

Corporate governance statement

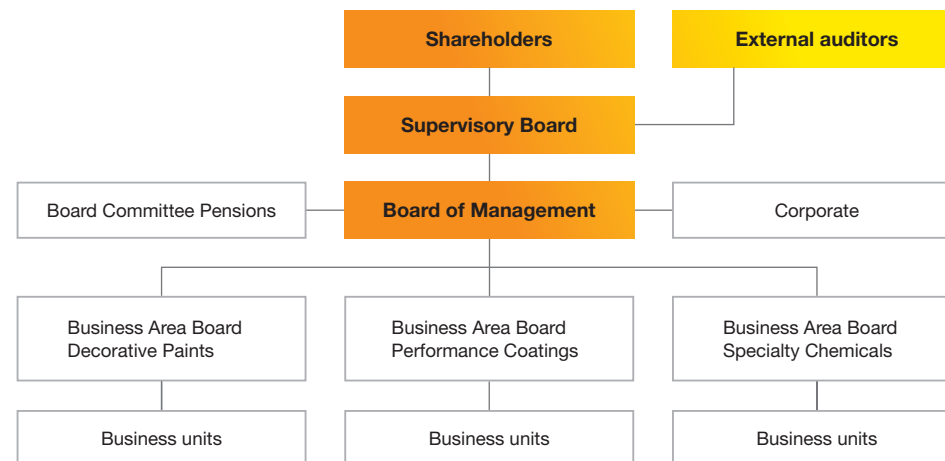
Akzo Nobel N.V. is a public limited liability company (“Naamloze Vennootschap”) established under the laws of the Netherlands. Its common shares are listed on NYSE Euronext Amsterdam. The company’s management and supervision structure is organized in a so-called two-tier system, comprising a Board of Management, solely composed of executive directors, and a Supervisory Board, solely composed of non-executive directors. The two Boards are independent of each other and are accountable to the Annual General Meeting of shareholders for the performance of their functions.

Our corporate governance structure is based on the requirements of the Dutch Civil Code, the company’s Articles of Association and the rules and regulations applicable to companies listed on the NYSE Euronext Amsterdam stock exchange, complemented by several internal procedures. These procedures include a risk management and control system, as well as a system of assurance of compliance with laws and regulations.

Over the last decade, we have been consistently enhancing and improving our corporate governance standards in accordance with applicable laws and regulations. Most notable were the Dutch Corporate Governance Code adopted in 2003 and amended in 2008 (the “Code”) and the US Sarbanes-Oxley Act of 2002 and its implementation rules. Although we have delisted from NASDAQ and deregistered from the SEC, we continue to build on the improvements we have been making to our corporate governance.

The Code contains principles and best practices for Dutch companies with listed shares. We agree with both the general approach and the vast majority of its principles and best practice provisions. Corporate governance at AkzoNobel was placed on the agenda at our Annual General Meeting of shareholders in 2004 and 2005 as a separate item for

Governance structure



Major external regulations

- Dutch Civil Code
- Dutch Act on financial supervision
- NYSE Euronext listing rules
- Dutch Corporate Governance Code

Major internal regulations

- Articles of Association
- Code of Conduct
- Rules of Procedure for the Supervisory Board
- Rules of Procedure for the Board of Management
- Corporate Directives and Policies
- Authority schedules

discussion. This specifically included a number of aspects where our corporate governance deviates from the Code, as explained in the 2004 Annual Report. The Board of Management and the Supervisory Board have taken these discussions into account in formulating a position on AkzoNobel's corporate governance. One of the outcomes was an amendment to the Articles of Association, which was approved by the Annual General Meeting of shareholders in 2005. The company agrees with all amendments introduced in the revised Code of 2008. To the extent necessary, most changes to the Code have been implemented through an amendment to the Rules of Procedure of the Board of Management and Supervisory Board respectively, as well as through additions to the text in this 2009 Report. The introduction of a claw back provision (in accordance with the Code's provision II.2.11) will be initiated by proposing an amendment to the remuneration policy on this subject at the 2010 Annual General Meeting of shareholders.

This chapter describes AkzoNobel's corporate governance. Any deviations from the Code are explained, in accordance with the Code's "apply or explain" principle.

