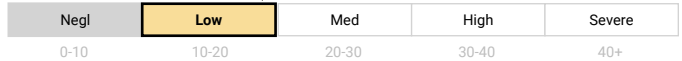


# Akzo Nobel N.V.

## 19.0 Low Risk

Specialty Chemicals | Netherlands | AMS:AKZA



### Rating Overview

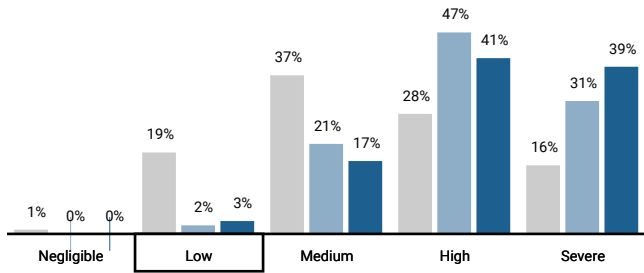
The company is at low risk of experiencing material financial impacts from ESG factors, due to its high exposure and strong management of material ESG issues. Notably, its overall risk is higher since it is materially exposed to more ESG issues than most companies in our universe. The company is noted for its strong corporate governance performance, which is reducing its overall risk. Furthermore, the company has not experienced significant controversies.

**Momentum Score: -3.3**

Improved

The company's risk score has decreased in the past year, and its risk category has improved.

### ESG Risk Rating Distribution



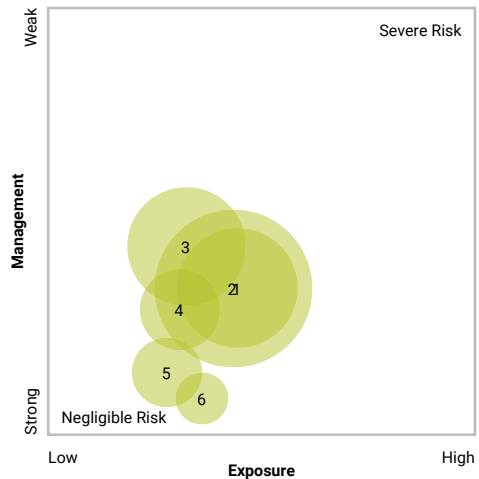
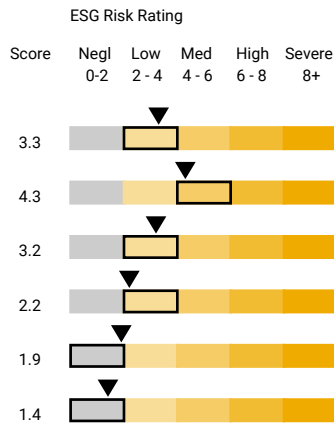
### Relative Performance

	Rank (1 <sup>st</sup> = lowest risk)	Percentile (1 <sup>st</sup> = lowest risk)
Global Universe	2068 out of 12781	17th
Chemicals (Industry Group)	5 out of 425	2nd
Specialty Chemicals (Subindustry)	2 out of 122	2nd

### Attribution Analysis

Top Material Issues

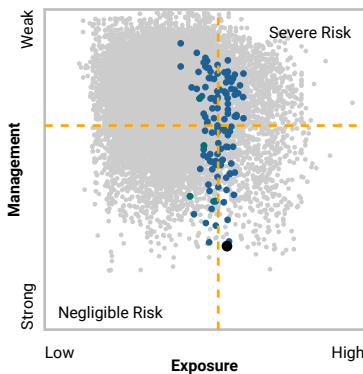
- Corporate Governance
- E&S Impact of Products and Services
- Human Capital
- Business Ethics
- Carbon - Own Operations
- Emissions, Effluents and Waste



= Significant event

Circle size = Contribution to ESG Risk Rating

### Risk Analysis



Peers (Market cap \$15.7 - \$21.4bn)

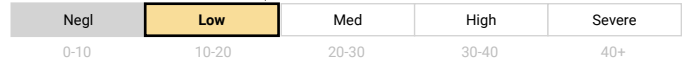
	ESG Risk Rating	Exposure	Management
1. Akzo Nobel N.V.	19.0 Low	57.0 High	73.9 Strong
2. Novozymes A/S	21.2 Medium	45.4 Medium	58.3 Strong
3. Symrise AG	24.5 Medium	53.4 Medium	59.9 Strong
4. Asian Paints Ltd.	30.6 High	49.8 Medium	42.5 Average
5. Ems-Chemie Holding AG	36.2 High	48.4 Medium	27.8 Average

- Global Universe
- Specialty Chemicals (Subindustry)
- Akzo Nobel N.V.
- Peers
- + SubIndustryAvg.

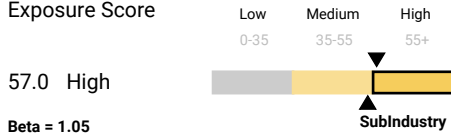
# Akzo Nobel N.V.

Specialty Chemicals | Netherlands | AMS:AKZA

## 19.0 Low Risk



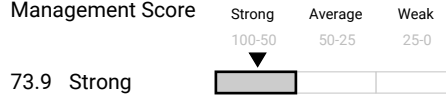
### Exposure Score



Akzo Nobel needs to comply with evolving regulations related to chemical safety, which may result in restrictions or bans on certain substances. On the positive side, investing in and developing sustainable and innovative solutions that do not contain hazardous substances is an opportunity for Akzo Nobel, considering the increasing consumer demand for these products, particularly in Europe and North America. Furthermore, the company needs to be able to attract, retain and motivate its highly skilled employees in order to continuously develop innovative products. Lastly, Akzo Nobel's production processes may generate hazardous waste and air or water emissions. Therefore, the company faces the risk of accidental spills and potential violations of environmental regulations, which could result in fines or operational disruptions.

The company's overall exposure is high and is moderately above subindustry average. E&S Impact of Products and Services, Emissions, Effluents and Waste and Human Capital are notable material ESG issues.

### Management Score



The company has a sustainability council, chaired by the CEO, that advises the executive committee on sustainability matters. Moreover, 30% of the board of directors' short-term incentives are linked to individual and qualitative goals, including sustainability targets. Akzo Nobel has implemented measures to manage hazardous substances in its products, including a systematic approach to identify, review and, if possible, replace substances associated with significant environmental and human hazards. Akzo Nobel has implemented measures to promote employee engagement and development. Despite these initiatives, though, employee turnover increased to 14% in 2018, compared to 12% in the previous year. Lastly, the majority of Akzo Nobel sites are ISO/RC 14001 certified, demonstrating the strength of the company's environmental programme.

The company's overall management of material ESG issues is strong.

## Attribution Details

### Contribution to

Issue Name	ESG Risk Rating	Subindustry Exposure	Company Exposure	Manageable Risk Factor	Management Score	Management Weight	ESG Risk Rating	Risk Category
Corporate Governance	17.2%	9.0	9.0	100%	63.8	17.5 %	3.3	
E&S Impact of Products and Services	22.7%	8.0	8.8	80%	63.9	13.7 %	4.3	
Human Capital	16.9%	6.0	6.6	95%	54.0	12.2 %	3.2	
Business Ethics	11.5%	6.0	6.3	95%	68.8	11.7 %	2.2	
Carbon -Own Operations	10.0%	6.0	5.7	80%	83.5	8.9 %	1.9	
Emissions, Effluents and Waste	7.5%	7.0	7.4	90%	89.6	12.9 %	1.4	
Occupational Health and Safety	5.7%	6.0	6.3	95%	87.3	11.7 %	1.1	
Resource Use	5.6%	3.0	3.2	80%	83.1	4.9 %	1.1	
Product Governance	3.0%	3.0	3.8	90%	94.0	6.6 %	0.6	
<b>Overall</b>	<b>100.0%</b>	<b>54.0</b>	<b>57.0</b>	<b>90.2 %</b>	<b>73.9</b>	<b>100.0%</b>	<b>19.0</b>	<b>Low</b>

△ =Significant event

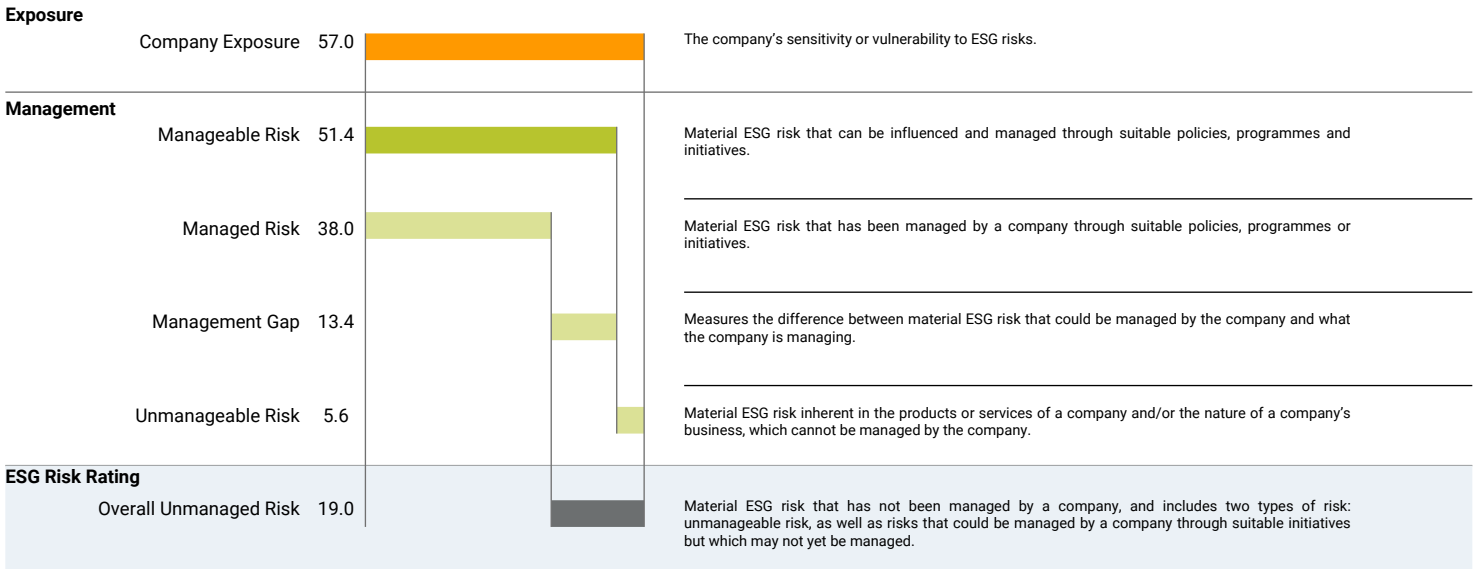
# Akzo Nobel N.V.

## 19.0 Low Risk

Specialty Chemicals | Netherlands | AMS:AKZA



### Risk Details

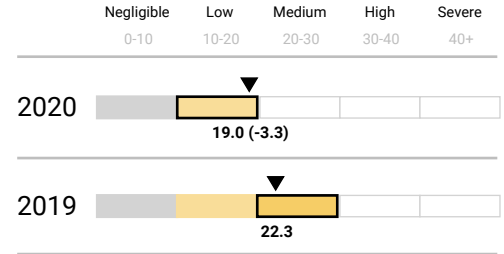


### Momentum Details

ESG Risk Rating Momentum Score: -3.3

Improved ↗

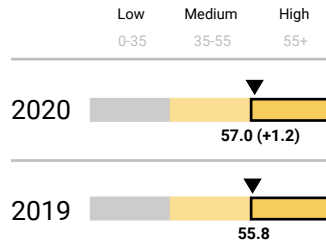
The company's risk score has decreased in the past year, and its risk category has improved.



Exposure Momentum Score: +1.2

Stable ⇨

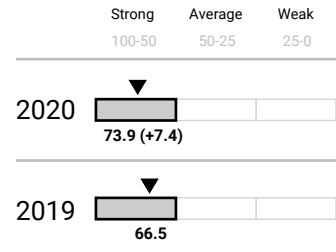
The company's exposure score has not changed significantly in the past year, and its exposure category has remained stable.



Management Momentum Score: +7.4

Stable ⇨

The company's management score has increased in the past year, but its management category has remained stable.





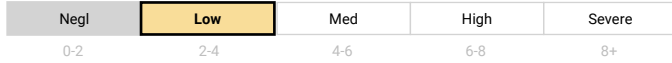
## Corporate Governance

Contribution 17.2 %

Corporate Governance represents foundational structures for the management of ESG risks.

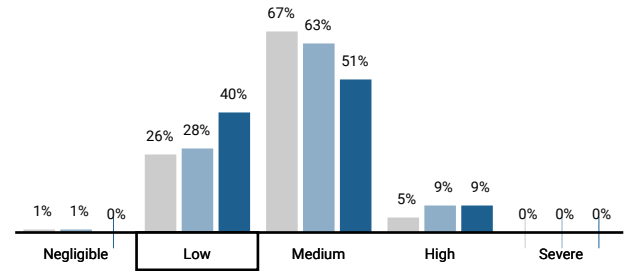
### Rating Overview

# 3.3 Low Risk



In consideration of its high exposure and strong management, we view the company to have low unmanaged risk attributable to its corporate governance.

### ESG Risk Rating Distribution

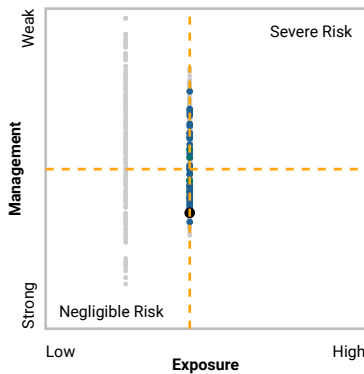


### Relative Performance

	Rank (1 <sup>st</sup> = lowest risk)	Percentile (1 <sup>st</sup> = lowest risk)
Global Universe	219 out of 4265	6 <sup>th</sup>
Chemicals (Industry Group)	5 out of 138	4 <sup>th</sup>
Specialty Chemicals (Subindustry)	2 out of 47	3 <sup>rd</sup>



### Risk Analysis



- Global Universe
- Specialty Chemicals (Subindustry)
- Akzo Nobel N.V.
- Peers
- + SubIndustryAvg.

#### Peers (Market cap \$15.7 - 21.4bn)

	ESG Risk Rating	Exposure	Management
1. Akzo Nobel N.V.	3.3 Low	9.0 High	63.8 Strong
2. Novozymes A/S	4.2 Medium	9.0 High	53.8 Strong
3. Symrise AG	4.2 Medium	9.0 High	53.6 Strong
4. Ems-Chemie Holding AG	4.8 Medium	9.0 High	46.5 Average
5. Asian Paints Ltd.	5.1 Medium	9.0 High	43.9 Average

#### Exposure

Company Exposure 9.0 The company's sensitivity or vulnerability to ESG risks.

#### Management

Manageable Risk 9.0 Material ESG risk that can be influenced and managed through suitable policies, programmes and initiatives.

Managed Risk 5.7 Material ESG risk that has been managed by a company through suitable policies, programmes or initiatives.

Management Gap 3.3 Measures the difference between material ESG risk that could be managed by the company and what the company is managing.

Unmanageable Risk 0.0 Material ESG risk inherent in the products or services of a company and/or the nature of a company's business, which cannot be managed by the company.

#### ESG Risk Rating

Issue Unmanaged Risk 3.3 Material ESG risk that has not been managed by a company, and includes two types of risk: unmanageable risk, as well as risks that could be managed by a company through suitable initiatives but which may not yet be managed.



## Corporate Governance

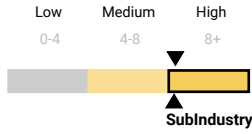
Contribution 17.2 %

Corporate Governance represents foundational structures for the management of ESG risks.

