

Akzo Nobel Company Profile

**written for FNV Mondiaal by
Francis Weyzig & Irene Schipper
SOMO**

Amsterdam, December 2004

Colofon

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written for FNV Mondiaal by
Irene Schipper & Francis Weyzig (SOMO)
as part of the FNV Company Monitor Project

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Contact information

SOMO
Keizersgracht 132
1015 CW Amsterdam
Phone: +31 (0)20 6391291
e-mail: info@somo.nl

www.companymonitor.org

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1. General characteristics of Akzo Nobel N.V.

Communication data Head Office

Akzo Nobel N.V.

Velperweg 76

P.O. Box 9300

6800 SB, The Netherlands

Tel: +31 26 3664433

Fax: +31 26 3663250

E-mail: ACC@akzonobel.com

Internet: <http://www.akzonobel.com>

Headquartered in the Netherlands, Akzo Nobel has activities in 80 Countries and employed 66,400 people at December 2003. Sales in 2003 were EUR 13.1 billion, with Pharma accounting for EUR 3.6 billion, Coatings for EUR 5.2 billion, and Chemicals for EUR 4.3 billion.

Akzo Nobel is a public limited liability company (N.V.) under Dutch law, registered in Arnhem. The Board of Management is entrusted with the responsibility for the conduct of Akzo Nobel's business, under the supervision of the Supervisory Board.

Akzo Nobel comprises three product groups: Pharma, which account for 27% of the group's net sales, Coatings, which account for 40% of net sales, and Chemicals, which account for 33% of net sales. Pharmaceuticals has been the fastest-growing product group, with the percentage of sales increasing from 19% in 1998, to 28% in 2002. However, in 2003 the results of the pharma group started to decline when patent protection on its drug Remeron expired, and a further decline is expected for 2004.

1.1. Turnover and profit at corporate level

Net sales and net income in millions of Euros: last 5 years

Year	Net sales	Operating income	Net Income
2003	13,051	1,327	602
2002	14,002	1,492	818
2001	14,110	1,571	671
2000	14,003	1,641	947
1999	14,432	1,238	189

1.2. Product Groups

Pharma: Prescription drugs, veterinary products, and active ingredients for the pharmaceutical industry.

Coatings: Akzo Nobel is the worlds leading coatings producer. Coatings is a fragmented market, in which Akzo Nobel has a 8% market share.

Chemicals: Specification, functional, and specialty chemicals.

1.3. Company Structure

Akzo Nobel has a two-layer organizational structure:

- A corporate center, with a staff of 200 people
- 17 Business Units grouped in 3 product groups:
 - Pharma,
 - Coatings,
 - and Chemicals.

The product groups Pharma, Coatings and Chemicals do not form an organisational layer. Akzo Nobel has its activities grouped in three product groups, but there is no organisational structure on this level and no decision-making on this level. And therefore, almost no staff on this level, except for the Senior Group Directors. Their main task is the technology coordination between the BU's belonging to same product group. The grouping in 3 product groups is in fact only a grouping on paper. Every product group consists of 3 to 8 Business Units (BU's). The General Managers of the BU's report directly to the responsible person in the Board of Management. The BU's belonging to the same product group are operating very independently from each other.

1.3.1. *The Corporate centre*

The Corporate headquarters of Akzo Nobel coordinates key tasks in such areas as:

- ❑ strategy, finance and control;
- ❑ human resources; (HR Policy)
- ❑ technology
- ❑ legal affairs and intellectual property;
- ❑ communications;
- ❑ health, safety and environment; (HSE Policy)
- ❑ information management;
- ❑ and risk and insurance management.

At corporate level the major strategic decisions are taken, and the management on key figures. The staff on corporate level develops steering mechanisms, quality improvement projects and the directives for social policy, the HRM policy, and HSE policy.

The 'Board of management" (consists of 5 men), is responsible for the management of Akzo Nobel and its businesses.

Supervisory Board, exercise supervision over the Board of Management. They come together 4 times a year. It consists of 9 men and 1 woman.

Board of Management

G.J. (Hans Wijers)	Chairman and Chief Executive Officer
F. (Fritz) Fröhlich	Deputy Chairman and Chief financial Officer
A.T.M. (Toon) Wilderbeek	Board member responsible fo Pharma
R.M.J. (Rudy) van der Meer	Board member responsible for Coatings
D. (Dag) Strömqvist	Board member responsible for Chemicals

1.3.2. *The Business Units (BUs)*

The second layer in the organisation consists of the international business units (BUs). In total there are 17 business units: 10 BUs operating from the Netherlands, 2 from Sweden, 2 from the UK and 3 from the United States. The production sites and commercial representations of the BUs are located all over the world.¹ Akzo Nobel has strongly decentralized BUs and this form of product-specific operational management forms the backbone of the company. Each BU is held responsible for its own profit-making and the BUs report directly to the corporate Board of Management.

¹ Except Decorative Painting Norrht and South, they have a regional product-market combination. See also in the Attachement: Locations of the BU Headquarters.

The considerable freedom of operation of the BUs has increased over time and in 1998 the BUs even became legal autonomous companies. Since then, it is possible to split off a BUs as an independent company. Since 1999, R&D is also completely decentralised to the BUs. At corporate level there are no central management activities concerning R&D anymore. The central research department (Corporate Research) was closed in 1999. Since then each BU is totally responsible for its own R&D activities. Regular R&D meetings (conferences) are organised for all the technology managers of the BUs belonging to the same product group.

Hence, until recently, only a few issues, such as finance and HSE, were managed at the level of the corporate level. With the formulation of its CSR policy, however, the trend towards ever higher independence of the BUs has been reversed. While the management of production remains the exclusive domain of the BU management, and will continue to do so, common policies (which take the form of Corporate Directives) now include CSR and part of the HR-policy as well. In the future there might emerge one common HR policy, but this is unlikely to extend to labour conditions.²

1.3.3. BU-level versus country level

At Akzo Nobel, the operational management does not have a country level. Operational decisions are taken at BU level and not at country level. Only in China, Russia, Sweden, The Netherlands, and Brazil, national organisations or representative offices coordinate local activities.³ For example, Akzo Nobel Nederland (the Netherlands) fulfils a central role for all the Akzo Nobel companies in the Netherlands. Another exception is Brazil. In Brazil there are so many Akzo Nobel companies, (belonging to different BU's), that there is a supporting central office on country level. In Brazil this office is coordinating the Human Resource Management, the auditing, and fiscal, juridical and finance aspects. Sites belonging to the same BU are more connected with each other than sites just operating in the country.⁴

1.3.4. Problem for workers influence

The decentralized BU structure of Akzo Nobel causes difficulties for unions. The binding factor between sites is the BU whereto they belong, and not in which country they operate. So it is often not effective anymore for unions, to organise on country level. Also the unions have to organise on BU level to be effective. In the situation that there are many sites of the same BU operating in one country, then it is still possible to generate workers influence on country level. It is getting more difficult for unions, works councils, and other forms of workers representations, to do business with Akzo Nobel on a relevant level. The unions and the works councils often have to deal with managers without the right authority. The structure of workers participation and the internal architecture of the company are less and less linking with each other.⁵

² Interview with A. Veneman, (corporate) Director CSR/HSE, 9 December 2004.

³ Interview with A. Veneman, (corporate) Director CSR/HSE, 9 December 2004.