The Board of Management and the Supervisory Board are of the opinion that the company's corporate governance structure, as described here, is the most appropriate for AkzoNobel at this point in time. With the exception of those aspects of our governance structure which can only be amended with the approval of the Annual General Meeting of shareholders, the Board of Management and the Supervisory Board may make adjustments to the way the Code is applied as described below, if this is considered to be in the interest of the company. If adjustments are made, they will be published and reported in the annual report for the relevant year.

Board of Management

General

The Board of Management is entrusted with the management of the company, which means that – among other responsibilities – members define the strategic direction, establish the policies and manage the company's day-to-day operations. They collectively manage the company and are responsible for its performance. Members are jointly and individually accountable for all decisions made by the Board of Management. All major investments, all acquisitions and all major functional initiatives are discussed and decided, if applicable, subject to

Supervisory Board approval. In performing its duties, the Board of Management is guided by the interests of the company and its affiliated enterprise, taking into consideration the relevant interests of the company's stakeholders. Board of Management meetings are held once a fortnight.

The Chief Executive Officer (CEO) leads the Board of Management in its overall management of the company to achieve its performance goals and ambitions. He is the main point of liaison with the Supervisory Board. The Chief Financial Officer (CFO) is specifically responsible for the company's financial affairs. Members also have specific responsibilities for the company's main business areas: Decorative Paints, Performance Coatings and Specialty Chemicals.

The Managing Directors of our businesses, and the Staff Directors in charge of the different functions, report to individual Board members with specific responsibility for their activities and performance. To safeguard consistency and coherence for the total organization, the Board of Management has established corporate directives.

To effectively steer the strategy of our businesses and their operations, the Board of Management has established Business Area Boards for each of our business areas: Decorative Paints, Performance Coatings and Specialty Chemicals. In addition, a Board Committee Pensions oversees the general pension policies (to be) implemented in the various pension plans of the company.

Business Area Boards are chaired by the member of the Board of Management responsible for that business area. The CFO chairs the Board Committee Pensions. The authority of the Business Area Boards and the Board Committee Pensions is laid down in an internal authority schedule. Business Area Board meetings are held once a fortnight. The Business Area Boards provide a forum for a more in-depth discussion on all possible subjects relevant to that business area.

Representative authority, including the signing of documents, is vested in at least two members of the Board of Management jointly. Corporate agents may be appointed, whose powers of attorney will be determined by the Board of Management.

The tasks and responsibilities, as well as internal procedural matters for the Board of Management, are addressed in the Rules of Procedure for the Board of Management. These Rules of Procedure have been adopted by the Supervisory Board and are available on our corporate website.

Appointment, conflicts of interest

Board of Management members are appointed to, and removed from, office by the Annual General Meeting of shareholders.

As of 2004, members of the Board of Management are appointed for four-year terms, with the possibility of reappointment at the expiry of each term. This is in line with the Code's provision II.1.1. However, the contract of Mr. Wijers – who was appointed before 2004 – was not renegotiated, as this was not felt to be in the interest of the company.

The Meeting of Holders of Priority Shares has the right to make binding nominations for the appointment of members of the Board of Management and the Supervisory Board. The priority shares are held by the Foundation Akzo Nobel. The Board of the Foundation Akzo Nobel consists of members of the Supervisory Board who are not members of the Audit Committee.

According to the Code's recommendation (provision IV.1.1), the Annual General Meeting of shareholders should be able to pass a resolution to cancel the binding nature of a nomination for the appointment of the Supervisory Board or the Board of Management. Under the Articles of Association, the binding nature of the nominations by the holders of priority shares cannot be canceled by the Annual General Meeting of shareholders.

The company subscribes to the Code's principle in general. Therefore (as described in the 2004 Annual Report and discussed at the Annual General Meeting of shareholders in 2005) it has been decided that in normal circumstances, Supervisory Board and Board of Management members will be appointed on the basis of a non-binding nomination by the Supervisory Board. The Board of the Foundation Akzo Nobel has confirmed its intention to use its binding nomination rights only in the case of exceptional circumstances, such as in the event of a (threatened) hostile takeover. (Reference is made to the description of anti-takeover provisions and control, see page 66). In normal circumstances, resolutions to appoint a member of the Supervisory Board or Board of Management will therefore

require a simple majority of the votes cast. Shareholders meeting the requirements laid down in the Articles of Association are also entitled to nominate Supervisory Board or Board of Management members. According to the Articles of Association, such appointments will require a two-thirds majority, representing at least 50 percent of the outstanding share capital.