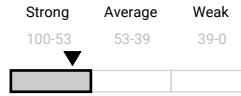


## Risk Analysis

Exposure



Management



The quality and integrity of the company's board and management and its remuneration systems are identified as the highest weighted governance areas of focus. The company is publicly traded, which leads to heightened scrutiny of its governance practices and increases the importance of governance structures, practices and behaviour. This translates into high exposure to baseline Corporate Governance risk.

The company is noted for showing particular strength in its audit and financial performance systems, its board structure, the quality and integrity of its board/management, its remuneration systems and its stakeholder governance. On the other hand, it is noted for weakness in its ownership structure/shareholder rights. Overall, we rate the company's corporate governance management as strong.



## Corporate Governance Pillars

Pillar	Score	Weight	Weighted Score
Board/Management Quality & Integrity	60.0	25.0%	15.0
Board Structure	88.0	17.0%	15.0
Ownership & Shareholder Rights	38.0	17.0%	6.5
Remuneration	57.0	25.0%	14.3
Audit & Financial Reporting	83.0	8.0%	6.6
Stakeholder Governance	81.0	8.0%	6.5
<b>Totals</b>		<b>100.0%</b>	<b>63.8</b>



## E&S Impact of Products and Services

Contribution 22.7 %

E&S Impact of Products and Services refers to the management of the inherent characteristics of input materials, and the impacts during use, disposal and recycling (excluding Carbon).

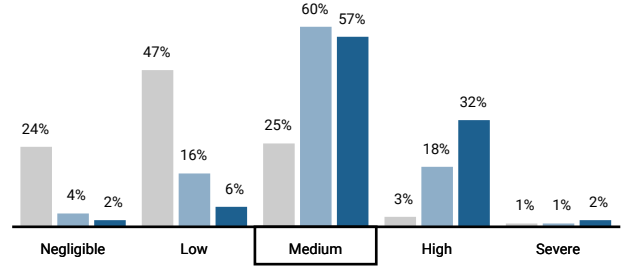
### Rating Overview

# 4.3 Medium Risk



Considering its high exposure and above average management of E&S Impact of Products and Services, we view the company to be at medium risk for the issue.

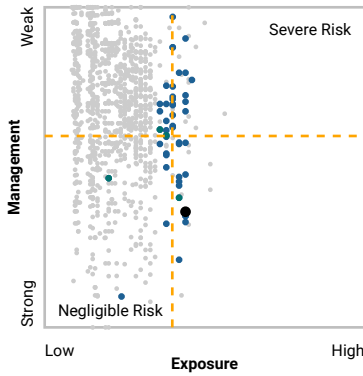
### ESG Risk Rating Distribution



### Relative Performance

	Rank (1 <sup>st</sup> = lowest risk)	Percentile (1 <sup>st</sup> = lowest risk)
Global Universe	888 out of 1155	77th
Chemicals (Industry Group)	46 out of 137	34th
Specialty Chemicals (Subindustry)	8 out of 47	16th

### Risk Analysis



- Global Universe
- Specialty Chemicals (Subindustry)
- Akzo Nobel N.V.
- Peers
- + SubIndustryAvg.

### Peers (Market cap \$15.7 - 21.4)

	ESG Risk Rating	Exposure	Management
1. Novozymes A/S	2.3 Low	4.0 Medium	53.4 Strong
2. Akzo Nobel N.V.	4.3 Medium	8.8 High	63.9 Strong
3. Symrise AG	4.4 Medium	8.4 High	59.5 Strong
4. Ems-Chemie Holding AG	5.0 Medium	7.2 Medium	38.2 Average
5. Asian Paints Ltd.	5.2 Medium	7.6 Medium	40.0 Average

### Risk Details

<b>Exposure</b>	Company Exposure	8.8	The company's sensitivity or vulnerability to ESG risks.
<b>Management</b>	Manageable Risk	7.0	Material ESG risk that can be influenced and managed through suitable policies, programmes and initiatives.
	Managed Risk	4.5	Material ESG risk that has been managed by a company through suitable policies, programmes or initiatives.
	Management Gap	2.5	Measures the difference between material ESG risk that could be managed by the company and what the company is managing.
	Unmanageable Risk	1.8	Material ESG risk inherent in the products or services of a company and/or the nature of a company's business, which cannot be managed by the company.
<b>ESG Risk Rating</b>	Issue Unmanaged Risk	4.3	Material ESG risk that has not been managed by a company, and includes two types of risk: unmanageable risk, as well as risks that could be managed by a company through suitable initiatives but which may not yet be managed.



## E&S Impact of Products and Services

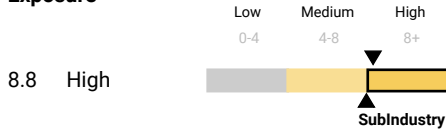
Contribution 22.7 %

E&S Impact of Products and Services refers to the management of the inherent characteristics of input materials, and the impacts during use, disposal and recycling (excluding Carbon).



### Exposure Overview

#### Exposure



There is increasing consumer demand for more sustainable painting and coating solutions that contain less hazardous chemicals. The coatings market has shifted towards water-based, volatile organic compound (VOC)-free products, which have a lower environmental and health impact. Globally, increasingly stringent regulations play an important role in shifting demand from conventional products to paints containing low VOC levels. The company's exposure to E&S Impact of Products and Services issues is high and moderately above subindustry average.

#### Exposure Analysis

Subindustry Issue Exposure	8.0
Issue Beta	<b>1.10</b>
Company Issue Exposure	8.8

#### Beta Indicators

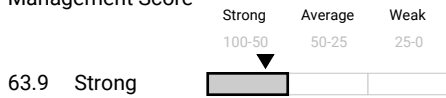
#### Beta Signal

Environmental Impact of Products	0.00
Social Impact of Products	0.00
Operating Performance	0.02
Solvency	0.00
Financial Flexibility	0.02
Asset Performance	0.03
Headquarters Location	-0.03
Sales Location	0.05
Qualitative Overlay	0.00
Subindustry Correction Factor	0.00
Exceptional Event Adjustment	0.00
<b>Total Beta Signal</b>	<b>0.10</b>
Baseline	1.00
<b>Issue Beta</b>	<b>1.10</b>



### Management Overview

#### Management Score



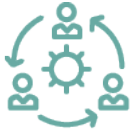
Akzo Nobel manages the hazardous substances in its products through a priority substance programme, identifying the products that contain substances with clear phase-out dates or that may be of concern. If a safer and effective alternative exists, priority substances are substituted with less hazardous materials. In addition, the company has implemented a system that assesses the sustainability of its solutions and classifies those that meet certain criteria in terms of toxicity, energy efficiency, use of natural resources, emissions and waste, and land use as "eco-premium solutions". As of 2018, revenues from "eco-premium solutions" accounted for 22% of the company's total sales. Examples of eco-premium solutions include Interpon AF, a VOC-free power coating, which allows for a reduced coating thickness without compromising on performance, reducing energy use and air emissions. In our view, the company's management of the issue is above average.

#### Management Indicators

#### Raw Score Weight | Weighted Score

Sustainable Products & Services	<b>100</b> 30.0%   30.0
Green Procurement Policy	<b>60</b> 7.5%   4.5
Hazardous Products	<b>50</b> 25.0%   12.5
Hazardous Substances Management	<b>50</b> 30.0%   15.0
Policy on Emerging Technologies	<b>25</b> 7.5%   1.9
Environmental Impact of Products	<b>Category 0</b> 0.0%   0.0
Social Impact of Products	<b>Category 0</b> 0.0%   0.0
<b>Weighted Sum</b>	<b>63.9</b>

= Event indicator



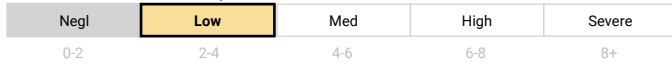
# Human Capital

Contribution 16.9 %

Human Capital focuses on the management of risks related to scarcity of skilled labour as well as labour relations, such as non-discrimination, working hours and minimum wages.

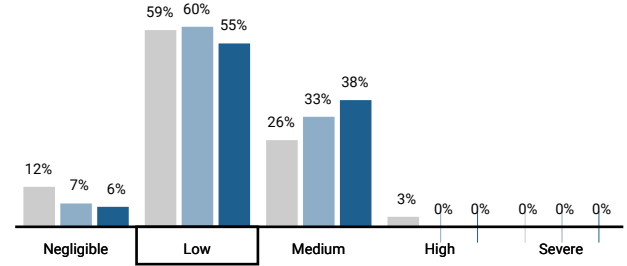
## Rating Overview

# 3.2 Low Risk



Considering its medium exposure and above average management of Human Capital, we view the company to be at low risk for the issue.

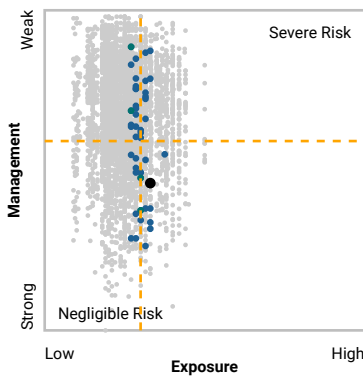
## ESG Risk Rating Distribution



## Relative Performance

	Rank (1 <sup>st</sup> = lowest risk)	Percentile (1 <sup>st</sup> = lowest risk)
Global Universe	1924 out of 4066	48th
Chemicals (Industry Group)	41 out of 86	48th
Specialty Chemicals (Subindustry)	18 out of 47	38th

## Risk Analysis



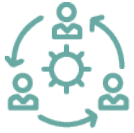
- Global Universe
- Specialty Chemicals (Subindustry)
- Akzo Nobel N.V.
- Peers
- + SubIndustryAvg.

### Peers (Market cap \$15.7 - 21.4)

	ESG Risk Rating	Exposure	Management
1. Novozymes A/S	2.4 Low	6.0 Medium	62.5 Strong
2. Symrise AG	3.0 Low	6.0 Medium	52.4 Strong
3. Akzo Nobel N.V.	3.2 Low	6.6 Medium	54.0 Strong
4. Asian Paints Ltd.	3.8 Low	5.4 Medium	31.4 Average
5. Ems-Chemie Holding AG	4.8 Medium	5.4 Medium	11.4 Weak

## Risk Details

Exposure		The company's sensitivity or vulnerability to ESG risks.	
Company Exposure	6.6		
Management		Material ESG risk that can be influenced and managed through suitable policies, programmes and initiatives.	
Manageable Risk	6.3		
Managed Risk	3.4	Material ESG risk that has been managed by a company through suitable policies, programmes or initiatives.	
Management Gap	2.9	Measures the difference between material ESG risk that could be managed by the company and what the company is managing.	
Unmanageable Risk	0.3	Material ESG risk inherent in the products or services of a company and/or the nature of a company's business, which cannot be managed by the company.	
ESG Risk Rating		Material ESG risk that has not been managed by a company, and includes two types of risk: unmanageable risk, as well as risks that could be managed by a company through suitable initiatives but which may not yet be managed.	
Issue Unmanaged Risk	3.2		



## Human Capital

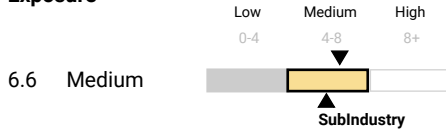
Contribution 16.9 %

Human Capital focuses on the management of risks related to scarcity of skilled labour as well as labour relations, such as non-discrimination, working hours and minimum wages.



### Exposure Overview

#### Exposure



In the past year, Akzo Nobel has undertaken a transformation in its business through the sale of its specialty chemicals business segment. This organizational change makes it increasingly important for the company to adequately manage its human capital development and employee training programmes, to ensure that it is able to attract, retain and continue to motivate its employees.

#### Exposure Analysis

Subindustry Issue Exposure	6.0
Issue Beta	<b>1.10</b>
Company Issue Exposure	6.6

#### Beta Indicators

#### Beta Signal

Labour Relations	0.02
Employees - Human Rights	0.00
Operating Performance	0.02
Solvency	0.00
Financial Flexibility	0.02
Asset Performance	0.03
Qualitative Overlay	0.00
Subindustry Correction Factor	0.00
Exceptional Event Adjustment	0.00
Total Beta Signal	0.10
Baseline	1.00
Issue Beta	<b>1.10</b>



### Management Overview

#### Management Score



Akzo Nobel has implemented measures to support employee development, including learning programmes focusing on key areas such as marketing, sales and leadership development. The company also conducted an engagement survey with all its employees to identify perceived areas for improvement. Despite these initiatives, overall employee turnover increased to 14% in 2018, compared to 12% in the previous year. The company also notes that high potential employee turnover was 8%, also an increase from previous years. In 2018, Akzo Nobel launched an internal women's leadership network, aimed at promoting gender diversity at all levels of the organization. However, Akzo Nobel does not disclose data regarding its gender pay gap, and there is no evidence that it has implemented measures to ensure gender pay equality, such as providing extended paid maternal leave beyond legal requirements. The company has above average preparedness measures to address Human Capital issues and has been implicated in minor controversies related to the issue. In our view, the company's management of the issue is above average.

#### Management Indicators

#### Raw Score Weight | Weighted Score

Discrimination Policy	<b>100</b> 11.3%   11.3
Diversity Programmes	<b>100</b> 13.5%   13.5
Freedom of Association Policy	<b>100</b> 13.5%   13.5
Human Capital Development	<b>50</b> 27.0%   13.5
Collective Bargaining Agreements	<b>25</b> 9.0%   2.3
Employee Turnover Rate	<b>0</b> 9.0%   0.0
Gender Pay Disclosure	<b>0</b> 2.3%   0.0
Gender Pay Equality Programme	<b>0</b> 4.5%   0.0
Labour Relations	<b>Category 2</b> 10.0%   0.0
Employees - Human Rights	<b>Category 0</b> 0.0%   0.0
<b>Weighted Sum</b>	<b>54.0</b>

= Event indicator



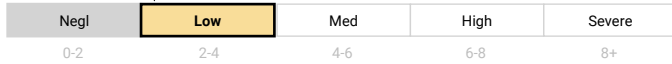
## Business Ethics

Contribution 11.5 %

Business Ethics focuses on the management of ethical considerations applicable to most or all sectors, such as taxation and accounting, anti-competitive practices and intellectual property issues.

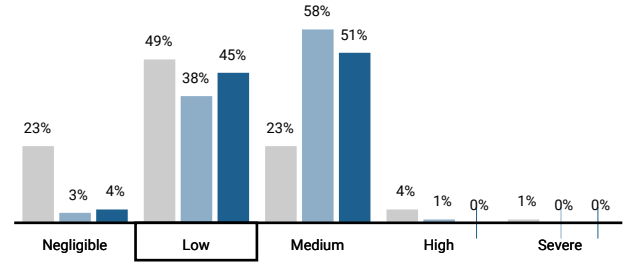
### Rating Overview

# 2.2 Low Risk



Considering its medium exposure and above average management of Business Ethics, we view the company to be at low risk for the issue.

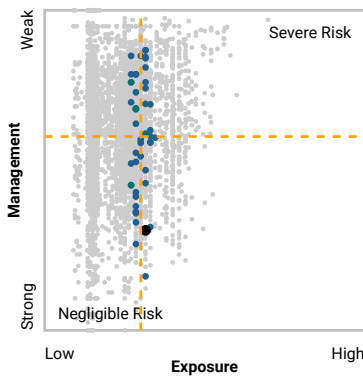
### ESG Risk Rating Distribution



### Relative Performance

	Rank (1 <sup>st</sup> = lowest risk)	Percentile (1 <sup>st</sup> = lowest risk)
Global Universe	1117 out of 3888	29 <sup>th</sup>
Chemicals (Industry Group)	7 out of 133	6 <sup>th</sup>
Specialty Chemicals (Subindustry)	4 out of 47	7 <sup>th</sup>

### Risk Analysis



- Global Universe
- Specialty Chemicals (Subindustry)
- Akzo Nobel N.V.
- Peers
- + SubIndustryAvg.

