



Akzo Nobel N.V.
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Dear Management Board, dear Supervisory Board,

The VEB attaches great importance to a public dialogue between shareholders with the company. The upcoming season of shareholder meetings promised to give a qualitative boost to that dialogue due to new laws and regulations that impose requirements on shareholder involvement and transparency and accountability of companies.

The current situation as a result of the Covid-19 pandemic has radically rolled over conditions. A regular dialogue in person cannot take place under the current circumstances. However, the VEB is counting on a virtual interaction between shareholders and representatives of the company during the meeting.

Below you will find several questions, of which we would like to receive substantive answers during the next shareholders' meeting. We would also like to receive these answers in writing. Besides, we assume that the questions and answers provided will also be recorded in the minutes. The VEB is aware of the significant challenges that you currently face.

At your express request, we send you our questions in advance to the shareholders' meeting. The fact that dialogue is not possible or only possible to a limited extent during the meeting that you convene has an impact on the size of the list of questions on behalf of VEB. We count on your understanding. First of all, the VEB draws your attention to a few issues that should help the company and its stakeholders to deal with the current crisis as best as possible. You will find these points for attention in the separately enclosed document 'Algemene aandachtspunten in crisistijd' (in Dutch).

QUESTIONS VEB

Agenda item 2a.

1. During 2018 and 2019 AkzoNobel reported a volume decline in each consecutive quarter. Price/mix effects were insufficient to compensate this trend as a result of which group revenues remained flat (compared to 2018). In the updated strategic plan *Beyond 2020* as presented on February 13 AkzoNobel announced that focus will be more on profitable organic growth.

AkzoNobel aims to increase prices gradually and improve profitability while reducing volume decline. This is a critical pillar of the *Beyond 2020* strategy.

- a. Does AkzoNobel still believe this is a valid pricing strategy that can be implemented successfully in the coming years, irrespective of the current (temporary) setback due to the Covid-19 pandemic?
 - b. Q1 2020 figures show a price/mix effect of 2 percent on group level. Does AkzoNobel expect to be able to continue deploying price increases of 1 to 2 percent - as was the guidance provided in February - for the second quarter of 2020 onwards without losing too much volume?
 - c. To what extent do current market developments limit AkzoNobel's opportunities to gradually increase prices, if possible at all? Please elaborate on the trends you see within the different regions, businesses and subsegments.
 - d. In which businesses and segments will implementing price increases prove most difficult?
2. On March 31 AkzoNobel announced that it was forced 'to pause key parts of the transformation'. Could AkzoNobel provide some more background on what specific parts of the transformation have been put on hold?
 3. Does AkzoNobel have the flexibility to initiate more cost saving programmes at short notice? If so, could AkzoNobel substantiate this further?
 4. Considering the operating leverage that characterizes AkzoNobel, will the anticipated cost savings programme for 2020 of EUR 120 mln suffice to protect margins?
 5. In the recent strategy update AkzoNobel also indicated that working capital should be in the 'industry top quartile'. Over the last three years AkzoNobel didn't succeed in improving working capital efficiency, with year on year increases of operating working capital (as a % of revenue).
 - a. What specific improvement areas has AkzoNobel identified for working capital items?
 - b. What gives AkzoNobel the comfort that it will be successful in improving its operating working capital?
 - c. *Trade and other payables* should be a key driver for working capital efficiency, yet AkzoNobel results show this item contributed negatively to operating cash flow in 2019. What is the reason AkzoNobel was not able to optimise trade payables?
 - d. Will AkzoNobel be able to improve payment conditions with its suppliers? Or is it lower anticipated raw material costs and/or procuring less materials that will be the main drivers for improvement?
 - e. Looking at the working capital dynamics it seems AkzoNobel primarily targets margin improvement at the expense of cash flow. Does AkzoNobel agree with this point of view? In what way will AkzoNobel strike a better balance between profit and cash going forward?

6. During the annual results 2019 presentation AkzoNobel announced the withdrawal of its return on investment target (ROI) for financial year 2020, initially set at more than 25 percent. The goal is now reduced to at least 20 percent. In the press release of March 31 2020 AkzoNobel stated that due to the Covid-19 pandemic, this lowered target was no longer achievable in 2020 and – in essence - postponed.

What gives AkzoNobel the comfort that the 20 percent hurdle will be reached albeit not in 2020?

7. Given the fact that the guided increase in capex spend (as a % of revenues), is it fair to assume that the increase in capital productivity will be fully driven by the optimisation of working capital?
8. Does AkzoNobel foresee that - next to margin expansion - a higher capital productivity can be realised? If so, could AkzoNobel shed some colour on the different moving parts there?
9. Will AkzoNobel continue repurchasing shares under the current EUR 500 mln share buyback program, of which EUR 408 mln was completed as per Q1 2020? If so, does that compromise its risk profile?
10. AkzoNobel ended 2019 with a relatively conservative leverage ratio of 0.7. Do the current market situation and company valuations in the industry perhaps provide an opportunity for AkzoNobel to invest anti-cyclical and put the M&A agenda more to the forefront?
11. CEO Thierry Vanlancker joined Sika AG as non-executive board member in April 2019. Is it wise for the CEO to assume a non-executive role at a listed companies while AkzoNobel is in the middle of a challenging and major transformation? Can Vanlancker and the Supervisory Board imagine that this may send the wrong signal at this point in time to AkzoNobel employees and shareholders?

Agenda item 3a.

Questions for the external auditor PricewaterhouseCoopers (PwC)

12. In the auditor's report PwC indicates that as a result of the transformation processes within AkzoNobel, it has extended its audit procedures during the planning phase of the audit. What was the reason for PwC to include the transformation as a key audit matter this year, and not already last year?
13. In what respect (both scope and depth) did the audit evidence obtained and audit procedures performed differ from the procedures for the 2018 audit?
14. PwC also mentions having addressed the risk of management override of controls which represents a risk of material misstatement due to fraud. In what specific way were the possible risks of AkzoNobel to achieve its ROS-target addressed by PwC in its audit procedures? What specific procedures were performed to address the risk of fraud?

15. This year PwC selected 14 components that were subject to specific risk-focused audit procedures. This is a notable increase compared to 2018 (9) and 2017 (12), especially considering the fact that the Speciality Chemicals business has been disposed of.

What components were selected for this year's audit, based on what criteria and what explains the increase compared to previous years?

Agenda item 6a.

16. Is the Supervisory Board considering to use its discretionary power to reduce or slash all or any variable payment components for 2020, for instance, because the pay-for-performance relation is weaker than ever in the current turbulence?
17. Following the 2018 AGM AkzoNobel introduced the 2020 performance incentive plan ('**incentive plan**'), a one-off plan connected to the *Winning together: 15 by 20* strategy to incentivize improvement of the return on sales (ROS). However, at the annual results 2019 presentation AkzoNobel changed the 15 percent ROS financial guidance into a bandwidth for ROS of 14.5 to 15.5 percent.
- Will the incentive plan remain in place, with the *at target* award unchanged at 15 percent?
 - Is the incentive plan still appropriate now that ROI will be substantially below the initial target of more than 25 percent?

The VEB is well aware of the significant challenges you currently face. It is for this reason that we expressly send you the questions above prior to the AGM.

We wish you all the strength in this period and look forward to receiving your reply to the above questions.

Yours sincerely,

Dutch Shareholders' Association (VEB)