Although a deviation from provision IV.1.1. of the Code, the Supervisory Board and the Board of Management are of the opinion that these provisions will enhance the continuity of the company's management and policies.

Members of the Board of Management are allowed to hold a maximum of two supervisory board memberships or non-executive directorships in other listed companies. This is in line with the Code (provision II.1.8). The exception to this rule is that in the year prior to their retirement, Board of Management members are allowed to hold more than two supervisory board memberships or non-executive directorships in order to allow them to prepare for retirement. But only if this does not interfere with the performance of their tasks as members of the Board of Management. Acceptance of external supervisory board memberships or non-executive directorships is subject to approval by the Supervisory Board, with authority having been delegated to the Chairman of the Supervisory Board. During 2009, Mr. Wijers was appointed a non-executive Board Member of Royal Dutch Shell plc, while Mr. Frohn was appointed a member of the Supervisory Board of Nutreco N.V.

The handling of (potential) conflicts of interest between the company and members of the Board of Management is governed by the Rules of Procedure for the Board of Management. Decisions to enter into transactions under which Board of Management members have conflicts of interests that are of material significance to the company, and/or to the relevant Board of Management member, require the approval of the Supervisory Board. Mention will also be made in the annual report for the relevant year. In 2009, no transactions were reported under which a member of the Board of Management has had a conflict of interest that is of material significance to the company.

Remuneration

In line with the remuneration policy adopted by the Annual General Meeting of shareholders, the remuneration of the members of the Board of Management is determined by

the Supervisory Board on the advice of its Remuneration Committee. The composition of the remuneration of Board of Management members, and the remuneration policy itself, are described in the Remuneration Report (see page 67) and the Financial Statements (see note 23 on page 115).

The main elements of the employment contracts of Board of Management members are available on our corporate website. For appointments starting from 2004, the maximum remuneration in the event of dismissal is in principle one year's base salary. In the event of the dismissal of the Board member appointed before 2004, the Supervisory Board will determine a severance payment upon the advice of the Remuneration Committee. Since it is not believed to be in the interest of the company to renegotiate the existing contracts of the members of the Board of Management, the company decided in 2004 not to follow Code provision II.2.8 for appointments made before 2004. However, the Supervisory Board intends to take the provisions of the Code as guidance for establishing severance payments. The contracts of the members of the Board of Management do not contain change of control provisions.

Risk management and (financial) reporting

Internal risk management and control systems are in place. Our risk management system is explained in more detail in the Risk Management chapter (see page 73).

We have strict procedures for internal and disclosure controls and auditor independence. The Disclosure Committee monitors the procedures established by the company and advises the Board of Management to ensure adequate and timely disclosure of material financial and non-financial information.

Though not subject to SOX requirements, an "in-control" department is operational to secure compliance.

Reference is made to the Board of Management's report (see page 8) for the statements in respect of the internal risk management and control systems.

Supervisory Board

General

The Supervisory Board's overall responsibility is to exercise supervision over the policies adopted by the Board of Management and over the general conduct of the business

of the company. This specifically includes supervision of the achievement of the company's operational and financial objectives, the corporate strategy designed to achieve the objectives and the main financial parameters and risk factors. The Supervisory Board also provides the Board of Management with advice. In fulfilling their duties, members are guided by the interests of AkzoNobel and its affiliated enterprise, taking into consideration the relevant interests of the company's stakeholders.

Appointment, independence, conflicts of interest and composition

Members of the Supervisory Board are nominated, appointed and dismissed in accordance with procedures which are the same as those outlined above for the members of the Board of Management (see page 62). As a general rule, based on the rotation schedule, a Supervisory Board member's tenure is four years. In principle, members are eligible for re-election twice. However, in deviation from the Code (provision III.3.5), a member can be nominated for re-election more often if, in a specific case, this is considered to be in the company's interest.

The composition of the Supervisory Board is such that members are able to act with due objectivity and independently of one another and of the Board of Management. All members meet the independence requirements as stated in Code provisions III.2.1 and III.2.2, as confirmed in the Supervisory Board's report in accordance with provision III.2.3.

No member of the Supervisory Board holds more than five supervisory board memberships in Dutch listed companies.

The Supervisory Board is governed by its Rules of Procedure, which include detailed provisions on how to deal with conflicts of interest and potential conflicts of interest between members of the Supervisory Board and the company. In 2009, no transactions were reported under which a member had a conflict of interest which was of material significance to the company. The Supervisory Board Rules of Procedure, encompassing the Profile and the Charters of the Committees, reflect the tasks and responsibilities of the Supervisory Board and are available on our corporate website.