### Peers (Market cap \$15.7 - 21.4)

	ESG Risk Rating	Exposure	Management
1. Akzo Nobel N.V.	2.2 Low	6.3 Medium	68.8 Strong
2. Novozymes A/S	2.6 Low	5.4 Medium	54.6 Strong
3. Symrise AG	4.0 Low	6.3 Medium	38.6 Average
4. Asian Paints Ltd.	4.0 Medium	5.7 Medium	30.9 Average
5. Ems-Chemie Holding AG	4.2 Medium	5.4 Medium	22.5 Weak

### Risk Details

<b>Exposure</b>	Company Exposure	6.3	The company's sensitivity or vulnerability to ESG risks.
<b>Management</b>	Manageable Risk	6.0	Material ESG risk that can be influenced and managed through suitable policies, programmes and initiatives.
	Managed Risk	4.1	Material ESG risk that has been managed by a company through suitable policies, programmes or initiatives.
	Management Gap	1.9	Measures the difference between material ESG risk that could be managed by the company and what the company is managing.
	Unmanageable Risk	0.3	Material ESG risk inherent in the products or services of a company and/or the nature of a company's business, which cannot be managed by the company.
<b>ESG Risk Rating</b>	Issue Unmanaged Risk	2.2	Material ESG risk that has not been managed by a company, and includes two types of risk: unmanageable risk, as well as risks that could be managed by a company through suitable initiatives but which may not yet be managed.



## Business Ethics

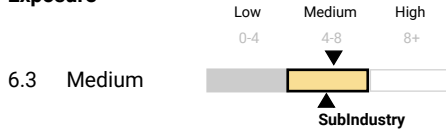
Contribution 11.5 %

Business Ethics focuses on the management of ethical considerations applicable to most or all sectors, such as taxation and accounting, anti-competitive practices and intellectual property issues.



### Exposure Overview

#### Exposure



The Chemicals industry is one of the most heavily regulated industries, due to potential negative impacts on humans and the environment. The industry is subject to high scrutiny on a variety of ethical issues: from political lobbying (to delay regulation for specific substances or product labelling), to tax and anti-competitive practices, to ethical issues that are specific to chemicals development, such as animal testing and genetic engineering. Additionally, Specialty Chemicals companies may operate in near-monopolistic conditions with high profit margins, as R&D investments and intellectual property (IP) laws create significant barriers for competition. Companies seeking to minimize competition are frequently involved in IP litigation over product design, production processes and/or methods, as well as anti-trust cases brought by regulators regarding collusion to restrict competition, such as price fixing. Companies on the losing end of IP litigation may be prohibited from selling certain chemicals, with consequent profit losses or criminal fines in the hundreds of millions of dollars, and companies in anti-trust cases may receive substantial fines. Several Specialty Chemicals companies have faced regulator inquiries due to IP litigation, including trade secret violations. Most companies operate in developed markets, so risk exposure varies by business model rather than region, but companies with a comparatively high level of competition and high R&D spend are somewhat more exposed to IP litigation. Leading industry companies have implemented comprehensive IP and free competition policies. The company's exposure to Business Ethics issues is medium and similar to subindustry average.

#### Exposure Analysis

Subindustry Issue Exposure	6.0
Issue Beta	<b>1.05</b>
Company Issue Exposure	6.3

#### Beta Indicators

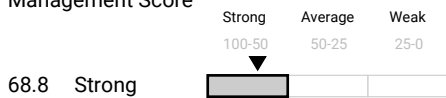
#### Beta Signal

Accounting and Taxation	0.00
Intellectual Property	0.00
Lobbying and Public Policy	0.00
Animal Welfare	0.00
Sanctions	0.00
Anti-Competitive Practices	0.00
Society - Human Rights	0.00
Bribery and Corruption	0.00
Business Ethics	0.00
Operating Performance	0.02
Solvency	0.00
Financial Flexibility	0.02
Asset Performance	0.03
Qualitative Overlay	0.00
Subindustry Correction Factor	0.00
Exceptional Event Adjustment	0.00
Total Beta Signal	0.05
Baseline	1.00
Issue Beta	<b>1.05</b>



### Management Overview

#### Management Score



In our view, the company's management of the issue is above average.

#### Management Indicators

#### Raw Score Weight | Weighted Score

Bribery & Corruption Policy	<b>100</b> 10.0%   10.0
Whistleblower Programmes	<b>100</b> 20.0%   20.0
Animal Testing Policy	<b>75</b> 12.5%   9.4
Animal Testing Programme	<b>75</b> 25.0%   18.8
Political Involvement Policy	<b>75</b> 12.5%   9.4
Policy on Emerging Technologies	<b>25</b> 5.0%   1.3
Lobbying and Political Expenses	<b>0</b> 15.0%   0.0
⚠ Accounting and Taxation	<b>Category 0</b> 0.0%   0.0
⚠ Animal Welfare	<b>Category 0</b> 0.0%   0.0
⚠ Anti-Competitive Practices	<b>Category 0</b> 0.0%   0.0
⚠ Bribery and Corruption	<b>Category 0</b> 0.0%   0.0
⚠ Business Ethics	<b>Category 0</b> 0.0%   0.0
⚠ Intellectual Property	<b>Category 0</b> 0.0%   0.0
⚠ Lobbying and Public Policy	<b>Category 0</b> 0.0%   0.0



## Business Ethics

Contribution 11.5 %

Business Ethics focuses on the management of ethical considerations applicable to most or all sectors, such as taxation and accounting, anti-competitive practices and intellectual property issues.

Management Indicators	Raw Score Weight   Weighted Score
⚠ Sanctions	<b>Category 0</b> 0.0%   0.0
⚠ Society - Human Rights	<b>Category 0</b> 0.0%   0.0
<b>Weighted Sum</b>	<b>68.8</b>

⚠ = Event indicator



# Carbon - Own Operations

Contribution 10.0 %

Carbon - Own Operations refers to a company's management of risks related to its own operational energy use and GHG emissions (scope 1 and 2). It also includes parts of Scope 3 emissions.

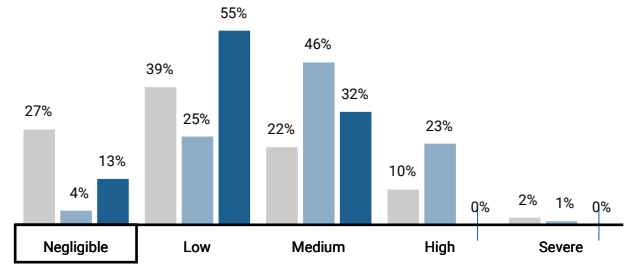
## Rating Overview

# 1.9 Negligible



Considering its medium exposure and above average management of Carbon -Own Operations, we view the company to be at negligible risk for the issue.

## ESG Risk Rating Distribution

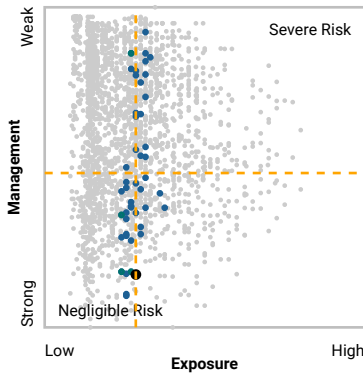


## Relative Performance

	Rank (1 <sup>st</sup> = lowest risk)	Percentile (1 <sup>st</sup> = lowest risk)
Global Universe	569 out of 2333	25th
Chemicals (Industry Group)	6 out of 138	5th
Specialty Chemicals (Subindustry)	6 out of 47	12th



## Risk Analysis



- Global Universe
- Specialty Chemicals (Subindustry)
- Akzo Nobel N.V.
- Peers
- + SubIndustryAvg.

### Peers (Market cap \$15.7 - 21.4)

Peers (Market cap \$15.7 - 21.4)	ESG Risk Rating	Exposure	Management
1. Novozymes A/S	1.6 Negligible	4.8 Medium	82.6 Strong
2. Symrise AG	1.8 Negligible	5.4 Medium	82.6 Strong
3. Akzo Nobel N.V.	1.9 Negligible	5.7 Medium	83.5 Strong
4. Asian Paints Ltd.	2.3 Low	4.8 Medium	64.9 Strong
5. Ems-Chemie Holding AG	4.8 Medium	5.4 Medium	14.4 Weak



## Risk Details

Exposure		The company's sensitivity or vulnerability to ESG risks.	
Company Exposure	5.7		
Management		Material ESG risk that can be influenced and managed through suitable policies, programmes and initiatives.	
Manageable Risk	4.6		
Managed Risk	3.8	Material ESG risk that has been managed by a company through suitable policies, programmes or initiatives.	
Management Gap	0.8	Measures the difference between material ESG risk that could be managed by the company and what the company is managing.	
Unmanageable Risk	1.1	Material ESG risk inherent in the products or services of a company and/or the nature of a company's business, which cannot be managed by the company.	
ESG Risk Rating		Material ESG risk that has not been managed by a company, and includes two types of risk: unmanageable risk, as well as risks that could be managed by a company through suitable initiatives but which may not yet be managed.	
Issue Unmanaged Risk	1.9		



## Carbon - Own Operations

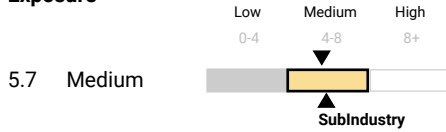
Contribution 10.0 %

Carbon - Own Operations refers to a company's management of risks related to its own operational energy use and GHG emissions (scope 1 and 2). It also includes parts of Scope 3 emissions.



### Exposure Overview

#### Exposure



The Specialty Chemicals industry is among the largest industrial consumers of fossil fuel energy, the main source of its high GHG emissions. Companies depend on purchased electrical energy and fossil fuel based hydrocarbon feedstock, such as natural gas, for value creation. Purchased electricity costs – the majority of which is used to power electric motors, pumps and fans – are a substantial expense for companies in the industry, and if regulations limiting the emissions of electrical utilities are implemented, this expense could rise. In addition, the reliance on hydrocarbon feedstock presents a long-term challenge for the industry, as climate-related regulation could lead to higher or more volatile feedstock purchase costs. Most industry companies operate in developed countries, so risk exposure varies by business model rather than by region, but companies involved in the production of petrochemicals, nitrogenous fertilizer, and/or chlorine and caustic soda – which have the most energy-intensive production processes – are more exposed to financial risks from rising energy prices. Companies with manufacturing sites in developed markets, and the EU particularly, are more likely to experience public scrutiny and regulatory risks due to stricter GHG regulations. Companies operating in developed markets are likely to be exposed to stricter regulations, but may also be better equipped to tackle future risks from rising global regulations on GHG emissions. On the other hand, companies operating in developed markets are more likely to be well equipped to tackle future risks from rising global regulations on GHG emissions. Companies that invest in new technologies or new processes to reduce electricity and/or energy consumption may benefit from decreased future electricity and/or energy costs. The company's exposure to Carbon -Own Operations issues is medium and moderately below subindustry average.

#### Exposure Analysis

Subindustry Issue Exposure	6.0
Issue Beta	<b>0.95</b>
Company Issue Exposure	5.7

#### Beta Indicators

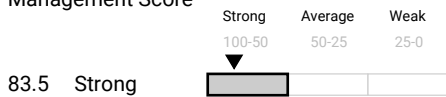
#### Beta Signal

Energy Use and GHG Emissions	0.00
Operating Performance	0.02
Solvency	0.00
Financial Flexibility	0.02
Asset Performance	0.03
Carbon Emissions	-0.10
Qualitative Overlay	0.00
Subindustry Correction Factor	0.00
Exceptional Event Adjustment	0.00
Total Beta Signal	-0.05
Baseline	1.00
Issue Beta	<b>0.95</b>



### Management Overview

#### Management Score



In our view, the company's management of the issue is above average.

#### Management Indicators

#### Raw Score Weight | Weighted Score

Carbon Intensity	<b>100</b> 12.5%   12.5
Environmental Management System	<b>100</b> 5.0%   5.0
Environmental Policy	<b>100</b> 5.0%   5.0
GHG Reduction Programme	<b>100</b> 17.5%   17.5
GHG Risk Management	<b>100</b> 12.5%   12.5
Renewable Energy Programmes	<b>100</b> 10.0%   10.0
Scope of GHG Reporting	<b>100</b> 5.0%   5.0
Renewable Energy Use	<b>80</b> 7.5%   6.0
EMS Certification	<b>75</b> 5.0%   3.8
Green Logistics Programmes	<b>50</b> 5.0%   2.5
Carbon Intensity Trend	<b>25</b> 15.0%   3.8
Energy Use and GHG Emissions	<b>Category 0</b> 0.0%   0.0
<b>Weighted Sum</b>	<b>83.5</b>

= Event indicator



## Emissions, Effluents and Waste

Contribution 7.5 %

Emissions, Effluents and Waste focuses on the management of emissions and releases from a company's own operations to air, water and land, excluding GHG emissions.

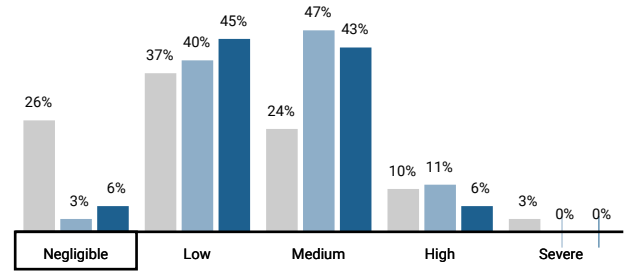
### Rating Overview

# 1.4 Negligible



Considering its medium exposure and above average management of Emissions, Effluents and Waste, we view the company to be at negligible risk for the issue.

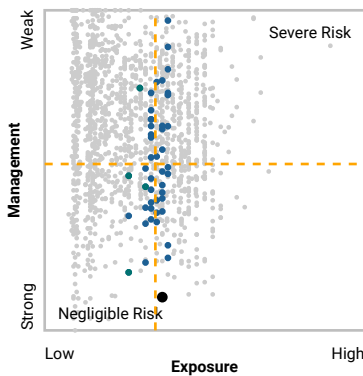
### ESG Risk Rating Distribution



### Relative Performance

	Rank (1 <sup>st</sup> = lowest risk)	Percentile (1 <sup>st</sup> = lowest risk)
Global Universe	176 out of 1551	12th
Chemicals (Industry Group)	2 out of 133	2nd
Specialty Chemicals (Subindustry)	2 out of 47	3rd

### Risk Analysis



- Global Universe
- Specialty Chemicals (Subindustry)
- Akzo Nobel N.V.
- Peers
- + SubIndustryAvg.

### Peers (Market cap \$15.7 - 21.4)

	ESG Risk Rating	Exposure	Management
1. Symrise AG	1.4 Negligible	5.3 Medium	81.9 Strong
2. Akzo Nobel N.V.	1.4 Negligible	7.4 Medium	89.6 Strong
3. Novozymes A/S	2.8 Low	5.3 Medium	51.7 Strong
4. Asian Paints Ltd.	3.2 Low	6.3 Medium	55.1 Strong
5. Ems-Chemie Holding AG	4.6 Medium	6.0 Medium	24.3 Weak

### Risk Details

Exposure		The company's sensitivity or vulnerability to ESG risks.	
Company Exposure	7.4		
Management		Material ESG risk that can be influenced and managed through suitable policies, programmes and initiatives.	
Manageable Risk	6.6		
Managed Risk	5.9	Material ESG risk that has been managed by a company through suitable policies, programmes or initiatives.	
Management Gap	0.7	Measures the difference between material ESG risk that could be managed by the company and what the company is managing.	
Unmanageable Risk	0.7	Material ESG risk inherent in the products or services of a company and/or the nature of a company's business, which cannot be managed by the company.	
ESG Risk Rating		Material ESG risk that has not been managed by a company, and includes two types of risk: unmanageable risk, as well as risks that could be managed by a company through suitable initiatives but which may not yet be managed.	
Issue Unmanaged Risk	1.4		



## Emissions, Effluents and Waste

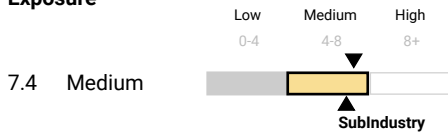
Contribution 7.5 %

Emissions, Effluents and Waste focuses on the management of emissions and releases from a company's own operations to air, water and land, excluding GHG emissions.



