

AkzoNobel Modern Slavery Statement 2022

June 27, 2023

This group statement is directed by the UK Modern Slavery Act 2015, the California Transparency in Supply Chains Act and the Australian Modern Slavery Act 2018. It sets out the steps taken by Akzo Nobel NV and its subsidiaries, for and on behalf of all reporting entities within the AkzoNobel Group, up to December 31, 2022, to prevent modern slavery in its business and supply chain.

Introduction

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

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

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

We encourage our employees, business partners and people affected by our activities or products to raise grievances about any potential human rights concerns regarding our operations through our SpeakUp! website. We address these grievances fairly, in confidence and in accordance with applicable laws.

Our business and supply chains

AkzoNobel is a leading global paints and coatings company. We have a passion for paint and supply to industries and consumers worldwide. In 2022, the turnover for the group was EUR 10.8 billion.

Headquartered in Amsterdam, the Netherlands, the Akzo Nobel Group employs approximately 35,200 talented people and is active in around 150 countries, while our portfolio includes well-known brands such as Dulux, Sikkens, International and Interpon. Everything we do starts with People. Planet. Paint., our company purpose. By using our pioneering spirit and centuries of paints and coatings expertise, we can deliver the sustainable and innovative solutions that our customers, communities – and the planet – are increasingly relying on.

We have a fast and efficient way of working, with two clear focus areas – making and selling paint and coatings. AkzoNobel purchases and sells a wide array of diverse products catering to many customers in many different markets all over the world. Our supply chains are long and often complex. As a result, the company has many suppliers, large and small. While sourcing is centralized and key and large volume products are sourced company-wide, managing our supply chain will continue to be a significant challenge.

Policies and contractual requirements

Our Code of Conduct states that we will not tolerate abuses of human rights, whether in our own operations or across our value chain, and that we will take any adverse impact on these rights very seriously and act accordingly. AkzoNobel's policies and rules clarify how our employees and business partners should respect human rights. For example, we have specific rules on child labor and do not employ people under the age of 16, irrespective of whether local laws provide for a lower minimum age.

Our contracts with our business partners require compliance with all applicable laws. All our business partners are required to sign and comply with our Business Partner Code of Conduct before engaging in business with us, including a commitment to avoid impacting people's human rights, and to apply principles of the International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work. The Business Partner Code of Conduct explains, for example, that people should not be employed against their will, transported for exploitation, engaged in slavery or servitude, nor deprived of their rights. In addition, legal minimum age requirements – as outlined in the relevant ILO conventions and the laws of the countries of operation – should be adhered to and children under the age of 16 should not be employed. The Business Partner Code of Conduct is available in 25 languages.

Training

Training on our Code of Conduct (which includes respect for human rights within all our operations) and grievance mechanism are mandatory to all employees of AkzoNobel.

In addition, we roll out role-based risk-based training in order to ensure that our employees and our business partners respect human rights in their own operations and in their value chains.

Due diligence and audits of suppliers and supply chain

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

Supplier sustainability framework

We work together with our suppliers to create a sustainable supply base. Our supplier sustainability framework continuously monitors the sustainability level of our suppliers, including their performance on human rights.

1. Together for Sustainability (TfS)

TfS is an industry initiative made up of 47 leading global chemical companies and continues to expand. It aims to improve sustainability practices within the global supply chains of the chemical industry, building on established global principles such as the United Nations Global Compact principles, UN Guiding Principles on Business and Human Rights, and the Responsible Care Global Charter. With TfS, we aim to implement effective, leading-edge practices across the industry. As a TfS member, we are utilizing the TfS sustainability programs that include online standardized assessments (conducted by third-party EcoVadis, a global leader in CSR assessments), and announced on-site audits, carried out by approved TfS third-party auditors. Both programs review our suppliers' performance on human rights and working conditions.

The results of our TfS assessments and audits allow us to identify areas for improvement and focus improvement activities relating to the suppliers that are assessed through the platform. Improvement areas include the introduction of a formal reporting system on our suppliers' sustainable procurement performance and business ethics issues, including human rights and working conditions. 84% of the identified risk suppliers participated in the 2021 EcoVadis assessments. These identified risk suppliers are the number of suppliers who have been identified as a risk to AkzoNobel due to their spend level (>€250,000), country risk (sensitive and emerging countries using EcoVadis' country risk profile) and/or category risk. Spend levels are based on the prior reporting year, which means for the 2022 annual report, 2021 spend levels were used. In 2022, we increased this baseline from 1028 in 2021 to 1432 in 2022 of which 77% participated in the program in 2022. 52% of risk suppliers meet our expectations using the EcoVadis score result. In 2023, we aim to accelerate our program by continuing to request improvements and inviting additional suppliers to take part in the assessment. Read more about our supplier sustainability framework in [our annual report](#).

2. Assessment of modern slavery risk within our operations and supply chain

As mentioned before, we are aware that multiple risks come with complex and long supply chains, including the risk that modern slavery may occur in these supply chains. As an outcome of the latest comprehensive human rights risk assessment (2020/2021) covering our entire value chain including our own operations and which resulted in our identification of salient human rights issues, we recognize that there is an inherent risk of modern slavery in our global supply chains, and particularly as we move into tier two and onwards (indirect) suppliers. In our own operations the risk was found to be low, and addressed and mitigated by our policies and processes (such as regular HSE&S audits that we carry out at our operating locations, and the introduction of our Global Working Hours standard in Europe, Middle East, Africa, Latin America and North Asia, which we are rolling out in other regions).

In 2022, we further accelerated our due diligence program of several high-risk raw materials, identified as possibly impacting human rights in our supply chain, in particular regarding modern slavery. In 2021, we conducted in-depth research into our raw materials portfolio and added barytes, calcium carbonate, copper, fluorspar and talcum to our human rights due diligence in the supply chain. These were added to cobalt, mica minerals and tin, which were already in scope. Every year, we survey suppliers that directly, or indirectly, supply us these materials. By the end of 2022, we had an 85% response rate.

For cobalt, mica and tin, we have surveyed all 158 identified suppliers, using templates from the Responsible Minerals Initiative. Of those suppliers who confirmed using cobalt and tin necessary for the functionality of the product, 83% disclosed their smelters. In total, 83% of these smelters were either listed as active or conformant smelters in the Responsible Minerals Assurance Process. Suppliers with a “conflict-free statement”, but who didn’t disclose the smelters in their supply chain, haven’t been included in the aforementioned percentage since our due diligence is based on the Organization for Economic Cooperation and Development Guidance for Responsible Mineral Supply Chains.

In 2021, we have formalized our membership of the Responsible Mica Initiative (RMI), having been one of the founding members when it was launched in 2017. The multi-stakeholder initiative is working with more than 90 members and is one of the few global organizations devoted solely to the establishment of a fair, responsible, and sustainable mica supply chain that is free of child labor and provides responsible working conditions in India and Madagascar.

For the other materials, during 2022 we have sent out surveys to 91 suppliers in addition to the 81 suppliers surveyed in 2021 to increase transparency of these supply chains. The results gave us further insight into our supply chain complexity and risks. We can now set up new actions, such as planning independent mine audits where insufficient controls seem to be in place.

This statement covers Akzo Nobel N.V. and its group companies, with reporting companies proceeding with their own Board approvals according to the UK Modern Slavery Act 2015 and Australian Modern Slavery Act 2018.

This Statement was adopted by the Board of Directors of Akzo Nobel Powder Coatings Limited on 30 June 2023.

Simon Timmins
Director