The Chairman of the Supervisory Board determines the agenda, chairs the meetings of the Supervisory Board, monitors the proper functioning of the Supervisory Board and its committees, arranges for the adequate provision of information to its members and acts on behalf of the Supervisory Board as the main contact for the Board of Management. He also initiates the evaluation of the functioning of the Supervisory Board and the Board of Management and chairs the Annual General Meeting of shareholders. From May 1, 2006, to February 23, 2009, the Supervisory Board was chaired by Mr. Van den Bergh. On February 23, 2009, Mr. Vuursteen was appointed Chairman of the Supervisory Board.

The Supervisory Board is assisted by the Secretary. All members have access to the advice and services of the Secretary, who is responsible for ensuring that procedures are followed and that the Supervisory Board acts in accordance with its statutory obligations under the Articles of Association.

Remuneration

Supervisory Board members receive a fixed annual remuneration and attendance fee, which is determined by the Annual General Meeting of shareholders. More information on the remuneration of the members of the Supervisory Board can be found on page 67.

Board appointments 2009:

- Mr. Vuursteen was appointed Chairman of the Supervisory Board
- Mr. Bufe was appointed Deputy Chairman of the Supervisory Board
- Mr. Burgmans was appointed Chairman of the Remuneration Committee
- Mrs. Bruzelius was appointed a member of the Audit Committee
- Mr. Ellwood was appointed a member of both the Nomination Committee and the Remuneration Committee
- Mr. Gunning was appointed a member of the Board of Management.

Committees

The Supervisory Board has established three committees: the Audit Committee, the Nomination Committee and the Remuneration Committee. Each committee has a charter describing its role and responsibilities and the manner in which it discharges its duties and reports to the full Supervisory Board. These charters are included in the Supervisory Board Rules of Procedure, published on our corporate website. The committees report on their deliberations and findings to the full Supervisory Board.

The Audit Committee assists the Supervisory Board in overseeing the quality and integrity of the accounting, auditing, reporting and risk management practices of the company, as well as on a number of other subjects, as included in its charter. The Chairman of the Audit Committee is Mr. Van den Brink.

One area of particular focus in corporate governance is the independence of the auditors. The Audit Committee has been delegated direct responsibility for the compensation and oversight of the auditors and the services they provide to the company. The auditors are prohibited from providing the company with certain non-audit services. In order to anchor this in our procedures, the Supervisory Board adopted the “AkzoNobel Auditors Independence Policy” and the related “AkzoNobel Audit Committee Pre-approval Procedure on Audit, Audit-Related and Non-Audit Services”. All these documents and policies are available on our corporate website.

The Nomination Committee, chaired by Mr. Vuursteen, focuses on drawing up selection criteria and appointment procedures for Supervisory Board and Board of Management members. The committee assesses the size and composition of both Boards, evaluates the functioning of the individual members, makes proposals for appointments and reappointments and supervises the Board of Management on the selection of senior management. When selecting candidates for appointment to the Supervisory Board, account is taken of the need for a balanced representation of knowledge of the markets in which the company operates, as well as the need for insight from different markets and non-operational areas.

The Remuneration Committee is responsible for drafting proposals to the Supervisory Board on the remuneration policy for the Board of Management, for overseeing the remuneration

of its individual members, and for the remuneration schemes for AkzoNobel executives involving the company's shares. The committee also prepares Supervisory Board proposals to the Annual General Meeting of shareholders concerning the remuneration of the members of the Supervisory Board. The Remuneration Committee is chaired by Mr. Burgmans. Baroness Bottomley and Messrs. Vuursteen, Burgmans and Ellwood are all members of both the Nomination Committee and the Remuneration Committee.

Auditors

The external auditor is appointed by the Annual General Meeting of shareholders on the proposal of the Supervisory Board. The appointment is for an indefinite period of time and is reviewed every four years by the Audit Committee. The same committee advises the Supervisory Board, which communicates the results of this assessment to the Annual General Meeting of shareholders. The Audit Committee and the Board of Management annually report their dealings with the external auditor to the Supervisory Board and discuss the auditor's independence. The lead auditor in charge of the AkzoNobel account is changed every seven years. KPMG's current lead partner, Mr. Weusten, has held this position since July 2007. The lead auditor is present at the Annual General Meeting of shareholders and may be questioned with regard to his statement on the fairness of the financial statements.