### Exposure Overview

#### Exposure



Akzo Nobel manufactures performance coatings and sells decorative paints. Due to the nature of its business, the company's production processes can release hazardous substances and waste into the air, water and land. Akzo Nobel is, therefore, exposed to risks related to stringent environmental regulatory compliance, particularly in Europe and North America. In other regions where the company operates, such as China, environmental regulations are also rapidly involving.

#### Exposure Analysis

Subindustry Issue Exposure	7.0
Issue Beta	<b>1.05</b>
Company Issue Exposure	7.4

#### Beta Indicators

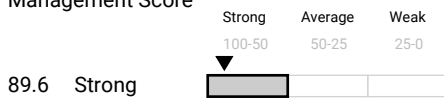
#### Beta Signal

Emissions, Effluents and Waste	0.00
Operating Performance	0.02
Solvency	0.00
Financial Flexibility	0.02
Asset Performance	0.03
Headquarters Location	-0.03
Assets Location	-0.05
Qualitative Overlay	0.00
Subindustry Correction Factor	0.07
Exceptional Event Adjustment	0.00
<b>Total Beta Signal</b>	<b>0.05</b>
Baseline	1.00
<b>Issue Beta</b>	<b>1.05</b>



### Management Overview

#### Management Score



Akzo Nobel reports that 77% of its production sites were certified according to ISO/RC 14001 standards, which ensures the implementation of a strong environmental management system at the majority of its sites. Additionally, the company monitors its hazardous waste, air emissions and wastewater generation. In 2018, the company's hazardous waste per ton of production decreased by 6% compared to 2017. Akzo Nobel reports that this reduction was achieved through specific material efficiency activities at several of its sites, including solvent recovery. Moreover, Akzo Nobel reports that it regularly reviews historical contamination at its sites, taking remedial action when required and implementing measures to prevent future contamination. However, the company has not set targets to reduce its wastewater, hazardous waste or air emissions generation. In our view, the company's management of the issue is above average.

#### Management Indicators

#### Raw Score Weight | Weighted Score

Emergency Response Programme	<b>100</b> 12.5%   12.5
Environmental Management System	<b>100</b> 7.5%   7.5
Environmental Policy	<b>100</b> 7.5%   7.5
Hazardous Waste Management	<b>100</b> 20.0%   20.0
Non-GHG Air Emissions Programmes	<b>100</b> 20.0%   20.0
EMS Certification	<b>75</b> 7.5%   5.6
Effluent Management	<b>66</b> 20.0%   13.2
Physical Climate Risk Management	<b>66</b> 5.0%   3.3
<b>△ Emissions, Effluents and Waste</b>	<b>Category 0</b> 0.0%   0.0
<b>Weighted Sum</b>	<b>89.6</b>

△ = Event indicator



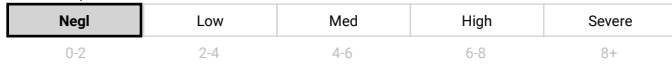
# Occupational Health and Safety

Contribution 5.7 %

Occupational Health and Safety focuses on the management of workplace hazards affecting a company's own employees and on-site contractors. Where relevant, it may also include HIV/AIDS programmes.

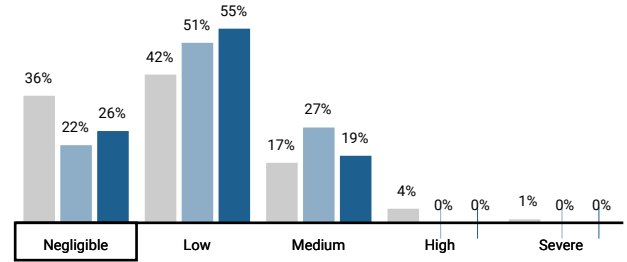
## Rating Overview

# 1.1 Negligible



Considering its medium exposure and above average management of Occupational Health and Safety, we view the company to be at negligible risk for the issue.

## ESG Risk Rating Distribution

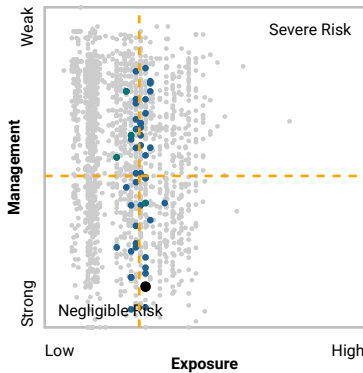


## Relative Performance

	Rank (1 <sup>st</sup> = lowest risk)	Percentile (1 <sup>st</sup> = lowest risk)
Global Universe	177 out of 1890	10 <sup>th</sup>
Chemicals (Industry Group)	9 out of 138	7 <sup>th</sup>
Specialty Chemicals (Subindustry)	5 out of 47	10 <sup>th</sup>



## Risk Analysis



### Peers (Market cap \$15.7 - 21.4)

Company	ESG Risk Rating	Exposure	Management
1. Akzo Nobel N.V.	1.1 Negligible	6.3 Medium	87.3 Strong
2. Novozymes A/S	2.5 Low	4.5 Medium	46.9 Average
3. Symrise AG	2.6 Low	6.3 Medium	61.2 Strong
4. Asian Paints Ltd.	3.3 Low	5.4 Medium	40.0 Average
5. Ems-Chemie Holding AG	3.8 Low	5.1 Medium	26.3 Average



## Risk Details

Category	Value	Description
<b>Exposure</b>		
Company Exposure	6.3	The company's sensitivity or vulnerability to ESG risks.
<b>Management</b>		
Manageable Risk	6.0	Material ESG risk that can be influenced and managed through suitable policies, programmes and initiatives.
Managed Risk	5.2	Material ESG risk that has been managed by a company through suitable policies, programmes or initiatives.
Management Gap	0.8	Measures the difference between material ESG risk that could be managed by the company and what the company is managing.
Unmanageable Risk	0.3	Material ESG risk inherent in the products or services of a company and/or the nature of a company's business, which cannot be managed by the company.
<b>ESG Risk Rating</b>		
Issue Unmanaged Risk	1.1	Material ESG risk that has not been managed by a company, and includes two types of risk: unmanageable risk, as well as risks that could be managed by a company through suitable initiatives but which may not yet be managed.



## Occupational Health and Safety

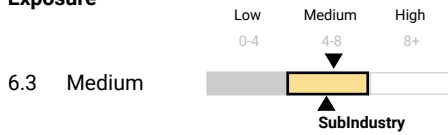
Contribution 5.7 %

Occupational Health and Safety focuses on the management of workplace hazards affecting a company's own employees and on-site contractors. Where relevant, it may also include HIV/AIDS programmes.



### Exposure Overview

#### Exposure



The production of specialty chemicals involves toxic substances. Specialty Chemicals companies use a batch manufacturing process, producing products in batches rather than a continuous stream, and often rely on individual contractors. While the frequency of process accidents has fallen over recent decades, safety incidents continue to occur regularly in the Specialty Chemicals industry. The industry is required to adhere to specific employee health and safety standards in manufacturing, including regulations that address process safety and chemical storage, with a particular focus on preventing acute health and safety hazards. Recent US regulations to publicly disclose workplace injuries and illnesses on the Occupational Safety and Health Administration (OSHA) website may make it harder for companies with high numbers or severe occupational incidents to attract qualified workers. In the EU, regulations on the occupational handling of several carcinogenic substances are likely to be harmonized and tightened, increasing compliance costs for companies operating in that region. Violations of health and safety standards can result in downtime or reduced-capacity operations, a potential loss of revenue-generating opportunities, additional costs to correct hazardous conditions in the tens of millions of dollars, and legal costs, settlement costs and/or penalties from personal injury or class action lawsuits. A strong safety culture and thorough, a systematic approach to safety, risk management (including emergency preparedness and response) and operational integrity are essential to avoiding accidents and maintaining workforce productivity. The company's exposure to Occupational Health and Safety issues is medium and similar to subindustry average.

#### Beta Indicators

#### Beta Signal

Occupational Health and Safety	0.01
Operating Performance	0.02
Solvency	0.00
Financial Flexibility	0.02
Asset Performance	0.03
Headquarters Location	-0.03
Assets Location	-0.05
Qualitative Overlay	0.00
Subindustry Correction Factor	0.06
Exceptional Event Adjustment	0.00
<b>Total Beta Signal</b>	<b>0.05</b>
Baseline	1.00
<b>Issue Beta</b>	<b>1.05</b>

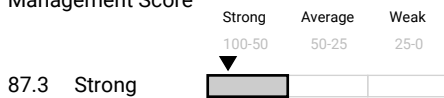
#### Exposure Analysis

Subindustry Issue Exposure	6.0
<b>Issue Beta</b>	<b>1.05</b>
Company Issue Exposure	6.3



### Management Overview

#### Management Score



The company has above average preparedness measures to address Occupational Health and Safety issues and has been implicated in minor controversies related to the issue. In our view, the company's management of the issue is above average.

#### Management Indicators

#### Raw Score Weight | Weighted Score

Contractor Safety Programme	<b>100</b> 11.9%   11.9
Employee Fatality Rate	<b>100</b> 11.9%   11.9
Health and Safety Management System	<b>100</b> 35.6%   35.6
LTIR Trend	<b>100</b> 11.9%   11.9
Contractor Fatalities	<b>75</b> 11.9%   8.9
Health & Safety Certifications	<b>60</b> 11.9%   7.1
<b>Occupational Health and Safety</b>	<b>Category 1</b> 5.0%   0.0
<b>Weighted Sum</b>	<b>87.3</b>

△ = Event indicator



## Resource Use

Contribution 5.6 %

Resource Use focuses on how efficiently and effectively a company uses its raw material inputs (excluding energy and petroleum-based products) in production and how it manages related risks.

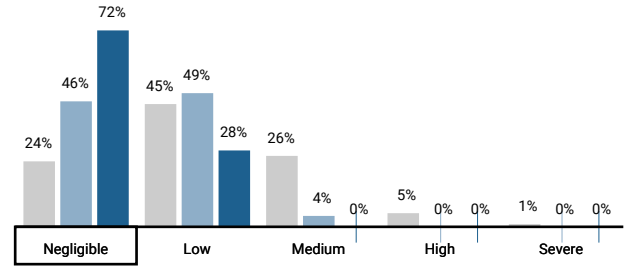
### Rating Overview

# 1.1 Negligible

<b>Negl</b>	Low	Med	High	Severe
0-2	2-4	4-6	6-8	8+

Considering its low exposure and above average management of Resource Use, we view the company to be at negligible risk for the issue.

### ESG Risk Rating Distribution

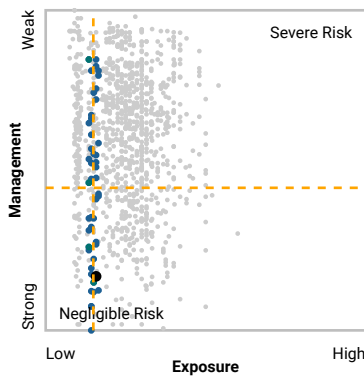


### Relative Performance

	Rank (1 <sup>st</sup> = lowest risk)	Percentile (1 <sup>st</sup> = lowest risk)
Global Universe	40 out of 1136	4 <sup>th</sup>
Chemicals (Industry Group)	13 out of 138	10 <sup>th</sup>
Specialty Chemicals (Subindustry)	10 out of 47	20 <sup>th</sup>



### Risk Analysis



- Global Universe
- Specialty Chemicals (Subindustry)
- Akzo Nobel N.V.
- Peers
- + SubIndustryAvg.

#### Peers (Market cap \$15.7 - 21.4)

Peers (Market cap \$15.7 - 21.4)	ESG Risk Rating	Exposure	Management
1. Symrise AG	1.0 Negligible	3.0 Low	85.0 Strong
2. Akzo Nobel N.V.	1.1 Negligible	3.2 Low	83.1 Strong
3. Novozymes A/S	1.1 Negligible	2.7 Low	74.0 Strong
4. Asian Paints Ltd.	1.5 Negligible	2.7 Low	53.9 Strong
5. Ems-Chemie Holding AG	2.4 Low	2.7 Low	15.4 Weak



### Risk Details

<b>Exposure</b>	Company Exposure	3.2	The company's sensitivity or vulnerability to ESG risks.
<b>Management</b>	Manageable Risk	2.5	Material ESG risk that can be influenced and managed through suitable policies, programmes and initiatives.
	Managed Risk	2.1	Material ESG risk that has been managed by a company through suitable policies, programmes or initiatives.
	Management Gap	0.4	Measures the difference between material ESG risk that could be managed by the company and what the company is managing.
	Unmanageable Risk	0.6	Material ESG risk inherent in the products or services of a company and/or the nature of a company's business, which cannot be managed by the company.
<b>ESG Risk Rating</b>	Issue Unmanaged Risk	1.1	Material ESG risk that has not been managed by a company, and includes two types of risk: unmanageable risk, as well as risks that could be managed by a company through suitable initiatives but which may not yet be managed.



## Resource Use

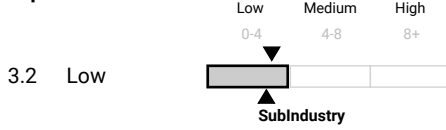
Contribution 5.6 %

Resource Use focuses on how efficiently and effectively a company uses its raw material inputs (excluding energy and petroleum-based products) in production and how it manages related risks.



## Exposure Overview

### Exposure



The Specialty Chemicals industry depends on water in the manufacturing process, primarily for cooling, steam generation and chemical processing. As water becomes an increasingly scarce resource, companies in some regions may face higher supply costs and supply disruptions. Parts of Latin America, Africa, Asia, the Middle East, Australia and the US are already impacted by major droughts, and it is estimated that by 2025, important river basins in the US, Mexico, Western Europe, China, India and Africa will face severe water problems due to water scarcity and/or water contamination, exposing companies with manufacturing operations in these countries to operational risks. Additionally, Specialty Chemicals companies that depend on scarce minerals and metals (including phosphate, cobalt and nickel) are exposed to future risks from resource scarcity. While industry companies might be able to offset some of the impacts of higher input costs via higher selling prices for specialized products due to high product switching costs for customers, this may become more difficult if input costs continue to rise. Companies that invest in comprehensive water and resource management programmes that entail risk assessments and progressive reduction targets may be best positioned to mitigate risks related to water or raw material scarcity. The company's exposure to Resource Use issues is low and similar to subindustry average.

### Beta Indicators

### Beta Signal

Water Use	0.00
Operating Performance	0.02
Solvency	0.00
Financial Flexibility	0.02
Asset Performance	0.03
Qualitative Overlay	0.00
Subindustry Correction Factor	0.00
Exceptional Event Adjustment	0.00
<b>Total Beta Signal</b>	<b>0.05</b>
Baseline	1.00
<b>Issue Beta</b>	<b>1.05</b>

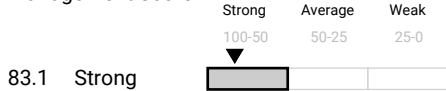
### Exposure Analysis

Subindustry Issue Exposure	3.0
<b>Issue Beta</b>	<b>1.05</b>
Company Issue Exposure	3.2



## Management Overview

### Management Score



In our view, the company's management of the issue is above average.

