesses in a number of databases. Data is authorized, verified and audited on corporate level.

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 Certification

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.