The external auditor attends all meetings of the Audit Committee, as well as the meeting of the Supervisory Board at which the financial statements are approved. He receives the financial information underlying reports of the quarterly figures and is given the opportunity to respond to this information.

Inside information and insider trading, Code of Conduct, Code of Financial Ethics and complaints procedure

Members of the Board of Management and Supervisory Board are subject to the AkzoNobel Rules on Inside Information and Insider Trading, which limit their opportunities to trade in AkzoNobel – and in certain circumstances – other company shares. Transactions in AkzoNobel shares carried out by Board of Management or Supervisory Board members are notified to the Dutch Authority for Financial Markets in accordance with Dutch law and, if necessary, to other relevant authorities.

Certain employees are subject to the same limitations under the AkzoNobel Rules on Inside Information and Insider Trading.

The AkzoNobel Rules on Inside Information and Insider Trading state that carrying out transactions in AkzoNobel securities – as well as securities other than AkzoNobel securities – is prohibited if the person concerned has inside information regarding such securities. Furthermore, the Compliance Officer may determine that Board of Management and Supervisory Board members, and certain designated employees, may not carry out transactions in AkzoNobel securities, or other securities, both during and outside a closed period.

Shares in the company and the options of Board of Management members, as well as certain senior executives, may be held in an account administered by the “Stichting Executive Management Beheer”. This foundation acts as an independent portfolio manager for the relevant AkzoNobel participants.

A comprehensive Code of Conduct, followed by officers and employees committed to individual and corporate integrity, is one of the critical foundations of good corporate governance. AkzoNobel's Code of Conduct, which incorporates our business principles, sets out the company's position. It guides all our employees in their daily work. We have established several procedures to arrange for company-wide dissemination of the Code of Conduct and training. We have also established procedures and a Compliance Committee to monitor compliance with the code in general, and certain of its provisions in particular, and to provide for its enforcement. The Board of Management has adopted a Financial Code of Ethics for senior financial officers. Certain designated persons, including the CEO and the CFO, have to confirm annually in writing that they have adhered to this code. The Financial Code of Ethics can be found on our corporate website.

A complaints procedure enables employees to file complaints concerning practices that violate any internal or external rules or regulations. This so-called Speak Up! procedure ensures that employees have the opportunity to report alleged irregularities without jeopardizing their legal position.

Relations with shareholders and other investors

AkzoNobel has three classes of shares: common shares, cumulative preferred shares and priority shares. Common shares are traded on the Euronext Amsterdam stock exchange. Common shares are also traded over-the-counter on OTCQX (organized by Pink Sheets) in the US in the form of American Depositary Receipts. On December 31, 2009, a total of 232,253,633 common shares and 48 priority shares had been issued, amounting to 99.996 percent and 0.004 percent respectively of the total issued and outstanding capital.

By December 31, 2009, AkzoNobel had been notified by Capital Research and Management Company that their participation in the company's share capital was more than 10 percent, while Paulson & Co informed us that their participation in the company's share capital was more than 5 percent.

The priority shares are held by the Foundation Akzo Nobel. The Foundation's Board consists of members of AkzoNobel's Supervisory Board who are not members of the Audit Committee. The Meeting of Holders of Priority Shares has the nomination rights for the appointments of members of the Board of Management and of the Supervisory Board (see page 62) and the right to approve amendments to the Articles of Association of the company.

No cumulative preferred shares have been issued to date. It has been communicated that the cumulative preferred shares merely have a financing function, which means that, if necessary, they will be issued at or near to the prevailing quoted price for common shares.

The Annual General Meeting of shareholders held on April 27, 2009, authorized the Board of Management for the period of 18 months after that date – subject to approval from the Supervisory Board – to issue shares in the capital of the company up to a maximum of 10 percent of the issued share capital, to restrict or exclude the pre-emption rights for existing shareholders for those shares, and to purchase shares of the company. At the same meeting, the Board of Management was given a mandate to acquire up to a maximum of 10 percent of the issued share capital of the company.