### Management Indicators

### Raw Score Weight | Weighted Score

Environmental Management System	<b>100</b> 17.5%   17.5
Environmental Policy	<b>100</b> 10.0%   10.0
Water Intensity	<b>100</b> 20.0%   20.0
Water Risk Management	<b>100</b> 15.0%   15.0
EMS Certification	<b>75</b> 7.5%   5.6
Water Management Programmes	<b>50</b> 30.0%   15.0
Water Use	<b>Category 0</b> 0.0%   0.0
<b>Weighted Sum</b>	<b>83.1</b>

= Event indicator



# Product Governance

Contribution 3.0 %

Product Governance focuses on how companies manage responsibilities to their clients. Emphasis is put on quality management systems, marketing practices, fair billing and post-sales responsibility.

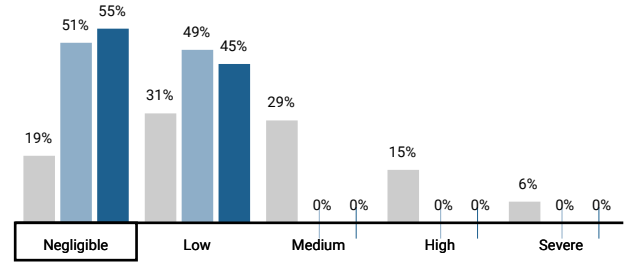
## Rating Overview

# 0.6 Negligible



Considering its low exposure and above average management of Product Governance, we view the company to be at negligible risk for the issue.

## ESG Risk Rating Distribution

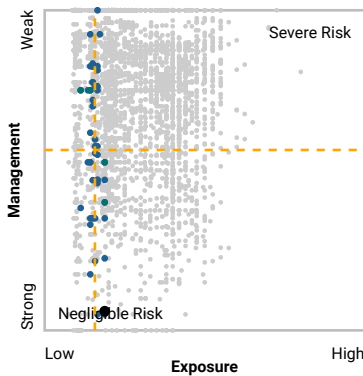


## Relative Performance

	Rank (1 <sup>st</sup> = lowest risk)	Percentile (1 <sup>st</sup> = lowest risk)
Global Universe	59 out of 3306	3rd
Chemicals (Industry Group)	6 out of 90	7th
Specialty Chemicals (Subindustry)	3 out of 47	5th



## Risk Analysis



- Global Universe
- Specialty Chemicals (Subindustry)
- Akzo Nobel N.V.
- Peers
- + SubIndustryAvg.

### Peers (Market cap \$15.7 - 21.4)

Peers (Market cap \$15.7 - 21.4)	ESG Risk Rating	Exposure	Management
1. Akzo Nobel N.V.	0.6 Negligible	3.8 Low	94.0 Strong
2. Novozymes A/S	1.7 Negligible	3.8 Low	60.0 Strong
3. Ems-Chemie Holding AG	1.7 Negligible	2.3 Low	25.0 Average
4. Symrise AG	2.1 Low	3.8 Low	47.5 Average
5. Asian Paints Ltd.	2.2 Low	2.9 Low	25.0 Average



## Risk Details

<b>Exposure</b>	Company Exposure	3.8	The company's sensitivity or vulnerability to ESG risks.
<b>Management</b>	Manageable Risk	3.4	Material ESG risk that can be influenced and managed through suitable policies, programmes and initiatives.
	Managed Risk	3.2	Material ESG risk that has been managed by a company through suitable policies, programmes or initiatives.
	Management Gap	0.2	Measures the difference between material ESG risk that could be managed by the company and what the company is managing.
	Unmanageable Risk	0.4	Material ESG risk inherent in the products or services of a company and/or the nature of a company's business, which cannot be managed by the company.
<b>ESG Risk Rating</b>	Issue Unmanaged Risk	0.6	Material ESG risk that has not been managed by a company, and includes two types of risk: unmanageable risk, as well as risks that could be managed by a company through suitable initiatives but which may not yet be managed.



## Product Governance

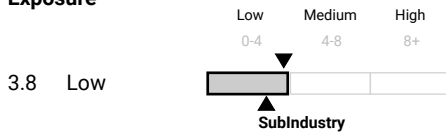
Contribution 3.0 %

Product Governance focuses on how companies manage responsibilities to their clients. Emphasis is put on quality management systems, marketing practices, fair billing and post-sales responsibility.



### Exposure Overview

#### Exposure



Product Governance for the Specialty Chemicals industry involves maintaining product quality, responsibly communicating safe handling procedures for toxic chemicals to customers, accurately labelling chemical products and marketing products responsibly. Companies in the industry have regularly been involved in product recalls and customer safety incidents, stemming either from a failure to communicate safe handling procedures, failure to label products appropriately, or failure to accurately market products. These incidents can result in lost revenues and costs related to product recall and disposal, liabilities and legal costs, as well as reputational damage. Customers in the industry sometimes convert one chemically equivalent product to another, with little concern for the brand. If quality levels are not maintained through rigorous quality management systems, companies may lose customers to competitors. However, if companies operate in highly engineered or regulated end markets, such as the consumer goods industry, customers can face high switching costs, which may limit customer losses from product quality incidents. Still, investing in customer relationships and service capabilities, as well as strong quality management systems, can strengthen companies' competitive positioning and aid customer satisfaction and retention. The company's exposure to Product Governance issues is low and moderately above subindustry average.

#### Exposure Analysis

Subindustry Issue Exposure	3.0
Issue Beta	1.25
Company Issue Exposure	3.8

#### Beta Indicators

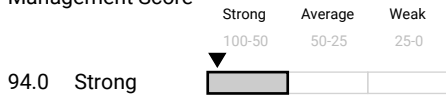
#### Beta Signal

Marketing Practices	0.00
Quality and Safety	0.00
Operating Performance	0.02
Solvency	0.00
Financial Flexibility	0.02
Asset Performance	0.03
Headquarters Location	-0.03
Sales Location	0.05
Qualitative Overlay	0.15
Subindustry Correction Factor	0.00
Exceptional Event Adjustment	0.00
Total Beta Signal	0.25
Baseline	1.00
Issue Beta	1.25



### Management Overview

#### Management Score



In our view, the company's management of the issue is above average.

#### Management Indicators

#### Raw Score Weight | Weighted Score

Product and Service Safety Programme	100 70.0%   70.0
QMS Certifications	80 30.0%   24.0
⚠ Marketing Practices	Category 0 0.0%   0.0
⚠ Quality and Safety	Category 0 0.0%   0.0
<b>Weighted Sum</b>	<b>94.0</b>

⚠ = Event indicator

# Appendix



## Management Details



### Corporate Governance

#### Board/Management Quality & Integrity

60 Outperformer

Raw Score



Indicators	Score
Board Experience	70
Director Track Record	30
Board Capture	70
Related Party Transactions	80
Director Stock Ownership	40
Executive/Board Misconduct	50
Business Practices Controversies	50
Governance Controversies	50
Shareholder Engagement and Responsiveness	80

#### Board Structure

88 Leader

Raw Score



Indicators	Score
Board Leadership	70
Board Tenure	90
Board Independence	80
Nominating Committee Effectiveness	90
Director Disclosure	80
Voting Structures	70
Directors not Elected by Shareholders	60
Risk Oversight	90
Board Diversity	80

#### Ownership & Shareholder Rights

38 Laggard

Raw Score



Indicators	Score
Director Appointment & Removal	10
Proportionality - One Share/One Vote	20
Ownership Structure	50
Capital Issuance Risks	60
Shareholder Action	60
Poison Pill & Takeover Defences	30
Supermajority Provisions	80

# Appendix



## Management Details

### Remuneration

57 Outperformer

Raw Score



Indicators	Score
Remuneration Disclosure	80
Remuneration Committee Effectiveness	80
Say on Pay	60
Pay Controversies	50
STI Performance Metrics	30
LTI Performance Metrics	70
Pay Magnitude	60
Pay for Performance	60
Pay for Failure	60
CEO Termination Scenarios	0
Internal Pay Equity	50
Clawback Policy	70

### Audit & Financial Reporting

83 Leader

Raw Score



Indicators	Score
Audit Committee Structure	80
Audit Committee Effectiveness	90
Auditor Fees	100
Audit Rotation Policy	70
Auditor Change	50
Reporting Irregularities	50

### Stakeholder Governance

81 Leader

Raw Score



In reviewing the company's practices regarding ESG stakeholder governance, points of attention for Akzo Nobel N.V. are: ESG Governance, Bribery & Corruption Policy and Whistleblower Programmes.

- ESG Governance: The company has set up an ESG Committee, on which one executive is a member
- Bribery & Corruption Policy: The company has a very strong policy
- Whistleblower Programmes: The company has a very strong programme

Indicators	Score
ESG Governance	100
ESG Reporting Standards	75
Verification of ESG Reporting	75
Global Compact Signatory	100
ESG Performance Targets	25
Political Involvement Policy	75
Lobbying and Political Expenses	0
Bribery & Corruption Policy	100
Environmental Policy	100
Whistleblower Programmes	100
Tax Disclosure	50
Discrimination Policy	100
Scope of Social Supplier Standards	50
GHG Reduction Programme	100
Green Procurement Policy	60

# Appendix

## Exposure Details

### E&S Impact of Products and Services

#### EA.E.17 - Environmental Impact of Products

0.00  
Beta Signal

The company is not involved in any controversies of this type.

#### EA.E.32 - Social Impact of Products

0.00  
Beta Signal

The company is not involved in any controversies of this type.

#### EA.F.1 - Operating Performance

0.02  
Beta Signal

The company has a weak net income margin.

Average Net Income Margin (2016-2018): 5.25%  
Subindustry Median (2016-2018): 7.24%  
Source: Morningstar, October 2019. All Rights Reserved.

#### EA.F.2 - Solvency

0.00  
Beta Signal

The company has an average debt-equity ratio.

Debt to Equity Ratio (2018-2016): 0.39  
Subindustry Median (2018-2016): 0.4  
Source: Morningstar, October 2019. All Rights Reserved.

#### EA.F.3 - Financial Flexibility

0.02  
Beta Signal

The company has a weak cash flow ratio.

Free Cash Flow Ratio (2018-2016): 3.18%  
Subindustry Median (2018-2016): 5.27%  
Source: Morningstar, October 2019. All Rights Reserved.

#### EA.F.4 - Asset Performance

0.03  
Beta Signal

The company has a very weak return on assets.

Return on Assets (2018-2016): 3.63%  
Subindustry Median (2018-2016): 6.15%  
Source: Morningstar, October 2019. All Rights Reserved.

#### EA.G.1 - Headquarters Location

- 0.03  
Beta Signal

The location of the company's headquarters indicates slightly lower exposure to this issue.

Netherlands: Lower exposure  
Source: Sustainalytics Country Risk Rating, May 2019.

#### EA.G.3 - Sales Location

0.05  
Beta Signal

The location of the company's sales indicates slightly higher exposure to this issue.

Europe: 40% (Slightly higher exposure)  
North America: 12% (Slightly higher exposure)  
Asia: 29% (Average exposure)  
Other: 18%  
Source: Sustainalytics Country Risk Rating, May 2019.  
Morningstar, October 2019. All Rights Reserved.

# Appendix



## Exposure Details

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### EA.S.1 - Qualitative Overlay

---

0.00  
Beta Signal

---

The analyst did not apply a qualitative overlay.

---

### EA.S.2 - Subindustry Correction Factor

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0.00  
Beta Signal

---

### EA.S.3 - Exceptional Event Adjustment

---

0.00  
Beta Signal

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# Appendix



## Management Details

### E.2.1 - Green Procurement Policy

60	7.50%	4.5
Raw Score	Weight	Weighted Score

The company's green procurement initiatives are adequate

The company states that it only does business with organisations which endorse its ethical values and social and environmental standards, as outlined in its code of conduct. Through signing the vendor compliance letter, suppliers need to confirm that their products and services meet high health, safety and environmental standards. Moreover, the company states that it expects its suppliers to have products and services meeting, among others, the ISO 14001 environmental standard.

#### Criteria

- Policy addressing process related requirements
- Policy addressing product related requirements
- Policy or initiatives addressing office products
- Engagement with suppliers to improve environmental performance

#### Sources

AkzoNobel Corporate Website, Sourcing, [www.akzonobel.com](http://www.akzonobel.com); accessed 25 November 2019

AkzoNobel Vendor Policy Declaration, released March 2010

AkzoNobel Vendor Relationship Management Framework, accessed 25 November 2019

The company provided feedback on 24 August 2017

### E.3.1.1 - Sustainable Products & Services

100	30.00%	30.0
Raw Score	Weight	Weighted Score

Between 25% and 49.99% of the company's annual revenue is derived from sustainability-related products or services

AkzoNobel offers "eco-premium solutions" that are defined as those products that perform better in one eco-efficiency criterion, including toxicity, energy use, use of natural resources or raw materials, emissions and waste, land use, risks, and not significantly worse in any other criteria in comparison to standard products in the market. The company developed for instance a waterborne coating "AquaSilk" and an interior paint "Dulux EasyCare" with extended lifetime. As of 2018, the revenues from "eco-premium solutions" accounted for 22% of total sales. In addition, the company states that the remaining products having sustainability features, so called "eco-performers", generated another 20% of 2018 sales. In total, AkzoNobel's sustainable solutions stood for 42% of its total sales in 2018.

#### Sources

AkzoNobel Annual Report 2018 (FY2018)

AkzoNobel Corporate Website, Eco-Premium Solutions, [www.akzonobel.com](http://www.akzonobel.com); accessed 25 November 2019

### E.3.1.16 - Hazardous Products

50	25.00%	12.5
Raw Score	Weight	Weighted Score

The company offers products with important human health or environmental concerns but these account for less than 5% of total revenues

According to company feedback received in January 2020, the only substance of high concern it imported in 2019 was strontium chromate, used in primers for structural parts of aircraft. Considering this, it was estimated that products with important human health or environmental concerns generated less than 5% of the company's revenues.

#### Sources

ChemSec SIN Producers, [www.chemsec.org](http://www.chemsec.org); accessed 25 November 2019

The company provided additional feedback on 25 July 2018

The company provided feedback on 17 January 2020

The company provided feedback on 24 August 2017

### E.3.1.19 - Hazardous Substances Management

50	30.00%	15.0
Raw Score	Weight	Weighted Score

The company has an adequate programme

#### Criteria

- Policy commitment to assess safer alternatives for hazardous substances of concern and promote their substitution
- Procedures in place to identify, review and manage the hazardous substances used in the company's products
- Objectives or targets to improve the management of substances of high concern
- Monitoring, measurement and reporting of hazardous substance management performance
- The company has activities in place to reduce or phase out hazardous substances from its products

#### Sources

AkzoNobel Corporate Website, Management of Hazardous Substances, accessed 25 November 2019

# Appendix



## Management Details

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### G.1.4.5 - Policy on Emerging Technologies

Raw Score	Weight	Weighted Score
25	7.50%	1.9

The company has a weak policy

#### Criteria

- The company does not use stem cell, nanotechnology or genetic engineering
- Acknowledgement of risks or controversies associated with the use of emerging technologies
- Commitment to support further research or engage with stakeholders on emerging technologies
- Commitment to avoid the most controversial practices related to emerging technologies
- Commitment to report on the use of emerging technologies
- Commitment to implement measures to reduce risks associated with emerging technologies
- Applicable to Genetic Engineering
- Applicable to Nanotechnology
- Applicable to Stem Cell Research

#### Sources

AkzoNobel Manufacture and Supply of Genetically Modified Organisms Policy Statement, released 13 April 2016

AkzoNobel Position Statement on Nanotechnology, accessed 25 November 2019

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# Appendix

## Exposure Details

### Human Capital

#### EA.E.22 - Labour Relations

0.02  
Beta Signal

The company is involved in moderate-level controversies of this type, signaling higher exposure to this issue.

#### EA.E.47 - Employees - Human Rights

0.00  
Beta Signal

The company is not involved in any controversies of this type.

#### EA.F.1 - Operating Performance

0.02  
Beta Signal

The company has a weak net income margin.

Average Net Income Margin (2016-2018): 5.25%  
Subindustry Median (2016-2018): 7.24%  
Source: Morningstar, October 2019. All Rights Reserved.