⁴ A conclusion drawn in: "Grensverleggend vakbondswerk: werknemersvertegenwoordiging en multinationale ondernemingen in Nederland",

⁵ A conclusion drawn in: "Grensverleggend vakbondswerk: werknemersvertegenwoordiging en multinationale ondernemingen in Nederland", 2001, FNV Bondgenoten.

2. Production

Turnover per Group, last 5 years.

Group	2003		2002		2001		2000		1999	
Pharma	3,550	27%	4,008	28%	4,044	28%	3,839	27%	2,865	20%
Coatings	5,233	40%	5,521	39%	5,591	39%	5,568	39%	5,266	36%
Chemicals	4,397	33%	4,598	33%	4,604	33%	4,740	34%	4,154	29%
Fibers									2,242	15%

Figures in millions Euro

Turnover per Product Group, last 5 years (€ bln)

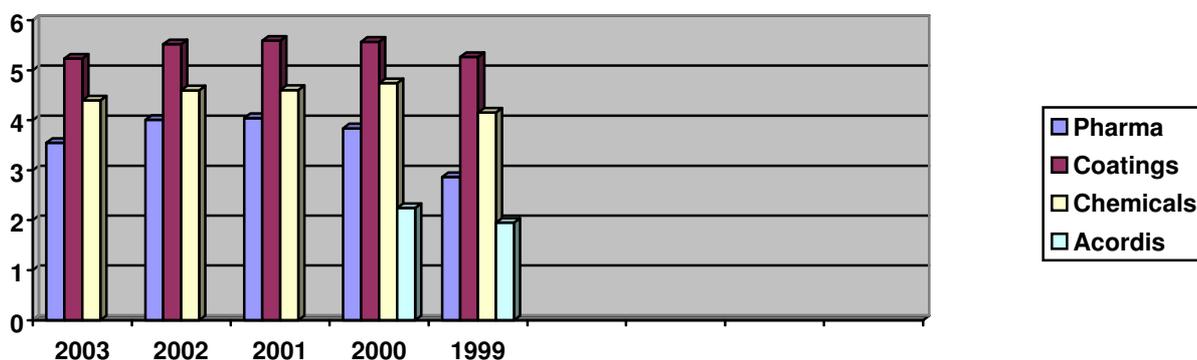
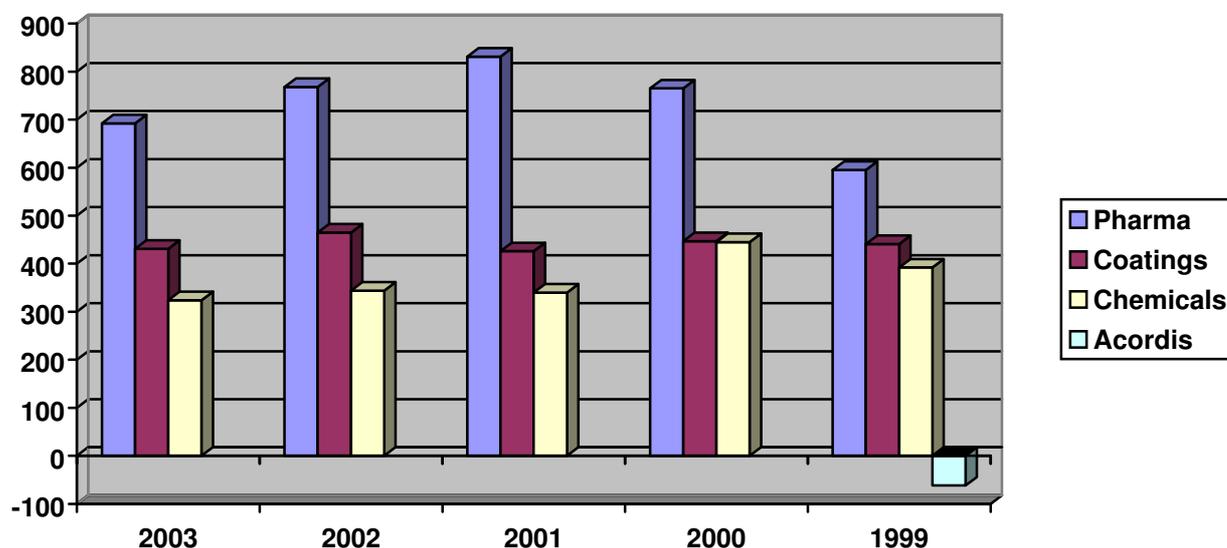


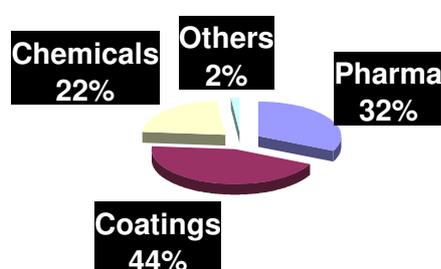
Table: Operating income per Group, last 5 year (€ mln)



Operating income per region (€ mln)

	2003	2002	2001	2000	1999
The Netherlands	212	191	219	360	264
Germany	89	78	82	83	24
Sweden	80	89	67	79	63
United Kingdom	-78	13	38	55	7
Other European	562	654	712	558	498
USA Canada	190	149	190	237	248
Latin America	60	99	104	91	53
Asia	175	161	113	122	54
Other regions	59	58	230	206	162

Number of Employees ultimo 2002 per Group



2.1. Pharma – Facing headwinds

Quote of the new CEO, Hans Wijers: "Fix Pharma and create room to maneuver"

Responsible in Board of Management:	A.T.M. (Toon) Wilderbeek
Group Director Technology:	Dhr. J.H. Dopper
3 Business Units:	
Organon	A.T.M. (Toon) Wilderbeek
Intervet	Ruurd Stolp
Diosynth	Joahan C.C.B. Evers

As of 2004, Akzo Nobel's pharmaceutical business has three Business Units:

Organon – Human prescription drugs, (www.organon.com)

Organon's strategic focus is on female healthcare and reproductive medicines, central nervous system treatments, atherothrombosis treatments, and products for auto-immune diseases.

Organon's sales represented 61% of Akzo Nobel's 2001 pharmaceutical sales. Organon's sales growth has been spurred by the success of the company's best-selling drugs, Remeron and Follistim. However, in 2003 sales of the anti-depressant Remeron in the US started to decline quickly because the patent on the drug had expired and other companies started to sell cheap generic copies of the drug.

Intervet – Veterinary pharmaceutical products (www.intervet.com)

Intervet makes animal vaccines and other veterinary products.

Diosynth – Complex active pharmaceutical ingredients (www.diosynth.com)

Diosynth is a manufacturer of active ingredients for the pharmaceutical industry.

The business unit Diosynth will be merged with Organon. into one operating business unit as per 1 January 2005. The merger should combine Diosynth's and Organon's key competences to provide a targeted approach for the Company's human pharmaceutical activities. See for more information the press release on the merger of Diosynth and Organon in the attachment.