General Meetings of shareholders are held at least once a year. The Annual General Meeting of shareholders is convened by public notice. The agenda, the notes to the agenda and the procedure for attendance – including the record date and the procedure for granting a proxy to a third party – are published in advance and posted on our corporate website. Holding shares in the company on the record date determines the right to exercise voting rights and other rights relating to the Annual General Meeting of shareholders, notwithstanding the subsequent sale of shares thereafter. The notes to the agenda contain all relevant information with respect to the proposed resolutions. All resolutions are made on the basis of the “one share, one vote” principle. All resolutions are adopted by absolute majority, unless the law or the company's Articles of Association stipulate otherwise. The Annual General Meeting of shareholders reviews the annual report and decides on adoption of the financial statements and the dividend proposal, as well as on the discharge of the members of the Supervisory Board and the Board of Management. Holders of common shares in aggregate representing at least 1 percent of the total issued capital may submit proposals for the Annual General Meeting agenda. These proposals must be sent in writing or electronically to the company's head office in Amsterdam at least 60 calendar days in advance. Such requests shall be granted and shareholders will be provided with all relevant information, unless the Supervisory Board and the Board of Management are of the opinion that the request is not reasonable in the given circumstances. The minutes of the Annual General Meeting of shareholders (in Dutch) are made available on our corporate website within three months of the meeting date.

The Annual General Meeting of shareholders approves or adopts, as the case may be, among other matters:

- The annual accounts
- Dividends (not interim dividends)
- The election of Board Members
- Material changes to the remuneration policy of the Board of Management
- Other important matters such as major acquisitions or the sale of a substantial part of the company
- The issue of new shares.

The company attaches great value to shareholder relations. We use the Shareholders' Communication Channel to distribute the agenda of the Annual General Meeting, and to allow shareholders who hold their shares through an associated bank participation in the proxy voting at the said meeting.

In line with relevant laws and regulations, we provide all shareholders and other parties in the financial markets with equal and simultaneous information about matters that may influence the share price, thereby taking into account possible exceptions permitted by those laws and regulations. This information can be found on our corporate website, to the extent required by law.

We actively communicate our strategy and the developments of our businesses to the financial markets. Members of the Board of Management and business managers regularly attend analyst meetings in Europe and the US. The quarterly results, press conferences and the analysts' conference calls – as well as the presentations at analyst meetings organized by the company – are all announced in advance and are available as webcasts and accessible online. Presentations to (institutional) investors are held at regular intervals and, in principle, are announced on our corporate website or via press releases. Other meetings with analysts or investors are not normally announced in advance, nor can they be followed by webcast or any other means. Discussions at such meetings are always limited to information which is already in the public domain. This is in line with the requirement to ensure that all shareholders and other parties in the financial market have equal and simultaneous access to

information that may influence the share price. In this respect, the company complies with applicable laws and regulations. In principle, analyst meetings, presentations to (institutional) investors and direct meetings with investors are not held shortly before publication of our quarterly or annual results. AkzoNobel's outline policy on general and bilateral contacts with shareholders can be found on our corporate website.

Anti-takeover provisions and control

According to provision IV.3.11 of the Code, the company is required to provide a survey of its actual or potential anti-takeover measures, and to indicate in what circumstances it is expected that they may be used.

The priority shares may be considered to constitute a form of anti-takeover measure. In relation to the right of the Meeting of Holders of Priority Shares to make binding nominations for appointments to the Board of Management and the Supervisory Board (see page 62), the Foundation Akzo Nobel has confirmed that it intends to make use of such rights in exceptional circumstances only. These circumstances include situations where, in the opinion of the Board of the Foundation, the continuity of the company's management and policies is at stake. This may be the case if a public bid for the common shares of the company has been announced, or has been made, or the justified expectation exists that such a bid will be made without any agreement having been reached in relation to such a bid with the company.

The same shall apply if one shareholder, or more shareholders acting in a concerted way, hold a substantial percentage of the issued common shares of the company without making an offer. Or if, in the opinion of the Board of the Foundation Akzo Nobel, the exercise of the voting rights by one shareholder or more shareholders, acting in a concerted way, is materially in conflict with the interests of the company. In such cases, the Supervisory Board and the Board of Management, in accordance with their statutory responsibility, will evaluate all available options with a view to serving the best interests of the company, its shareholders and other stakeholders. In order to allow for sufficient time to conduct such an evaluation, the Board of the Foundation Akzo Nobel reserves the right to make use of its binding nomination rights for the appointment of members of the Supervisory Board and of the Board of Management in such circumstances.

In the event of a hostile takeover bid, in general the Supervisory Board and the Board of Management reserve the right to use all powers available to them in the interests of the company and its affiliated enterprise, taking into consideration the relevant interests of the company's stakeholders.