#### EA.F.2 - Solvency

0.00  
Beta Signal

The company has an average debt-equity ratio.

Debt to Equity Ratio (2018-2016): 0.39  
Subindustry Median (2018-2016): 0.4  
Source: Morningstar, October 2019. All Rights Reserved.

#### EA.F.3 - Financial Flexibility

0.02  
Beta Signal

The company has a weak cash flow ratio.

Free Cash Flow Ratio (2018-2016): 3.18%  
Subindustry Median (2018-2016): 5.27%  
Source: Morningstar, October 2019. All Rights Reserved.

#### EA.F.4 - Asset Performance

0.03  
Beta Signal

The company has a very weak return on assets.

Return on Assets (2018-2016): 3.63%  
Subindustry Median (2018-2016): 6.15%  
Source: Morningstar, October 2019. All Rights Reserved.

#### EA.S.1 - Qualitative Overlay

0.00  
Beta Signal

The analyst did not apply a qualitative overlay.

#### EA.S.2 - Subindustry Correction Factor

0.00  
Beta Signal

# Appendix



## Exposure Details

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### EA.S.3 - Exceptional Event Adjustment

---

0.00

Beta Signal

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# Appendix



## Management Details

### S.1.1 - Freedom of Association Policy

100	13.50%	13.5
Raw Score	Weight	Weighted Score

The company has a strong policy on freedom of association

**Sources**

AkzoNobel Code of Conduct, released August 2015

### S.1.2 - Discrimination Policy

100	11.25%	11.3
Raw Score	Weight	Weighted Score

The company has a strong policy

**Criteria**

- List of the types of discrimination the company is committed to eliminate
- Commitment to ensure equal opportunity
- Reference to the ILO conventions

**Sources**

AkzoNobel Code of Conduct, released August 2015

### S.1.3 - Diversity Programmes

100	13.50%	13.5
Raw Score	Weight	Weighted Score

The company has a strong programme

In its feedback provided in January 2020, the company mentioned that two members of its Executive Committee are part of the Diversity & Inclusion Council.

**Criteria**

- Managerial or board level responsibility for diversity initiatives
- Targeted recruitment
- Training and guidance regarding diversity
- Diversity initiatives that go beyond legal compliance
- Employee affinity groups, diversity councils, or networking groups
- Mentorship programmes
- Initiatives supporting a diverse workforce
- Diversity monitoring or audits

**Sources**

AkzoNobel Annual Report 2018 (FY2018)

AkzoNobel Corporate Website, ESG Data, www.akzonobel.com; accessed 25 November 2019

The company provided feedback on 17 January 2020

The company provided feedback on 23 December 2016

### S.1.3.1 - Gender Pay Equality Programme

0	4.50%	0.0
Raw Score	Weight	Weighted Score

Based on available evidence, the company does not have a programme

**Criteria**

- Commitment to gender pay equality
- Global gender pay gap audit or compensation review
- Initiatives to close the gender pay gap
- Monitoring and measurement
- Quantitative targets and deadlines

# Appendix



## Management Details

### S.1.3.2 - Gender Pay Disclosure

0	2.25%	0.0
Raw Score	Weight	Weighted Score

Based on available evidence, the company does not disclose related information

**Criteria**

- Disclosure of the company's global mean (average) raw gender pay gap
- Disclosure of the company's global median raw gender pay gap
- Disclosure of ratio of basic salary and remuneration of women to men for specific employment categories (level or function)

**Sources**

AkzoNobel Gender Pay Gap Report, accessed 25 November 2019

### S.1.4 - Collective Bargaining Agreements

25	9.00%	2.3
Raw Score	Weight	Weighted Score

Disclosure is insufficient to determine the percentage of the company's employees that are covered by collective bargaining agreements

The company reports that, in 2018, 56% of its employees was covered by independent trade unions or collective bargaining agreements. However, the exact percentage of employee covered by collective bargaining agreements specifically is not disclosed.

**Sources**

AkzoNobel Corporate Website, ESG Data, www.akzonobel.com; accessed 25 November 2019

The company provided additional feedback on 25 July 2018

### S.1.5 - Employee Turnover Rate

0	9.00%	0.0
Raw Score	Weight	Weighted Score

The company's employee turnover rate is high

In 2018, the company's total employee turnover rate was of 14%, while its voluntary turnover rate amounted to 8%.

**Sources**

AkzoNobel Annual Report 2018 (FY2018)

### S.1.5.2 - Human Capital Development

50	27.00%	13.5
Raw Score	Weight	Weighted Score

The company has an adequate programme

**Criteria**

- Initiatives for talent recruitment
- Initiatives for talent development
- Initiatives for talent retention
- Regular formal performance reviews for all permanent employees aligned with career development
- Quantitative targets related to human capital development
- Formal mechanisms to promote an open feedback culture
- Reporting on human capital development metrics
- Reporting on human capital risk assessment

**Sources**

AkzoNobel Annual Report 2018 (FY2018)

The company provided additional feedback on 25 July 2018

The company provided feedback on 24 August 2017

The company provided feedback on 24 August 2017

# Appendix



## Management Details

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### Labour Relations Events



Category 2 Event - Moderate

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### Incident History



**Locations:** Netherlands

**Tags:** Labour Relations

**Company reaches agreement over new collective labour agreement**  
NOS - 27 December 2018

**Update: Strikes affect operations at Dutch factories**  
[Reuters UK - 25 September 2018](#)

**Update: Dutch factories shut down following strikes over pay and pensions**  
<http://www.nu.nl/> - 10 July 2018

# Appendix

 Exposure Details



**Business Ethics**

**EA.E.2 - Accounting and Taxation**

0.00  
Beta Signal

The company is not involved in any controversies of this type.

**EA.E.21 - Intellectual Property**

0.00  
Beta Signal

The company is not involved in any controversies of this type.

**EA.E.23 - Lobbying and Public Policy**

0.00  
Beta Signal

The company is not involved in any controversies of this type.

**EA.E.3 - Animal Welfare**

0.00  
Beta Signal

The company is not involved in any controversies of this type.

**EA.E.30 - Sanctions**

0.00  
Beta Signal

The company is not involved in any controversies of this type.

**EA.E.4 - Anti-Competitive Practices**

0.00  
Beta Signal

The company is not involved in any controversies of this type.

**EA.E.48 - Society - Human Rights**

0.00  
Beta Signal

The company is not involved in any controversies of this type.

**EA.E.6 - Bribery and Corruption**

0.00  
Beta Signal

The company is not involved in any controversies of this type.

**EA.E.7 - Business Ethics**

0.00  
Beta Signal

The company is not involved in any controversies of this type.

**EA.F.1 - Operating Performance**

0.02  
Beta Signal

The company has a weak net income margin.

Average Net Income Margin (2016-2018): 5.25%  
Subindustry Median (2016-2018): 7.24%  
Source: Morningstar, October 2019. All Rights Reserved.

# Appendix

 **Exposure Details**

**EA.F.2 - Solvency**

0.00  
Beta Signal

The company has an average debt-equity ratio.

Debt to Equity Ratio (2018-2016): 0.39  
Subindustry Median (2018-2016): 0.4  
Source: Morningstar, October 2019. All Rights Reserved.

**EA.F.3 - Financial Flexibility**

0.02  
Beta Signal

The company has a weak cash flow ratio.

Free Cash Flow Ratio (2018-2016): 3.18%  
Subindustry Median (2018-2016): 5.27%  
Source: Morningstar, October 2019. All Rights Reserved.

**EA.F.4 - Asset Performance**

0.03  
Beta Signal

The company has a very weak return on assets.

Return on Assets (2018-2016): 3.63%  
Subindustry Median (2018-2016): 6.15%  
Source: Morningstar, October 2019. All Rights Reserved.

**EA.S.1 - Qualitative Overlay**

0.00  
Beta Signal

The analyst did not apply a qualitative overlay.

**EA.S.2 - Subindustry Correction Factor**

0.00  
Beta Signal

**EA.S.3 - Exceptional Event Adjustment**

0.00  
Beta Signal

# Appendix



## Management Details

### G.1.1 - Bribery & Corruption Policy

100	10.00%	10.0
Raw Score	Weight	Weighted Score

The company has a very strong policy

**Criteria**

- Prohibition of bribery
- Definition of bribery or corruption
- Definition of conflicts of interest and commitment to minimize these
- Definition and prohibition of facilitation payments
- Guidelines of what is considered acceptable behaviour
- There is no evidence of a formal policy but the company has a general statement addressing the issue

**Sources**

- AkzoNobel Code of Conduct, released August 2015
- Company feedback request sent on 17 August 2017
- The company provided additional feedback on 25 July 2018
- The company provided additional feedback on 3 August 2018
- The company provided feedback on 17 January 2020
- The company provided feedback on 23 December 2016
- The company provided feedback on 24 August 2017
- The company provided feedback on 24 August 2017
- The company was contacted to provide feedback on the ESG report on 11 July 2018

### G.1.2 - Whistleblower Programmes

100	20.00%	20.0
Raw Score	Weight	Weighted Score

The company has a very strong programme

AkzoNobel has a whistle-blower system in place, which is available 24/7 and gives employees, suppliers and other third parties the chance to report concerns in an anonymous manner. In 2018, 104 reports were received through the SpeakUp! hotline, of which 30 concerned integrity matters. Out of the 104 reports received, 14 were substantiated, leading to five dismissals.

**Criteria**

- Proactively communicated to employees
- Available to suppliers, customers and other third parties
- An independent, reporting hotline available 24/7
- Possibility for anonymous reporting and reports are treated confidentially
- Non-retaliation policy
- Structures in place to process whistleblower reports
- Disclosure on the number of reports received, the types of misconduct and measures taken
- Available in local languages

**Sources**

- AkzoNobel Annual Report 2018 (FY2018)
- AkzoNobel Code of Conduct, released August 2015
- AkzoNobel SpeakUp Manual, released December 2015

### G.1.4.3 - Animal Testing Policy

75	12.50%	9.4
Raw Score	Weight	Weighted Score

The company has a strong policy on animal testing

**Criteria**

- Commitment not to use animal testing except where legally required
- Commitment to replace animal testing
- Commitment to reduce animal testing
- Commitment to refine animal testing
- Reference to best practice standards or commitment to seek animal testing certification
- The company does not conduct animal testing

**Sources**

- AkzoNobel Animal Testing Policy, released November 2014
- The company provided feedback on 17 January 2020

### G.1.4.3.1 - Animal Testing Programme

75	25.00%	18.8
Raw Score	Weight	Weighted Score

The company has a strong programme

**Criteria**

- Managerial or board responsibility for overseeing animal testing
- Initiatives to replace animal testing
- Initiatives to reduce animal testing
- Initiatives to refine animal testing
- Regular audits of animal testing practices
- Reporting on animal testing issues
- The company does not conduct animal testing

**Sources**

- AkzoNobel Animal Testing Policy, released November 2014

# Appendix



## Management Details

### G.1.4.5 - Policy on Emerging Technologies

25	5.00%	1.3
Raw Score	Weight	Weighted Score

The company has a weak policy

**Criteria**

- The company does not use stem cell, nanotechnology or genetic engineering
- Acknowledgement of risks or controversies associated with the use of emerging technologies
- Commitment to support further research or engage with stakeholders on emerging technologies
- Commitment to avoid the most controversial practices related to emerging technologies
- Commitment to report on the use of emerging technologies
- Commitment to implement measures to reduce risks associated with emerging technologies
- Applicable to Genetic Engineering
- Applicable to Nanotechnology
- Applicable to Stem Cell Research

**Sources**

AkzoNobel Manufacture and Supply of Genetically Modified Organisms Policy Statement, released 13 April 2016  
 AkzoNobel Position Statement on Nanotechnology, accessed 25 November 2019

### G.3.1 - Political Involvement Policy

75	12.50%	9.4
Raw Score	Weight	Weighted Score

The company has an adequate policy

In its code of conduct, AkzoNobel states that as a company it does not "provide financial or other support to political parties or political campaign efforts". The code of conduct was signed by the company's chief executive officer. Nevertheless, there is no evidence of the prohibition of lobbying.

**Criteria**

- Prohibits political involvement of any kind on the company's behalf
- Partially prohibits political involvement
- Approved by senior management
- Commits the company to disclose political donations and/or lobbying expenditures

**Sources**

AkzoNobel Code of Conduct, released August 2015  
 The company provided feedback on 24 August 2017

### G.3.2 - Lobbying and Political Expenses

0	15.00%	0.0
Raw Score	Weight	Weighted Score

In the last three years, the company made more than USD 0.5 million in political contributions or political spending

Between 2016 and 2018, the company's political spending through lobbying activities amounted to approximately USD 0.8 m.

2018: EUR 250,000 (USD 275,306)  
 2017: EUR 350,000 (USD 385,429)  
 2016: USD 20,000; EUR 150,000 (USD 165,184)

**Sources**

Centre for Responsive Politics, www.opensecrets.org; accessed 25 November 2019  
 LobbyFacts Database, www.lobbyfacts.eu; accessed 25 November 2019

# Appendix

## Exposure Details



### Carbon - Own Operations

#### EA.E.15 - Energy Use and GHG Emissions

0.00  
Beta Signal

The company is not involved in any controversies of this type.

#### EA.F.1 - Operating Performance

0.02  
Beta Signal

The company has a weak net income margin.

Average Net Income Margin (2016-2018): 5.25%  
Subindustry Median (2016-2018): 7.24%  
Source: Morningstar, October 2019. All Rights Reserved.

#### EA.F.2 - Solvency

0.00  
Beta Signal

The company has an average debt-equity ratio.

Debt to Equity Ratio (2018-2016): 0.39  
Subindustry Median (2018-2016): 0.4  
Source: Morningstar, October 2019. All Rights Reserved.

#### EA.F.3 - Financial Flexibility

0.02  
Beta Signal

The company has a weak cash flow ratio.

Free Cash Flow Ratio (2018-2016): 3.18%  
Subindustry Median (2018-2016): 5.27%  
Source: Morningstar, October 2019. All Rights Reserved.

#### EA.F.4 - Asset Performance

0.03  
Beta Signal

The company has a very weak return on assets.

Return on Assets (2018-2016): 3.63%  
Subindustry Median (2018-2016): 6.15%  
Source: Morningstar, October 2019. All Rights Reserved.

#### EA.P.1 - Carbon Emissions

- 0.10  
Beta Signal

The company's carbon emissions intensity indicates moderately lower exposure to this issue

Company Corporate Website  
[https://report.akzonobel.com/2018/ar/servicepages/downloads/files/AkzoNobel\\_Report\\_2018\\_interactive.pdf](https://report.akzonobel.com/2018/ar/servicepages/downloads/files/AkzoNobel_Report_2018_interactive.pdf)

# Appendix



## Exposure Details

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### EA.S.1 - Qualitative Overlay

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0.00  
Beta Signal

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The analyst did not apply a qualitative overlay.

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### EA.S.2 - Subindustry Correction Factor

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0.00  
Beta Signal

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### EA.S.3 - Exceptional Event Adjustment

---

0.00  
Beta Signal

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# Appendix



## Management Details

### E.1.1 - Environmental Policy

100	5.00%	5.0
Raw Score	Weight	Weighted Score

The company has a very strong policy

**Criteria**

- Commitment to environmental protection
- Commitment to create environmental awareness
- Commitment to implement an environmental management system
- Commitment to use natural resources or energy more efficiently
- Commitment to reduce emissions, releases and waste
- Commitment to monitor the company's environmental performance
- Commitment to report regularly on environmental issues
- Commitment to consult with stakeholders on environmental issues
- Approved by senior management or the board of directors

**Sources**

AkzoNobel Policy statement on Health, Safety, Environment and Security, revised May 2016

The company provided feedback on 17 January 2020

### E.1.2 - Environmental Management System

100	5.00%	5.0
Raw Score	Weight	Weighted Score

The company has a very strong EMS

In 2018, 77% of the company's manufacturing sites were certified according to ISO 14001 or RC 14001 standards, which ensures the implementation of a strong environmental management system at the majority of its sites.