2.1.1. Report 2003⁶

- ❑ New strategy starting to deliver – focus, alliances, and cost
- ❑ Organon
 - – asenapine – cooperation with Pfizer; special benefit of EUR 88 million
 - – Arixtra® – transfer to Sanofi-Synthélabo for revenue agreement
 - – cost savings – surpassing targets
 - – Remeron® – rapidly declining in U.S.; growth in the rest of the world
 - – NuvaRing® – gathering momentum
- ❑ Intervet – under pressure in Americas; Europe improved
- ❑ Diosynth – impacted by weakening market conditions (reduced demand for supplies to the biotechnology industry, due to delays in the approval of biotechnology products)
- ❑ Negative currency impact of 9% on sales

2.1.2. Restructuring in Pharma

Akzo Nobel remains fully committed to its pharma activities and it has chosen to sharpen the restructuring at pharma. For its pharma division Akzo Nobel focuses on cost reduction and the acceleration of the research process. In 2003, the number of Pharma employees at year-end was reduced by 940 compared to 2002. The cost reduction programme resulted in EUR 140 million savings. R&D investment was not cut. In further restructurings, the business unit Diosynth will be merged with Organon by 2005.

2.2. Coatings – performance over growth

Akzo Nobel is a leading producer of paints, finishes, stains, and synthetic resins for industrial applications, professional painters, and the do-it-yourself sector. Strategic product areas are decorative paints, liquid and powder coatings for industrial use (on wood, plastics and metal), coil, marine & yacht coatings, protective coatings, aerospace coatings and sealants, car refinishes, printing inks, industrial and consumer adhesives, impregnated paper, and specialty resins.

Akzo Nobel supports the international initiative of Coatings Care - a program for continuous improvement in Safety, Health, and the Environment.

⁶ Annual report 2003 Akzo Nobel.

Responsible in Board of Management: Rudy van der Meer
Senior Group Director: Rinus Rooseboom

8 Business Units:

Decorative Coatings Europe
Decorative Coatings International
Industrial Coatings
Industrial Finishes
Powder Coatings
Marine & Protective Coatings
Car Refinishes
Industrial Products

2.2.1. Report 2003 Coatings

Coatings realized sales of EUR 5.2 billion and autonomous growth of 3%. Coatings' operating income before nonrecurring items of EUR 431 million was lower than in 2002. Return on sales increased slightly from 8.2%, against 8.4% in 2001.⁷ The large decrease in workforce due to restructurings was partially compensated by strong growth in Asia Pacific, which represented 14% of worldwide Chemicals sales in 2003.

Autonomous growth 3% – negative currency impact 7%

- Investing in growth opportunities in Asia Pacific
- Returns – aggressively protected
 - cost savings – workforce down 1,890
 - strict asset management
- Marine & Protective – star performer
- Powder Coatings and Industrial Finishes – strong performance
- Decorative Coatings and Car Refinishes – tough business conditions
- Impregnated Papers – divested

2.2.2. Divestments/Investments 2003

- A powder coatings facility was opened in Vietnam
- A nonstick coatings facility in Dongguan City, China.
- Investment in a decorative coatings facility in Suzhou, China, was announced.
- Full ownership of powder coatings activities was acquired in South Korea
- In 2004, Akzo Nobel Decorative Coatings announced to take over Timpe & Mock.

2.3. Chemicals – robust performance in a difficult market

Akzo Nobel is an important global player in specialty, functional, and commodity chemicals, based upon leading positions in selected segments of the chemical industry.

Key products are catalysts, and additives for the manufacture and processing of polymers, as well as for the oil refining and petrochemical industries. They also make intermediates for detergents, cleaning, and

⁷ Jaarverslag Akzo Nobel 2002.

personal care products, and surfactants for resource recovery and metal treatment. Furthermore bleaching and paper chemicals, and flame-retardants.

For the agricultural sector, they produce chelates, fertilizer coating agents, and tank mix adjuvants. Its ethylene amines are used in a wide variety of industries, just like the methyl amines, salt, chlorine, alkali products, rheology additives, and carbon disulfide.

Responsible in Board of Management:	Dag Strömqvist.
Senior Group Director:	Conrad S. Kent

8 Business Units:

Pulp & Paper Chemicals	Functional Chemicals
Base Chemicals	Resins
Surface Chemistry	Salt
Polymer Chemicals	Energy

In September 2003, Akzo Nobel announced the aim to sell our Catalysts, Phosphorus Chemicals, and Coating Resins businesses to create room to maneuver and improve the company's balance sheet. At the same time, the company will continue to invest in the Chemicals division, both through organic growth and carefully selected acquisitions in profitable and leadership positions.

2.3.1. Report 2003 Chemicals

- ❑ Volumes and prices successfully protected in no-growth environment
- ❑ Negative currency impact of 7% on sales
- ❑ Cost saving programs paying off – workforce down 1,000
- ❑ Divestment program – on schedule
- ❑ Base Chemicals and Catalysts – strong performance
- ❑ Pulp & Paper Chemicals – reaping benefits from cost savings
- ❑ Polymer Chemicals and Surface Chemistry – under pressure; restructuring intensified
- ❑ Strict asset management – improved ROI and capital turnover

2.3.2. Divestments/Investments 2003 and 2004⁸

- ❑ In March 2003, the CIRS SpA antifouling and suspending agents business was acquired for EUR 36 million.
- ❑ In June 2003, the Impregnated Papers business was divested for EUR 112 million.
- ❑ In 2004, Akzo Nobel sold its activities in the area of industrial polyurethane glue.
- ❑ In 2004, Akzo Catalysts was sold to Albemarle Corporation for approximately EUR 625 million.
- ❑ In 2004, Akzo Nobel sold Phosphorus Chemicals to Ripplewood Holdings for approximately EUR 230 million.
- ❑ In 2004, Akzo Nobel sold its mirror coating activities.
- ❑ In 2004, Akzo Nobel Chemicals acquired the UK-based Aon Motor Accident Management.
- ❑ In 2004, Akzo Nobel sold its French-based Casco Industries.
- ❑ In 2004, Akzo Nobel Chemicals will take over Rhenacoat from the Germany-based pharmaceutical company Altana.

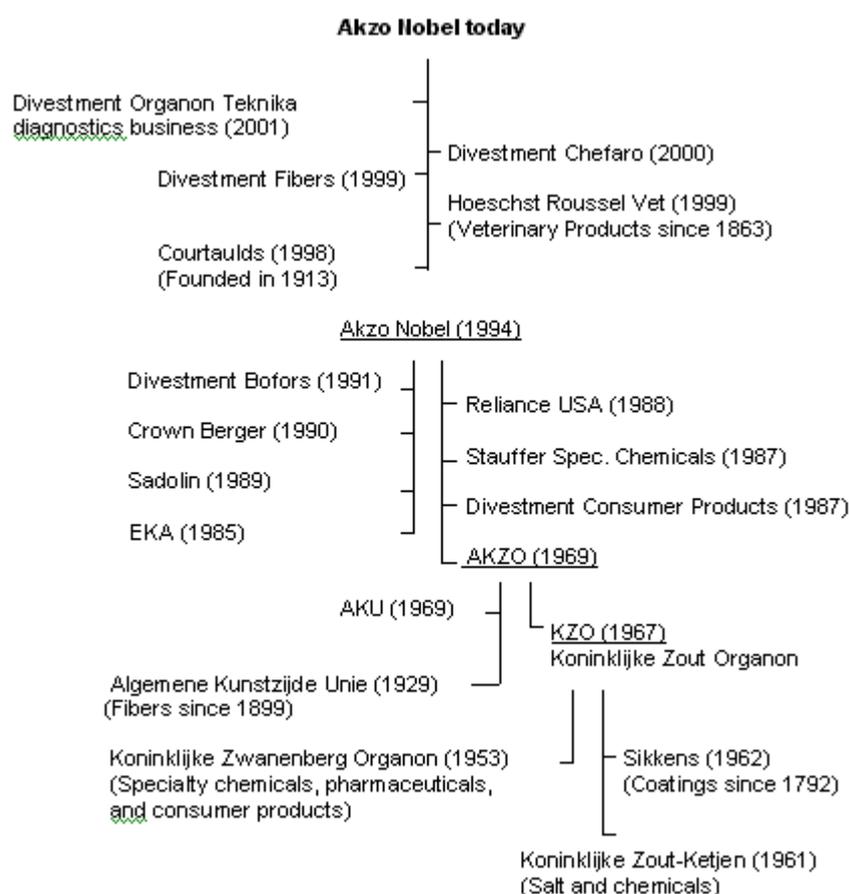
⁸ Financieele Dagblad, Akzo Nobel company profile. (accessed 03-11-2004). www.fd.nl; Akzo Nobel Annual report 2003.