**Criteria**

- Managerial or board level responsibility for environmental issues
- Identification of products, activities and services that have significant impacts on the environment
- Compliance with environmental regulation
- Objectives, targets and deadlines
- Environmental programmes
- Assigned roles and responsibilities
- Training and awareness programmes for employees
- Internal and external communications on environmental management issues
- Monitoring and measurement
- Environmental performance records
- External environmental audits
- Internal environmental audits
- Corrective actions to stimulate continual improvement

**Sources**

AkzoNobel Corporate Website, ESG Data, www.akzonobel.com; accessed 25 November 2019

### E.1.3 - EMS Certification

75	5.00%	3.8
Raw Score	Weight	Weighted Score

Between 75% and 90% of the company's activities have received external certification

In FY2018, 77% of the company's manufacturing sites were certified according to ISO 14001 or RC 14001 standards.

**Sources**

AkzoNobel Corporate Website, ESG Data, www.akzonobel.com; accessed 25 November 2019

### E.1.6 - Scope of GHG Reporting

100	5.00%	5.0
Raw Score	Weight	Weighted Score

The company reports on scope 1 & 2 and discloses relevant information on Scope 3 GHG emissions

# Appendix



## Management Details

### E.1.6.1 - GHG Risk Management

100	12.50%	12.5
Raw Score	Weight	Weighted Score

The company has a very strong risk management programme

#### Criteria

- Recognition of the transition risks related to climate change
- Commitment to manage the regulatory, reputational and/or market risks related to climate change
- Managerial or board level responsibility for addressing transition risks
- Integration of transition risks into regular risk assessments and strategy
- Detailed reporting on transition risks

#### Sources

AkzoNobel Annual Report 2018 (FY2018)  
 AkzoNobel Carbon Policy, released May 2009  
 Indicator informed by AkzoNobel Climate Change Response 2017 (FY2016)  
 The company provided additional feedback on 25 July 2018  
 The company provided feedback on 17 January 2020

### E.1.7.0 - GHG Reduction Programme

100	17.50%	17.5
Raw Score	Weight	Weighted Score

The company has a strong programme

#### Criteria

- Policy commitment to reduce GHG emissions
- Managerial responsibility for GHG emissions
- Initiatives to reduce GHG emissions
- GHG reduction targets and deadlines
- GHG emissions monitoring and measurement
- Regular GHG audits or verification

#### Sources

AkzoNobel Annual Report 2018 (FY2018)  
 AkzoNobel Carbon Policy, released May 2009  
 AkzoNobel Corporate Website, Carbon Management Through the Value Chain, www.akzonobel.com; accessed 25 November 2019  
 Indicator informed by AkzoNobel Climate Change Response 2017 (FY2016)  
 The company provided feedback on 17 January 2020

### E.1.7.1 - Green Logistics Programmes

50	5.00%	2.5
Raw Score	Weight	Weighted Score

The company has a programme to improve the environmental performance of its logistics and its fleet management

In feedback provided in January 2020, the company stated that sustainability is a key issue in its fleet management and that its ambition is to electrify own fleet by 2030.

#### Sources

The company provided feedback on 17 January 2020

### E.1.8 - Renewable Energy Programmes

100	10.00%	10.0
Raw Score	Weight	Weighted Score

The company has set quantitative targets at group level and has set a clear deadline for reaching these targets

AkzoNobel has the target to use 100% renewable energy by 2020.

#### Sources

AkzoNobel Corporate Website, 100% Renewable Energy by 2050, www.akzonobel.com; accessed 25 November 2019

### E.1.9 - Carbon Intensity

100	12.50%	12.5
Raw Score	Weight	Weighted Score

The company's carbon emissions intensity is well below the industry median

Company Corporate Website  
[https://report.akzonobel.com/2018/ar/servicepages/downloads/files/AkzoNobel\\_Report\\_2018\\_interactive.pdf](https://report.akzonobel.com/2018/ar/servicepages/downloads/files/AkzoNobel_Report_2018_interactive.pdf)

	2018
Carbon Intensity (t/million USD)	27.1
Industry Median	349.8

### E.1.10 - Carbon Intensity Trend

25	15.00%	3.8
Raw Score	Weight	Weighted Score

The company's carbon intensity trend shows an increase of between 10% and 25% over the last 3 years

Company Corporate Website  
[https://report.akzonobel.com/2018/ar/servicepages/downloads/files/AkzoNobel\\_Report\\_2018\\_interactive.pdf](https://report.akzonobel.com/2018/ar/servicepages/downloads/files/AkzoNobel_Report_2018_interactive.pdf)

	2018
Carbon Intensity Trend (%)	24.4

# Appendix



## Management Details

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### E.1.11 - Renewable Energy Use

Raw Score	Weight	Weighted Score
80	7.50%	6.0

Between 25% and 49.99% of the company's primary energy use comes from renewable energy sources

In 2018, 31% of the company's energy used came from renewable sources.

#### Sources

AkzoNobel Annual Report 2018 (FY2018)

# Appendix

## Exposure Details



### Emissions, Effluents and Waste

#### EA.E.14 - Emissions, Effluents and Waste

0.00  
Beta Signal

The company is not involved in any controversies of this type.

#### EA.F.1 - Operating Performance

0.02  
Beta Signal

The company has a weak net income margin.

Average Net Income Margin (2016-2018): 5.25%  
Subindustry Median (2016-2018): 7.24%  
Source: Morningstar, October 2019. All Rights Reserved.

#### EA.F.2 - Solvency

0.00  
Beta Signal

The company has an average debt-equity ratio.

Debt to Equity Ratio (2018-2016): 0.39  
Subindustry Median (2018-2016): 0.4  
Source: Morningstar, October 2019. All Rights Reserved.

#### EA.F.3 - Financial Flexibility

0.02  
Beta Signal

The company has a weak cash flow ratio.

Free Cash Flow Ratio (2018-2016): 3.18%  
Subindustry Median (2018-2016): 5.27%  
Source: Morningstar, October 2019. All Rights Reserved.

#### EA.F.4 - Asset Performance

0.03  
Beta Signal

The company has a very weak return on assets.

Return on Assets (2018-2016): 3.63%  
Subindustry Median (2018-2016): 6.15%  
Source: Morningstar, October 2019. All Rights Reserved.

#### EA.G.1 - Headquarters Location

- 0.03  
Beta Signal

The location of the company's headquarters indicates slightly lower exposure to this issue.

Netherlands: Lower exposure  
Source: Sustainalytics Country Risk Rating, May 2019.

# Appendix

 **Exposure Details**

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**EA.G.2 - Assets Location**

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- 0.05  
Beta Signal

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The location of the company's assets indicates slightly lower exposure to this issue.

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Asia: 33% (Average exposure)  
 Europe: 28% (Slightly lower exposure)  
 Netherlands: 23% (Lower exposure)  
 Other: 16%  
 Source: Sustainalytics Country Risk Rating, May 2019."  
 Morningstar, October 2019. All Rights Reserved.

---

**EA.S.1 - Qualitative Overlay**

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0.00  
Beta Signal

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The analyst did not apply a qualitative overlay.

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**EA.S.2 - Subindustry Correction Factor**

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0.07  
Beta Signal

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**EA.S.3 - Exceptional Event Adjustment**

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0.00  
Beta Signal

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# Appendix



## Management Details

### E.1.1 - Environmental Policy

100	7.50%	7.5
Raw Score	Weight	Weighted Score

The company has a very strong policy

**Criteria**

- Commitment to environmental protection
- Commitment to create environmental awareness
- Commitment to implement an environmental management system
- Commitment to use natural resources or energy more efficiently
- Commitment to reduce emissions, releases and waste
- Commitment to monitor the company's environmental performance
- Commitment to report regularly on environmental issues
- Commitment to consult with stakeholders on environmental issues
- Approved by senior management or the board of directors

**Sources**

AkzoNobel Policy statement on Health, Safety, Environment and Security, revised May 2016

The company provided feedback on 17 January 2020

### E.1.2 - Environmental Management System

100	7.50%	7.5
Raw Score	Weight	Weighted Score

The company has a very strong EMS

In 2018, 77% of the company's manufacturing sites were certified according to ISO 14001 or RC 14001 standards, which ensures the implementation of a strong environmental management system at the majority of its sites.

**Criteria**

- Managerial or board level responsibility for environmental issues
- Identification of products, activities and services that have significant impacts on the environment
- Compliance with environmental regulation
- Objectives, targets and deadlines
- Environmental programmes
- Assigned roles and responsibilities
- Training and awareness programmes for employees
- Internal and external communications on environmental management issues
- Monitoring and measurement
- Environmental performance records
- External environmental audits
- Internal environmental audits
- Corrective actions to stimulate continual improvement

**Sources**

AkzoNobel Corporate Website, ESG Data, www.akzonobel.com; accessed 25 November 2019

### E.1.2.6.3 - Effluent Management

66	20.00%	13.2
Raw Score	Weight	Weighted Score

The company has an adequate programme

**Criteria**

- Policy commitment to manage or reduce effluents
- Initiatives to reduce, reuse or recycle effluents
- Monitoring and measurement of effluent and effluent management
- Objectives or targets related to effluent management
- Incident investigation and corrective action
- Reporting on effluent issues

**Sources**

AkzoNobel Annual Report 2018 (FY2018)

AkzoNobel Corporate Website, ESG Data, www.akzonobel.com; accessed 25 November 2019

### E.1.3 - EMS Certification

75	7.50%	5.6
Raw Score	Weight	Weighted Score

Between 75% and 90% of the company's activities have received external certification

In FY2018, 77% of the company's manufacturing sites were certified according to ISO 14001 or RC 14001 standards.

**Sources**

AkzoNobel Corporate Website, ESG Data, www.akzonobel.com; accessed 25 November 2019

# Appendix



## Management Details

### E.1.3.1 - Emergency Response Programme

100	12.50%	12.5
Raw Score	Weight	Weighted Score

The company has a very strong programme

**Criteria**

- Policy commitment to prepare for and respond to emergencies
- Managerial responsibility for emergency preparedness, response and investigation
- Identification of potential risks requiring emergency response
- Company-wide guidelines on how to prepare for and respond to emergencies
- Regional, site or unit level emergency response teams in place
- Protocols for communicating with external stakeholders
- Emergency training for employees or communities, including regular testing of the emergency response plans
- Mechanisms for stakeholders to report emergencies

**Sources**

AkzoNobel Corporate Website, ESG Data, www.akzonobel.com; accessed 25 November 2019

The company provided additional feedback on 25 July 2018

### E.1.3.2 - Hazardous Waste Management

100	20.00%	20.0
Raw Score	Weight	Weighted Score

The company has a strong programme

AkzoNobel reports that it aims to reduce its environmental footprint by, among others, focusing on eliminating hazardous waste to landfill. In feedback provided in January 2020, the company specified that its target to reduce waste by 5% on a year-over-year basis includes both hazardous and non-hazardous waste. In addition, the company states it has implemented multiple projects to reduce its hazardous waste, including solvent recovery. Lastly, in its annual reporting for 2018, AkzoNobel discloses data for its hazardous waste divided into two categories: hazardous waste non-reusable and hazardous waste to landfill.

**Criteria**

- Commitment to reduce hazardous waste
- Initiatives to reduce hazardous waste
- Targets and deadlines
- Monitoring and measurement

**Sources**

AkzoNobel Annual Report 2018 (FY2018)

The company provided feedback on 17 January 2020

### E.1.3.3 - Non-GHG Air Emissions Programmes

100	20.00%	20.0
Raw Score	Weight	Weighted Score

The company has a strong programme

The company's 'Resource Productivity' programme covers also VOCs emissions and aims to limit them in the company's integrated supply chain. In 2018, AkzoNobel's VOC emissions per tonne of production were 0.49 kg/t. The company has a target to achieve the level of 0.45 of VOC emissions per production (kg/t) in 2020.

**Criteria**

- Commitment to reduce non-GHG air emissions
- Identification of relevant non-GHG air emissions
- Initiatives to reduce non-GHG air emissions
- Targets to reduce non-GHG air emissions
- Deadlines to reduce non-GHG air emissions
- Non-GHG air emission monitoring

**Sources**

AkzoNobel Annual Report 2018 (FY2018)

AkzoNobel Corporate Website, ESG Data, www.akzonobel.com; accessed 25 November 2019

### E.1.6.2 - Physical Climate Risk Management

66	5.00%	3.3
Raw Score	Weight	Weighted Score

The company has an adequate programme

**Criteria**

- Recognition of the physical risks related to climate change
- Managerial or board level responsibility for climate change risks
- Integration of physical climate change into regular risk assessments and business strategy
- Detailed reporting on physical climate change risk drivers
- Initiatives to manage or adapt to physical climate change risks

**Sources**

AkzoNobel Annual Report 2018 (FY2018)

The company provided feedback on 17 January 2020

# Appendix

## Exposure Details



### Occupational Health and Safety

#### EA.E.20 - Occupational Health and Safety

0.01  
Beta Signal

The company is involved in low-level controversies of this type, signaling higher exposure to this issue.

#### EA.F.1 - Operating Performance

0.02  
Beta Signal

The company has a weak net income margin.

Average Net Income Margin (2016-2018): 5.25%  
Subindustry Median (2016-2018): 7.24%  
Source: Morningstar, October 2019. All Rights Reserved.

#### EA.F.2 - Solvency

0.00  
Beta Signal

The company has an average debt-equity ratio.

Debt to Equity Ratio (2018-2016): 0.39  
Subindustry Median (2018-2016): 0.4  
Source: Morningstar, October 2019. All Rights Reserved.

#### EA.F.3 - Financial Flexibility

0.02  
Beta Signal

The company has a weak cash flow ratio.

Free Cash Flow Ratio (2018-2016): 3.18%  
Subindustry Median (2018-2016): 5.27%  
Source: Morningstar, October 2019. All Rights Reserved.

#### EA.F.4 - Asset Performance

0.03  
Beta Signal

The company has a very weak return on assets.

Return on Assets (2018-2016): 3.63%  
Subindustry Median (2018-2016): 6.15%  
Source: Morningstar, October 2019. All Rights Reserved.

#### EA.G.1 - Headquarters Location

- 0.03  
Beta Signal

The location of the company's headquarters indicates slightly lower exposure to this issue.

Netherlands: Lower exposure  
Source: Sustainalytics Country Risk Rating, May 2019.

# Appendix



## Exposure Details

### EA.G.2 - Assets Location

- 0.05  
Beta Signal

The location of the company's assets indicates slightly lower exposure to this issue.

Asia: 33% (Average exposure)  
Europe: 28% (Slightly lower exposure)  
Netherlands: 23% (Lower exposure)  
Other: 16%  
Source: Sustainalytics Country Risk Rating, May 2019."  
Morningstar, October 2019. All Rights Reserved.

### EA.S.1 - Qualitative Overlay

0.00  
Beta Signal

The analyst did not apply a qualitative overlay.

### EA.S.2 - Subindustry Correction Factor

0.06  
Beta Signal

### EA.S.3 - Exceptional Event Adjustment

0.00  
Beta Signal

# Appendix



## Management Details

### S.1.6.2.1 - Health and Safety Management System

100	35.63%	35.6
Raw Score	Weight	Weighted Score

The company has a very strong management system

In 2018, a total of 55% of AkzoNobel's manufacturing sites were OHSAS 18001 certified. This ensures that the company has implemented a strong health and safety management system at the majority of its facilities.

#### Criteria

- Formal health and safety policy commitment
- Managerial responsibility for health and safety issues
- Procedures for hazard identification and risk assessment
- Regular health and safety training programmes for employees
- Operating guidelines or procedures that are relevant for the industry
- Targets to reduce health and safety incidents
- Emergency preparedness procedures
- Performance monitoring and measurement
- Internal or external health and safety audits conducted at least every three years
- Reporting on health and safety programmes and performance

#### Sources

AkzoNobel Corporate Website, ESG Data, www.akzonobel.com; accessed 25 November 2019

### S.1.6.4 - Health & Safety Certifications

60	11.88%	7.1
Raw Score	Weight	Weighted Score

50-74% of the company's facilities have received external certification

In 2018, a total of 58% of AkzoNobel's manufacturing sites were OHSAS 18001 certified.

#### Sources

AkzoNobel Corporate Website, ESG Data, www.akzonobel.com; accessed 25 November 2019

### S.1.6.5 - LTIR Trend

100	11.88%	11.9
Raw Score	Weight	Weighted Score

The company's lost-time incident rate has declined

The company reports its lost time injury rate (LTIR) (number of injuries resulting in a lost time injury per 200,000 hours worked) for the period 2015-2018:

2018: 0.09  
 2017: 0.06  
 2016: 0.13  
 2015: 0.15

In 2018, the company's LTIR decreased by 21% compared to the average of previous three years (0.11).

#### Sources

AkzoNobel Annual Report 2018 (FY2018)

### S.1.6.6 - Employee Fatality Rate

100	11.88%	11.9
Raw Score	Weight	Weighted Score

No fatalities have occurred in the last three years

#### Sources

AkzoNobel Annual Report 2018 (FY2018)

# Appendix



## Management Details

### S.2.2.5 - Contractor Safety Programme

100	11.88%	11.9
Raw Score	Weight	Weighted Score

The company has a very strong programme

According to company feedback received in July 2018, contractors go through a formal health, safety & environment review, which takes place when they are hired. Additional, Akzo Nobel requires its contractors to receive a detailed safety induction, and monitors the total reportable injury rate, as well as fatalities, for contractors.

In addition, the company's 2020 ambition is to achieve a lost time injury rate among contractors equal or less than 0.05 (per 200,000 hours).

#### Criteria

- Policy commitment to protect the safety of contractors
- Prescreening of contractors for safety performance and risks
- Operating guidelines on contractor safety management
- Safety training for contractors
- Compliance with safety guidelines included in contractual agreements.
- Objectives or targets regarding contractor safety
- Monitoring of contractor safety performance
- Reporting on contractor safety management

#### Sources

AkzoNobel Annual Report 2018 (FY2018)

AkzoNobel Business Partner Code of Conduct, released September 2015

AkzoNobel Corporate Website, ESG Data, [www.akzonobel.com](http://www.akzonobel.com); accessed 25 November 2019

The company provided additional feedback on 25 July 2018

The company provided feedback on 17 January 2020

### S.2.2.6 - Contractor Fatalities

75	11.88%	8.9
Raw Score	Weight	Weighted Score

Between 1 and 4 fatalities have occurred among contractors in the last three years

Akzo Nobel reports that one fatality occurred among its contractors in 2017. No contractor fatalities were registered in 2016 and 2018.

#### Sources

AkzoNobel Annual Report 2018 (FY2018)

# Appendix



## Management Details

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### Occupational Health and Safety Events



Category 1 Event - Low

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### Incident History



**Locations:** Netherlands


**Tags:** Health and Safety

**Dutch regulator fines company for safety violations**  
nrc.nl - 16 November 2017

**Update: Dutch regulator requests fine for health and safety breaches**  
NOS - 02 November 2017

# Appendix

 **Exposure Details**

 **Resource Use**

**EA.E.33 - Water Use**

0.00  
Beta Signal

The company is not involved in any controversies of this type.

**EA.F.1 - Operating Performance**

0.02  
Beta Signal

The company has a weak net income margin.

Average Net Income Margin (2016-2018): 5.25%  
Subindustry Median (2016-2018): 7.24%  
Source: Morningstar, October 2019. All Rights Reserved.

**EA.F.2 - Solvency**

0.00  
Beta Signal

The company has an average debt-equity ratio.

Debt to Equity Ratio (2018-2016): 0.39  
Subindustry Median (2018-2016): 0.4  
Source: Morningstar, October 2019. All Rights Reserved.

**EA.F.3 - Financial Flexibility**

0.02  
Beta Signal

The company has a weak cash flow ratio.

Free Cash Flow Ratio (2018-2016): 3.18%  
Subindustry Median (2018-2016): 5.27%  
Source: Morningstar, October 2019. All Rights Reserved.

**EA.F.4 - Asset Performance**

0.03  
Beta Signal

The company has a very weak return on assets.

Return on Assets (2018-2016): 3.63%  
Subindustry Median (2018-2016): 6.15%  
Source: Morningstar, October 2019. All Rights Reserved.

**EA.S.1 - Qualitative Overlay**

0.00  
Beta Signal

The analyst did not apply a qualitative overlay.

# Appendix



## Exposure Details

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### EA.S.2 - Subindustry Correction Factor

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0.00  
Beta Signal

### EA.S.3 - Exceptional Event Adjustment

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0.00  
Beta Signal

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# Appendix



## Management Details

### E.1.1 - Environmental Policy

100	10.00%	10.0
Raw Score	Weight	Weighted Score

The company has a very strong policy

#### Criteria

- Commitment to environmental protection
- Commitment to create environmental awareness
- Commitment to implement an environmental management system
- Commitment to use natural resources or energy more efficiently
- Commitment to reduce emissions, releases and waste
- Commitment to monitor the company's environmental performance
- Commitment to report regularly on environmental issues
- Commitment to consult with stakeholders on environmental issues
- Approved by senior management or the board of directors

#### Sources

AkzoNobel Policy statement on Health, Safety, Environment and Security, revised May 2016

The company provided feedback on 17 January 2020

### E.1.2 - Environmental Management System

100	17.50%	17.5
Raw Score	Weight	Weighted Score

The company has a very strong EMS

In 2018, 77% of the company's manufacturing sites were certified according to ISO 14001 or RC 14001 standards, which ensures the implementation of a strong environmental management system at the majority of its sites.

#### Criteria

- Managerial or board level responsibility for environmental issues
- Identification of products, activities and services that have significant impacts on the environment
- Compliance with environmental regulation
- Objectives, targets and deadlines
- Environmental programmes
- Assigned roles and responsibilities
- Training and awareness programmes for employees
- Internal and external communications on environmental management issues
- Monitoring and measurement
- Environmental performance records
- External environmental audits
- Internal environmental audits
- Corrective actions to stimulate continual improvement

#### Sources

AkzoNobel Corporate Website, ESG Data, [www.akzonobel.com](http://www.akzonobel.com); accessed 25 November 2019

### E.1.2.7 - Water Intensity

100	20.00%	20.0
Raw Score	Weight	Weighted Score

The company's water intensity is well below the industry median

Akzo Nobel N.V. Annual Report 2019

### E.1.2.7.1 - Water Risk Management

100	15.00%	15.0
Raw Score	Weight	Weighted Score

The company has a strong programme

#### Criteria

- Recognition of the risks posed by water scarcity or the absence of such risks
- Managerial or board level responsibility for addressing risks posed by water scarcity
- Integration of water scarcity into regular risk assessments and business strategy
- Detailed reporting on risks posed by water scarcity or their absence
- Reporting on contextualized water metrics
- Participation in relevant multistakeholder or industry initiatives

#### Sources

AkzoNobel Annual Report 2018 (FY2018)

CEO Water Mandate, [www.ceowatermandate.org](http://www.ceowatermandate.org); accessed 25 November 2019

Indicator informed by AkzoNobel Climate Change Response 2017 (FY2016)

# Appendix



## Management Details

### E.1.3 - EMS Certification

75	7.50%	5.6
Raw Score	Weight	Weighted Score

Between 75% and 90% of the company's activities have received external certification

In FY2018, 77% of the company's manufacturing sites were certified according to ISO 14001 or RC 14001 standards.

#### Sources

AkzoNobel Corporate Website, ESG Data, www.akzonobel.com; accessed 25 November 2019

### E.1.3.4 - Water Management Programmes

50	30.00%	15.0
Raw Score	Weight	Weighted Score

The company has an adequate programme

Akzo Nobel states that it has implemented sustainable fresh water management at 94% of its sites. Sustainable fresh water management is defined as obtaining a low risk score in all categories in the AkzoNobel sustainable fresh water assessment tool, including water sources, supply reliability, efficiency, quality of discharges, compliance and social competitive factors. Moreover, the company also measures quantities of fresh water consumption.

#### Criteria

- Policy commitment to reduce water use
- Managerial responsibility for water use
- Initiatives to reduce fresh water use
- Water reduction targets and deadlines
- Water use monitoring and measurement
- Water use reporting

#### Sources

AkzoNobel Annual Report 2018 (FY2018)

The company provided feedback on 17 January 2020

The company provided feedback on 24 August 2017

# Appendix

## Exposure Details

### Product Governance

#### EA.E.24 - Marketing Practices

0.00  
Beta Signal

The company is not involved in any controversies of this type.

#### EA.E.28 - Quality and Safety

0.00  
Beta Signal

The company is not involved in any controversies of this type.

#### EA.F.1 - Operating Performance

0.02  
Beta Signal

The company has a weak net income margin.

Average Net Income Margin (2016-2018): 5.25%  
Subindustry Median (2016-2018): 7.24%  
Source: Morningstar, October 2019. All Rights Reserved.

#### EA.F.2 - Solvency

0.00  
Beta Signal

The company has an average debt-equity ratio.

Debt to Equity Ratio (2018-2016): 0.39  
Subindustry Median (2018-2016): 0.4  
Source: Morningstar, October 2019. All Rights Reserved.

#### EA.F.3 - Financial Flexibility

0.02  
Beta Signal

The company has a weak cash flow ratio.

Free Cash Flow Ratio (2018-2016): 3.18%  
Subindustry Median (2018-2016): 5.27%  
Source: Morningstar, October 2019. All Rights Reserved.

#### EA.F.4 - Asset Performance

0.03  
Beta Signal

The company has a very weak return on assets.

Return on Assets (2018-2016): 3.63%  
Subindustry Median (2018-2016): 6.15%  
Source: Morningstar, October 2019. All Rights Reserved.

#### EA.G.1 - Headquarters Location

- 0.03  
Beta Signal

The location of the company's headquarters indicates slightly lower exposure to this issue.

Netherlands: Lower exposure  
Source: Sustainalytics Country Risk Rating, May 2019.

#### EA.G.3 - Sales Location

0.05  
Beta Signal

The location of the company's sales indicates slightly higher exposure to this issue.

Europe: 40% (Slightly higher exposure)  
North America: 12% (Slightly higher exposure)  
Asia: 29% (Average exposure)  
Other: 18%  
Source: Sustainalytics Country Risk Rating, May 2019.  
Morningstar, October 2019. All Rights Reserved.

# Appendix

## Exposure Details

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### EA.S.1 - Qualitative Overlay

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0.15  
Beta Signal

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The analyst increased the beta for this company.

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The profile is pending further assessment by an analyst. Additional details will be provided soon.

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### EA.S.2 - Subindustry Correction Factor

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0.00  
Beta Signal

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### EA.S.3 - Exceptional Event Adjustment

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0.00  
Beta Signal

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# Appendix



## Management Details

### S.3.1.9.1 - Product and Service Safety Programme

100	70.00%	70.0
Raw Score	Weight	Weighted Score

The company has a very strong programme

#### Criteria

- Policy commitment to ensure product/service safety
- Managerial responsibility for product/service safety
- Product/service safety risk assessment
- Regular employee training on product/service safety
- Regularly tested emergency response procedures to ensure product/service safety
- Incident investigation and corrective action
- Monitoring of product/service safety performance
- Product/service objectives or targets
- Regular external product/service safety audits
- Public reporting on product/service safety issues

#### Sources

AkzoNobel Corporate Website, ESG Data, [www.akzonobel.com](http://www.akzonobel.com); accessed 25 November 2019

### S.3.2.1 - QMS Certifications

80	30.00%	24.0
Raw Score	Weight	Weighted Score

Between 75% and 89% of the company's sites have received external certification

As part of its feedback provided in August 2017, AkzoNobel stated that 180 out of 219 sites (82%) have received ISO 9001 certification. However, the company does not report on the scope of certification as of 2018, in its most recent annual report.

#### Sources

The company provided feedback on 24 August 2017

# Akzo Nobel N.V.

Specialty Chemicals | Netherlands | AMS:AKZA

## GLOSSARY OF TERMS

### Beta (Beta, $\beta$ )






A factor that assesses the degree to which a company's exposure deviates from its **subindustry's** exposure on a **material ESG issue**. It is used to derive a company-specific issue exposure score for a material ESG issue. It ranges from 0 to 10, with 0 indicating no exposure, 1 indicating the subindustry average, and 10 indicating exposure that is ten times the subindustry average.

### Corporate Governance Pillar

A pillar provides a signal about a company's management of a specific Corporate Governance issue.

### ESG Risk Category

Companies' **ESG Risk Rating scores** are assigned to five ESG risk categories in the **ESG Risk Rating**:

-  **Negligible risk:** enterprise value is considered to have a negligible risk of material financial impacts driven by ESG factors
-  **Low risk:** enterprise value is considered to have a low risk of material financial impacts driven by ESG factors
-  **Medium risk:** enterprise value is considered to have a medium risk of material financial impacts driven by ESG factors
-  **High risk:** enterprise value is considered to have a high risk of material financial impacts driven by ESG factors
-  **Severe risk:** enterprise value is considered to have a severe risk of material financial impacts driven by ESG factors

Note that because ESG risks materialize at an unknown time in the future and depend on a variety of unpredictable conditions, no predictions on financial or share price impacts, or on the time horizon of such impacts, are intended or implied by these risk categories.

### ESG Risk Rating Score (Unmanaged Risk Score)

The company's final score in the **ESG Risk Rating**; it applies the concept of **risk decomposition** to derive the level of **unmanaged risk** for a company.

### Event Category

Sustainalytics categorizes events that have resulted in negative ESG impacts into five event categories: Category 1 (low impact); Category 2 (moderate impact); Category 3 (significant impact); Category 4 (high impact); and Category 5 (severe impact).

### Event Indicator

An indicator that provides a signal about a potential failure of management through involvement in controversies.

### Excess Exposure

The difference between the company's **exposure** and its **subindustry** exposure.

### Exposure

A company or **subindustry's** sensitivity or vulnerability to ESG risks.

### Idiosyncratic Issue

An issue that was not deemed material at the **subindustry** level during the **consultation process** but becomes a **material ESG issue** for a company based on the occurrence of a Category 4 or 5 event.

### Manageable Risk

Material ESG Risk that can be influenced and managed through suitable policies, programmes and initiatives.

### Managed Risk

Material ESG Risk that has been managed by a company through suitable policies, programmes and initiatives.

### Management

A company's handling of ESG risks.

### Management Gap

Refers to the difference between what a company has managed and what a company could possibly manage. It indicates how far the company's performance is from best practice.

### Management Indicator

An indicator that provides a signal about a company's management of an ESG issue through policies, programmes or quantitative performance.

### Material ESG Issue

A core building block of the **ESG Risk Rating**. An ESG issue is considered to be material within the rating if it is likely to have a significant effect on the enterprise value of a typical company within a given **subindustry**.

### Subindustry

Subindustries are defined as part of Sustainalytics' own classification system.

### Unmanageable Risk

Material ESG Risk inherent from the intrinsic nature of the products or services of a company and/or the nature of a company's business, which cannot be managed by the company if the company continues to offer the same type of products or services and remains in the same line of business.

### Unmanaged Risk

Material ESG risk that has not been managed by a company, and includes two types of risk: **unmanageable risk**, as well as risks that could be managed by a company through suitable initiatives, but which may not yet be managed (**management gap**).

# Akzo Nobel N.V.

Specialty Chemicals | Netherlands | AMS:AKZA

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