3. Business strategy

3.1. Short History of the company

Unlike Shell or Philips, Akzo Nobel did not reach its current company size by organic growth, but through mergers and acquisitions. Akzo Nobel continued to streamline its business through key acquisitions and divestitures: divest sectors that are not in line with core businesses and make acquisitions to strengthen their company's main businesses.⁹ A drastic divestment was the sale of the fibres business Acordis in 1999.

The following chart shows the main changes in the last hundred years.



3.2. Split-up? "This is the question that haunts us"

Analysts are speculating year after year, when Akzo Nobel is going to split-up its hybrid portfolio. Analysts believe its valuation would improve if it spun off its fast-growing pharmaceuticals business. But is it wise to split-up? The group's pharmaceutical operation can be seen as an insulator against the cyclical nature of coatings and chemicals.

⁹ PharmaBusiness November 2001, SECTION: No. 47; Pg. 23

In March 2001 a split-up was still 'highly unlikely'. A major break-up is highly unlikely and Mr van Lede stressed that the group has a number of priorities, the first of which is pharmaceuticals. Since many analysts define companies as drug makers once pharmaceuticals make up 50% of operating income, Akzo is very close to fitting that criteria, but he told the Marketletter that this is not an issue that overly concerns him. He added that the firm has shown in the past that "when we need to restructure, we do it."¹⁰

In October 2001 a split-up was 'likely at some stage': 'Akzo Nobel in the Netherlands said yesterday that it was likely at some stage to abandon its mix of drug, paint and chemicals operations, but stressed that any move to split up the company would not be done to improve short-term shareholder value. Fritz Frohlich, chief financial officer, said: "Long term, will it stay like this? I have my doubts. But it will only be changed if we find a good partner in pharmaceuticals or coatings or if we need currency for a big acquisition.' He did not see that happening quickly, although investment bankers were pitching potential acquisitions 'almost every day'.¹¹

At June 2003: Mr. Wijers has opened the way. A conclusion drawn after the first speech of Hans Wijers, as CEO of Akzo Nobel, is that: " Mr. Wijers has opened the way for the longer-term option of completely divesting the chemicals division (which was not an option under the previous CEO)."¹²

3.3. Overall Report Akzo Nobel 2002: Net income below previous year

- ❑ All groups achieved autonomous growth
- ❑ Operating income down EUR 79 million (5%) – EUR 80 million impact from higher pension charges and EUR 80 million from weaker currencies
- ❑ Pharma – challenging year
- ❑ Coatings – strong performance
- ❑ Chemicals – stable in difficult business conditions
- ❑ Strong cash flow
- ❑ Decline in market value of pension assets – SFAS 87 pension accounting:
 - increased pension charges for 2002 and 2003
 - EUR 1.1 billion after-tax equity charge

3.4. Overall Report Akzo Nobel 2003: Net income again below previous year

- ❑ Net income 9% lower; net borrowings down EUR 0.8 billion
- ❑ Operating income, on balance, down EUR 145 million (-10%)
 - EUR 300 million impact of higher pension charges and weaker currencies affecting all groups
 - decline of Remeron® revenues – loss of market exclusivity in U.S.
 - restructuring programs strongly contributing
 - receipt of initial payment for asenapine cooperation

¹⁰ Marketletter [March 5, 2001](#), HEADLINE: Strong performance in 2000 for Akzo Nobel as pharma drives growth

¹¹ Financial Times (London) [October 25, 2001](#), Akzo hints at future split-up of operations.

¹² AFX – NL, May 16, 2003 Friday, HEADLINE: NIEUWSAN. Akzo: operat. kasstroom niet genoeg voor gewenste schuldenreductie

- ❑ Pharma – new strategy starting to deliver
- ❑ Coatings – solid performance; strongly benefiting from restructurings
- ❑ Chemicals – robust performance in a difficult market; forceful cost cutting
- ❑ Net nonrecurring charges EUR 209 million – reflecting aggressive restructuring programs
- ❑ Financial position – significantly improved

3.5. Overall strategy of the company

- ❑ In 2003 the strategy was aimed to compensate the negative impact in relation to Remeron sales, pension problems, the weak European economy and negative currency effects.
- ❑ Intended reduction of net debt by EUR 250 mln at the end of 2003.
- ❑ Planned divestments of EUR 500 million (primarily within the chemicals divisions)
- ❑ Divestments will be primarily oriented to areas where there is insufficient basis to build the intended market leader positions or where this objective would require too much cash.
- ❑ The programme to reduce the number of jobs by 3,500 is extended to 5,500 (of which 2,200 realized at February 2003).
- ❑ Akzo Nobel is focussed on growing Pharma. The highest investments in R&D and the capital investments are for Pharma.
- ❑ There is a strong focus on capital productivity. The EVA system (Economic Value Added) is implemented in every BU to improve the capital productivity.
- ❑ Streamline business through key acquisitions and divestitures. This means, divest sectors that are not in line with core businesses and make acquisitions to strengthen its main businesses
- ❑ The global strategy is to have a significant presence in every region and in every market segment
- ❑ The global strategy is to strengthen the leading positions through organic growth and selective acquisitions
- ❑ By 2004, these restructurings have been largely completed.

3.6. Restructuring programme and consequences for employees

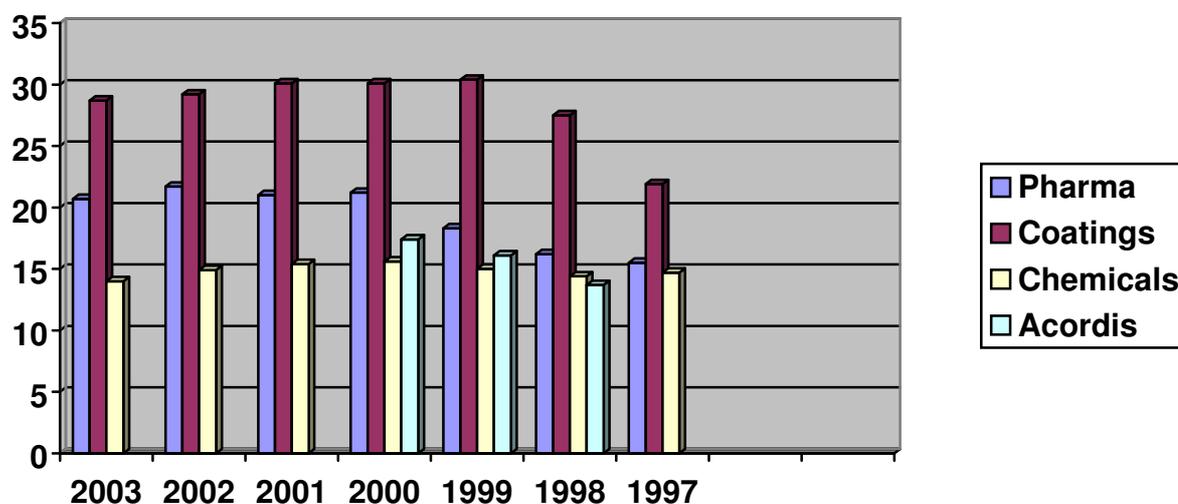
In 2001, Coatings and Chemicals initiated restructuring programmes for a workforce reduction of 3,500. In 2002, additional programmes in all three groups were announced for a further reduction of 1,500. So far, (February 2002), a workforce reduction of 2,200 has been realized. On top of that, Akzo Nobel has plans for a further global workforce reduction at Pharma of 500. So in total the restructuring programme effect 5,500 jobs.

	Restructuring progr. 2001	Additions 2002/2003	Total programme	Realized (Febr. 2003)
Pharma		800	800	100
Coatings	2,000	500	2,500	1,400
Chemicals	1,500	700	2,200	700

The number of employees developed as follows¹³:

	Dec. 31 2002	Acquisitions/ Divestments	Restructuring lay-offs	Net hiring	Dec. 31 2001
Pharma	21,800	(100)	(100)	900	21,100
Coatings	29,800	1,100	(1,200)	1,000	28,900
Chemicals	15,100	600	(700)	100	15,100
Others	1,200			1,200	
Total	67,900	1,600	(2,000)	2,000	66,300

Table: Number of employees per Group at year-end, last 7 years



Number of employees per region¹⁴

	2003	2002	2001	2000	1999	1998
The Netherlands	12,700	13,000	12,700	12,800	12,900	18,100
Germany	4,100	4,700	4,200	4,700	5,100	12,000
Sweden	4,300	4,500	4,500	4,700	4,700	4,900
United Kingdom	4,600	4,900	5,200	5,600	5,700	9,600
Other European	13,500	14,400	14,800	15,300	15,400	16,000
USA Canada	9,500	10,600	10,300	10,600	10,100	12,600
Latin America	4,600	4,700	4,500	4,700	4,500	5,100
Asia	9,000	8,800	7,900	7,600	7,700	6,000
Other regions	2,300	2,300	2,200	2,400	1,900	1,600
Total	66,400	67,900	66,300	68,400	68,000	85,000

¹³ Annual report Akzo Nobel 2002.

¹⁴ Annual report 2002

4. Labour relations

4.1. Directives at corporate level

There are no corporate directives regarding relations with unions at national or company level. According to Akzo Nobel, it all depends on the local situation. For example, in the USA, there are Akzo Nobel companies with relations with unions, and companies without relations with unions.¹⁵ There is also no Corporate Directive regarding collective agreements.

4.2. European level (European Works Council)

The Akzo Nobel European Forum consists of 26 members from 15 countries.

Characteristics of the Akzo Nobel European Forum:

- Agreement signed on February 20, 1997.
- Installation for 4 years
- Per country there is a national coordinator
- Installation of a Coordination Committee (CC)
- One yearly regular meeting
- Possibility for more meetings, in communication with CC and management
- CC at least two times a year together

Right on information and consultation on the following issues:

- Organisation structure
- Economic and financial position
- Business developments
- Employment
- Investments and divestments
- important changes in organisation structure
- New production methods
- Reallocation of production
- Mergers, restructuring and closures of companies

On which topics are the unions consulted and on which topics are they not?

Akzo Nobel is not prepared to discuss important strategic decisions and is not prepared to discuss the company policy with unions, according to the Dutch Union FNV Bondgenoten.

¹⁵ Interview with Mr. Beusmans, Secretary Board of Management and Chairman of the Management of Akzo Nobel Nederland and Mr. Olle Werner, Senior Vice President Human Resources. Interviewers Irene Schipper and Sjef Stoop, SOMO, 30-1-1998.

5. HR Policy

A quote from the annual report 2001: 'To communicate the essence of our HR policy throughout the Company, we have formulated a series of one liner statements, describing key elements of how we shall make our company 'a great place to work'. 'These statements of intent are meant to promote discussion'.¹⁶

5.1. Management structure for HR Policy

- ❑ Director International HR Policy at Corporate Level;
- ❑ Small HR staff at corporate level;
- ❑ Development of Corporate Directives for HR (See also part 7 on CSR policies);
- ❑ After the Corporate Level, HR Policy is the responsibility of the BUs and they all have their own HR department.

The Corporate Directives are primarily worked out at BU level (= international level) and after that the Sub-BUs (continental level) are developing this further for the different countries. Between the HR Manager of the BU and the HR Manager of de Sub-BU there is much informal deliberation. Each Sub-BU consists of a number of regions. The regional managers are responsible for the countries belonging to their region, and therefore responsible for the HR policy of these countries. The regional managers are represented in the management team of their BU.¹⁷

To give an idea of the company structure in BU's and Sub-BU's, therefore following figure of Coatings:¹⁸

¹⁶ Akzo Nobel Annual Report 2001.

¹⁷ Information from the Interview with Mr. G.J. Smit, HR Manager sub-BU Car Refinishes Western Europe. Interviewer Ron van Baden, SOMO, d.d. 17-1-2000.

¹⁸ From: Bedrijfsprofiel van Akzo Nobel, Profiel opgesteld door SOMO in het kader van het project Grensverleggend Vakbondswerk van FNV Bondgenoten, mei 2000.

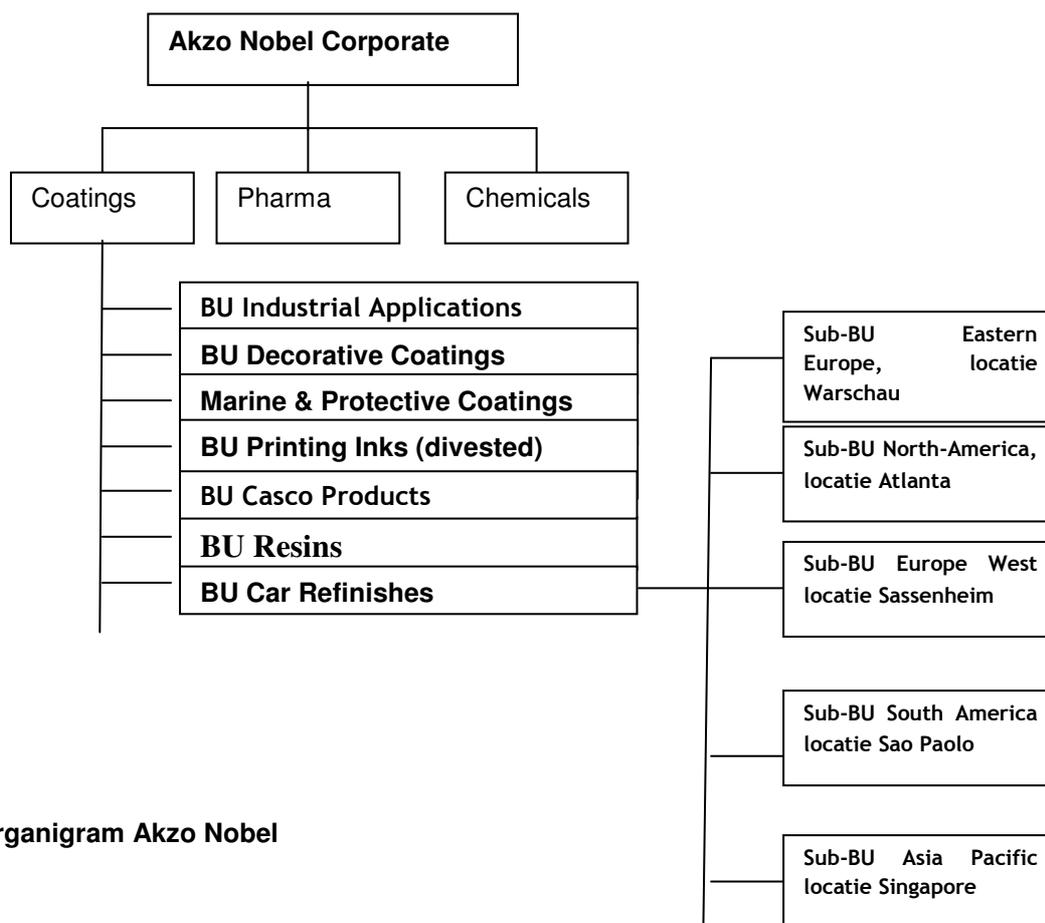


Figure 1 Organigram Akzo Nobel

In this figure there are three layers; Akzo Nobel Corporate, Product groups and BU-level. The clustering in Product groups is only a grouping on paper, there is no operational management on this level.

5.2. One file cover for social and HR policy at corporate level

The HR staff on corporate level is responsible for developing the corporate HR Policy, and formulating HR directives for Akzo Nobel worldwide. But in an interview with Mr. Beusmans and Mr. Prins¹⁹ it turned out that in 1999 these directives were very limited: 'the complete HR policy and directives can be put in one file cover'.²⁰ This one file cover contains the central policy of HRM Policy (like Management Development, Compensation & Benefits, training), HSE Policy, tax regulations, finance and control, risk and insurance management. According to Mr. Beusmans a company can't internationalise its HR Policy. To the opinion of Mr. Beusmans, the HRM Policy can't be fixed top-down, one of the reasons is the diversity of cultures within the company caused by the many mergers and acquisitions.

At Akzo Nobel, there is a responsibility at corporate level, but in fact, its social policy and its HR policy is a matter for the BU's. Each BU has its own staff for HRM.

The local HR policy will not be checked or monitored by the corporate centre.²¹

¹⁹ Interview 19-10-1999 by SOMO with dhr. Beusmans, voorzitter directie Akzo Nobel Nederland en Dhr. Prins, Manager Social Affairs

²⁰ Citaat uit interview 19-10-1999.

²¹ Citaat uit interview 19-10-1999.

5.3. The HR Intranet site

For some years now Akzo Nobel has an internal website for Human Resource Management. It is not clear which of the employees have access to the intranet, all the employees, or only the higher educated employees or only the management?

In 2001 a site for sharing Good Practices and a virtual Career Center were added to the HR Intranet site. Initiatives and experiences in the field of leadership and people management are collected from business units and shared on the Good Practices site.²²

There is also a vacancy bank on the Intranet.

5.4. Employee survey

Akzo Nobel has developed an employee survey to 'measure employee perception of leadership behaviours of their immediate superiors'. During 2001, three pilot studies have been testing this survey. The indicated main areas, so far, for improvement are in personal development, appraisals and career coaching. (In general, these items are important for the higher educated employee). Akzo Nobel says the survey is meant to give employees feedback on their individual performance and is meant for managers to inform them about their peoples skills and how to improve. In 2002, according to the annual report, the survey will be rolled out company-wide, and will be conducted every three years. The survey will indicate areas for improvement.²³

5.5. Letter of Representation

Every year, operational and service managers are required to state how they have fulfilled their responsibilities in a Letter of Representation. The Letter of Representation contains a number of Corporate Directives, in the field of assessment of financial, technological, social, legal, and political risks. Labour relations are not an item in the Letter. One of the questions refers to the investments for training and education of employees. With signing this Letter, each manager states he or she abides by the Corporate Directives as developed in the Netherlands. It is the expectation of the Corporate Center in the Netherlands that the directives will be followed up. The Letter of Representation is the only formalised instrument to monitor and to evaluate the policy statements. This gives the impression that the monitoring at Akzo Nobel is somewhat superficial.

5.6. The HRM Platform

A HRM Platform is functioning at national level and at international level. At international level the platform is attend by the HR-managers of the BU's.

At Akzo Nobel there are many informal networks between the BU's. For example the Akzo Nobel Conferences, with topics as safety, HR Management, finance etc.

²² Annual Report 2001

²³ It is interesting to check, within the project "The Company 'Monitor' how company wide the survey really is conducted, at the end of this year. And to check if all the employees are asked to fill in this employee survey, and also, did every employee get the opportunity to fill in the survey,? And what about the confidence? And an important issue also, is the transparency. Does the unions or the employee representations have access to the outcomes of the survey?

5.7. Benefit system and employee share plan

It is the ambition of Akzo Nobel to introduce a benefit system allowing more individual choice between elements as pension and pay. At the moment, it still has to be developed. In 2001, the employee share plan was introduced in the “key” countries²⁴ of Akzo Nobel. The other countries will follow in 2002.

5.8. Audits

The following voluntary audits takes place at Akzo Nobel:

- ❑ Within the BUs an employee satisfaction survey is conducted. The initiative hereto came from BU Car Refinishes. But not all the BUs take part in this survey. The works councils and the labour representatives are informed concerning the results of this survey. The company policy also takes the results into account.
- ❑ Every three years, Chemicals has an employee survey worldwide, which is conducted by the Quality department. The Akzo Nobel top management does not require best practices but does expect the managers are informed of ‘what others do’. Bonus systems can give positive incentives to managers to reach the targets for HRM and environmental targets.
- ❑ To conclude, one can say several Corporate Directives are been developed but managers of the BUs can decide themselves how to implement them.
- ❑ Within the company there is a general viewpoint that the internal transparency is of such a high level, that it functions as a kind of organic audit mechanism.

²⁴ It is not clear what the key countries are.

6. Akzo Nobel and HSE Policy

According to the Annual Report 2001, the HSE is an integral part of Akzo Nobel's Business Policy. The policy objectives in the field of Health, Safety en Environment concern all sites, and also concern the subcontractors at the sites. The corporate management mainly uses the instrument of communication as coaching method.

6.1. Implementation of HSE policy

The Board of Management sets the HSE policy. Line managers are responsible for HSE implementation on site and individual employees are explicitly evaluated on their environmental performance.²⁵

6.2. HSE Audit

Every five years, an HS&E audit takes place at every site, coordinated by the internal accountancy department and the department Environmental care in Arnhem. Akzo Nobel has more than 320 sites all over the world; about 60 of them are audited every year. Site managers always have to report back on required improvements to ensure that they meet Company requirements on continuous improvements

According to Mr. Steenhuis, this audit primarily has a disciplinary effect. The implementation of the ISO/DIS 14001 norm, implicates that every site must develop a HS&E management system. A worldwide safety award system also exists.

There is an internal website concerning HSE, the Intranet HSE website. The Corporate policy for Health, Safety & Environment is better developed and a much stronger corporate policy than the Corporate HR Policy. At the early 1990s, Akzo Nobel developed the Managing Total Safety program (MTS), with the expertise of the company Dupont. It is part of the HSE policy. The local management is free to use the program at its own discretion

6.3. Akzo Nobel and the Environment

Akzo Nobel actively supports the guiding principles of:

- ❑ The Business Charter for Sustainable Development of the International Chamber of Commerce: "Principles of Environmental Management", (see attachments.)
- ❑ The Responsible Care Program® of the European Chemical Industry Council (CEFIC): "CEFIC Guidelines for the Protection of the Environment", (see attachments).
- ❑ The Coatings Care Program® of the paint and ink industry.

All the Company's business units need to implement the Product Stewardship management system, to be operational by 2003. Product Stewardship is part of the Responsible Care program applied to products.

²⁵ <http://www.akzonobel.com/citizen/faq.asp>

6.4. The Care Programs

Responsible Care®

Responsible Care took off in the 1980s and was the chemical industry's response to public concerns about the manufacture and use of chemicals. Nowadays the program is advancing in 46 countries, representing over 85 percent of the world's chemical production.

Through Responsible Care, member companies are committed to support a continuing effort to improve the industry's responsible management of chemicals.

Coatings Care®

Another program designed to promote responsible business practices is called Coatings Care. It is developed in the early nineties for paints and printing ink manufacturers.

CarePrograms requires companies to:

- ❑ Continually improve their health, safety and environmental performance;
- ❑ Listen and respond to public concerns;
- ❑ Assist each other to achieve optimum performance; and
- ❑ Report their goals and progress to the public.

A Care Program provides a framework for companies to incorporate health, safety and environmental decision-making into planning, operations, and practices.

6.5. Product Stewardship

One of the HSE topics currently being highlighted within Akzo Nobel is Product Stewardship. All the Company's business units need to implement a fully fledged Product Stewardship management system, to be operational by 2003. Progress is monitored by the Directors of the three Product Groups.

Product Stewardship is part of the Responsible Care program applied to products.

The European Chemical Industry Council (CEFIC) describes it as "the responsible and ethical management of the health, safety and environmental aspects of a product throughout its total life cycle." In other words, products must be managed and used safely every step of the way, through development, manufacture, packaging, distribution, use and ultimate disposal. The so-called Cradle to Grave process.

Akzo Nobel launched a number of pilot projects in Business Units in the year 2000. The results that emerged from the pilot projects led to the decision to involve the whole organization. A directive (corporate level) was issued which stated that by 2003, all Akzo Nobel business units should have developed a Product Stewardship management system (see also the attachments for the Top ten Product Stewardship benefits for Business).

6.6. From 21 HSE Parameters in 1993 to five Parameters in 2002

In 1993 Akzo Nobel published its first Environmental Report. The data was collected centrally from the business units and consolidated for publication. The data was related to a large number of HSE areas,

such as emission figures, LTIs (lost time injuries) and energy consumption. It was based on 21 fixed parameters outlined by the European Chemical Industry Council (CEFIC).

But Akzo Nobel radically altered its environmental reporting policy and its system of collecting and reporting data. Under the new procedure, Akzo Nobel reduced the 21 parameters to five key parameters on corporate level, and these figures are published in the Annual Report since 2000, instead of in an environmental report. Akzo Nobel stopped with publishing environmental reports.

Dag Strömqvist, Member of the Akzo Nobel Board of Management responsible for HSE, explains the benefits of the new reporting system:

'Under the previous system, we set our business units targets and we more or less collected data from the different sites and published some of the results. It was really a question of collecting the figures and publishing them rather than managing them. Now we have chosen to consolidate figures relating to five specific parameters on a corporate level. The business units concentrate on putting together their own plans for meeting these targets, reducing levels at their respective sites and working towards improvements. In this way, we also get a clear overall picture of how the three groups, Pharma, Coatings and Chemicals, are doing.'

'We are publishing less data, but it does not mean that we are doing less. In fact, we are doing more. We can now focus on each site and work on improving local performance. It is our aim to bring all the sites to a similar level by adopting the highest standards. If you build a plant in Asia for example, the authorities may have more relaxed regulations than the Netherlands. However, we will take the strict regulations and apply them company-wide. This means that we won't try to save money by taking short cuts. We will adopt a standard to try to make us "best in class".'

The five parameters which Akzo Nobel publishes in its annual reports are as follows:

- ❑ Frequency rate of LTI
- ❑ Total illness absence rate.
- ❑ Chemical Oxygen Demand (COD) to surface water;
- ❑ Emission of organic compounds to air;
- ❑ Non-reusable waste;

The number of HSE performance parameters won't remain at five. The sixth probably will be Contractor Safety. According to Akzo Nobel's Staff Director Technology, Jan de Wit: 'an important consideration, because in the eyes of some people, a company's excellent HSE figures could hide the fact that much of the dangerous work is being passed on to outside agencies.'²⁶ However, in the 2003 report the number of parameters was still five.

²⁶ http://www.akzonobel.com/news/report_archive.asp

7. Corporate Social Responsibility (CSR) policy

7.1. General CSR approach

Akzo Nobel's approach to CSR is explained in a leaflet, called *'Doing the right thing at the right time – for the right reasons.'* As the leaflet explains, Akzo searches to integrate CSR into daily operations. Various elements of CSR existed already before Akzo Nobel formulated its CSR approach. These elements include programmes for Risk Management, Product Stewardship, Occupational Health & Safety and Environmental Management. The whole CSR approach of Akzo Nobel, and especially the way it is implemented, follows the model of existing HSE structures. Some examples of CSR in daily business practice, related to labour issues and cited in the leaflet, are:

- ❑ generating employment and restructuring in a socially responsible way
- ❑ creating personal development plans for employees
- ❑ striving to keep employees with chronic illnesses or disabilities employed
- ❑ preventing occupational illnesses and injuries
- ❑ rejecting harassment or discrimination of employees
- ❑ no child labour in Akzo Nobel companies or with contractors and suppliers
- ❑ employee representation to improve working conditions

Internally, Akzo Nobel's CSR policy is documented in detail in a CSR manual. This manual contains all relevant documents that are mentioned below, such as Business Principles, Business Principles Specifications, Complaints Procedure, Corporate Directives, and the Letter of Representation. However, apart from the corporate level, it is not known at which management levels this manual is used.

7.2. Business Principles, Specifications and CSR issues

In 2002, Akzo Nobel formulated its Business Principles (BP), in line with Akzo Nobel's Company Statement. This statement recognizes responsibilities towards some stakeholder groups and says that the corporation will conduct its businesses in a socially responsible manner. The Business Principles refers to the OECD Guidelines as follows: *'In the spirit of the Organization for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises, the Business Principles set out the core values that should underlie the conduct of all Akzo Nobel companies in order to fulfill our ambition.'*²⁷ In September 2004, the company became a member of the UN Global Compact, a global UN-business platform that aims to stimulate CSR.

- ❑ See attachment 1 for the 'Company Statement'
- ❑ See attachment 2 for the 'Business principles'

The formulation of these BP was preceded by a comprehensive internal project and they are not to be changed in the near future. The BP are quite general in nature and contain only general principles and a few basic norms. Mr. Veneman, the corporate CSR/HSE Director of Akzo Nobel, explains that the BP are conviction-based (or value-based) rather than rule-based.²⁸ The corporate management is convinced that CSR will only work if it is based on conviction and will not function on compliance procedures alone. Besides, it is perceived that imposing global norms would be a form of moral imperialism that does not respect other cultures and local contexts. From 2002 onwards, all employees of the corporation worldwide have received training on the BP. The training involved all levels in the organization through a

²⁷ Akzo Nobel website: Business Principles, <http://www.akzonobel.com>, accessed in November 2004.

²⁸ Interview with A. Veneman, (corporate) Director CSR/HSE, 9 December 2004.

top-down approach. In 2003, 14,000 employees attended the training sessions,²⁹ and in 2004 the initial trainings for all employees were completed.³⁰

When the BP were discussed internally, Business Unit (BU) managements expressed a need for more detailed guidelines. Akzo Nobel then drafted a set of Business Principles Specifications. These form an addition to the BP and contain more detailed norms on CSR issues. In contrast to the BP themselves, the BP Specifications are a living document that will be adjusted or expanded when necessary.³¹ The current version of the BP Specifications is a draft of 3 September 2004 (see attachment 3). It contains norms on the following labour issues/human rights:³²

- discrimination
- child labour
- forced labour
- right to organize
- collective bargaining
- presence in high risk countries

Regarding high risk countries, Akzo Nobel BUs will not operate in countries where the UN has imposed economic sanctions. The corporation cooperates with Amnesty International on this issue.

The number of issues addressed in the BP specifications is still limited. Mr. Veneman explains that this is on purpose, because it would be preferable to focus first on a more limited number of issues and indicators. The BUs will then have sufficient capacity to implement them well. If too many issues were addressed at once, BUs would not be able to implement all of them.³³ At present, it seems that the corporation's focus of CSR is on HSE, business integrity, employee development and core labour rights (and specifically on child labour).

Labour issues like dismissal procedures, for example in case of restructuring or relocation, layoff-conditions (such as due notice and compensation), working hours and wages are not on the agenda. Akzo Nobel explicitly confirmed that there are no corporate standards for responsible restructuring. Such issues are still completely up to the BUs and local managements. At the corporate level, there is no certainty about the standards that are applied.³⁴ In SOMO's opinion, this is an important shortcoming of Akzo Nobel's CSR policy, given the large restructuring programmes in recent years (including a substantial net reduction of the work force and expansion of operations in China and other Asian countries). However, Mr. Veneman indicates that new issues may be brought up and acknowledges the importance of research projects like the FNV company monitor to point out issues that need more attention.³⁵

7.3. CSR implementation structure

The Board of Management established two dedicated bodies—the Technology Council and the Business Principles Working Group—to develop management systems and Corporate Directives aimed at embedding CSR in the corporate governance structure. It seems that this structure has recently

²⁹ Akzo Nobel Annual report 2003.

³⁰ Interview with A. Veneman, (corporate) Director CSR/HSE, 9 December 2004.

³¹ Interview with A. Veneman, (corporate) Director CSR/HSE, 9 December 2004.

³² Akzo Nobel Business Principles Specifications, draft 3 September 2004. Attachment for CSR Council Meeting of 17 September 2004.

³³ Interview with A. Veneman, (corporate) Director CSR/HSE, 9 December 2004.

³⁴ Interview with A. Veneman, (corporate) Director CSR/HSE, 9 December 2004.

³⁵ Interview with A. Veneman, (corporate) Director CSR/HSE, 9 December 2004.

been changed. The corporation now has a CSR advisory Group and a CSR Council. The latter is presided by Hans Wijers, the CEO of Akzo Nobel.³⁶

Mr. Veneman assures that inside the corporation, the BP specifications have the status of law.³⁷ There also exist Corporate Directives – instructions from the corporate management to the BUs – on the norms contained in the BP specifications. These Corporate Directives are referred to in the BP Specifications and include:³⁸

- ❑ Corporate Directive on Disability, Chronic Illness, HIV/Aids
- ❑ Corporate Directive Child Labour
- ❑ Corporate Directive Presence in High Risk Countries
- ❑ Corporate Directive Vendor/Supplier Policy

The CSR policy, including BP and BP specifications, applies to all companies of Akzo Nobel. Previously, BUs were almost separate multinationals with a very high degree of independence. Only a few issues, such as finance and HSE, were managed at the level of the corporate level, but with CSR, the trend towards high independence of the BUs has been reversed. While the management of production remains the domain of the BU management, and will continue to do so, common policies (which take the form of Corporate Directives) now include CSR and part of the HR-policy as well. The implementation of CSR will be done by the BUs. In the future there might emerge one common HR policy, but this is unlikely for labour conditions.³⁹

The corporate management will only give general instructions to BUs. BUs have a considerable degree of freedom regarding the implementation of CSR policy, as long as they meet the minimum criteria set at the corporate level. For example, each BU can decide for itself whether environmental standards are implemented using the ISO 14000 standard or in another way. The CSR ambition level of a BU determines to a large extent what standards are applied. According to Mr. Veneman, this diversity is required because of the large differences between BUs.⁴⁰

As the corporation seeks to integrate CSR into daily practices, it does not have a separate CSR department. All aspects of CSR should be integrated in the normal management cycle, including the Letter of Representation. This letter, which has to be submitted annually by the management of all Akzo Nobel companies, now includes statements like ‘all employees have received training on the BP’ and ‘no children below age 16 have been employed’. For each of these issues, managers have to indicate whether they can assure compliance. In previous years only HSE was reported on in the letter of representation. The verification process of the Letter of Representation is audited by the BUs (so only verification of compliance is audited directly, not compliance itself). Hence, the CSR implementation structure is as follows.⁴¹

- ❑ Corporate Directives set minimum criteria for CSR performance
- ❑ The details of CSR policies are decided at the level of the BUs, within the framework of Corporate Directives
- ❑ All companies reports on compliance to their Bus through the letter of representation, and compliance is audited by the BUs
- ❑ The BUs report to the corporate level

³⁶ Interview with A. Veneman, (corporate) Director CSR/HSE, 9 December 2004.

³⁷ Interview with A. Veneman, (corporate) Director CSR/HSE, 9 December 2004.

³⁸ Akzo Nobel Business Principles Specifications, draft 3 September 2004. Attachment for CSR Council Meeting of 17 September 2004.

³⁹ Interview with A. Veneman, (corporate) Director CSR/HSE, 9 December 2004.

⁴⁰ Interview with A. Veneman, (corporate) Director CSR/HSE, 9 December 2004.

⁴¹ Interview with A. Veneman, (corporate) Director CSR/HSE, 9 December 2004.

Sometimes there exist standard practices at country level on how to deal with certain CSR issues. There are standard practices of Akzo Nobel companies in China on employee representation and the responsible location of enterprises, for example. Such country policies are helpful to address specific problems that arise because of the local context. However, this is not subject to corporate policy but a matter of local implementation. Mr Veneman adds that (at the corporate level) Akzo Nobel will never make additions to the BP in the form of country-specific standards.⁴²

7.4. Complaints Procedure

For all Akzo Nobel companies, there exists a Complaints Procedure. The corporation prefers that employees report violations through normal reporting channels and hierarchical lines; as a first step, employees can discuss complaints about non-compliance with the BP and BP specifications with their boss. Next, some countries have country-specific reporting procedures. The US has a national procedure, for example, that is better than procedures elsewhere. However, if an employee does not want to use this option and a country-specific reporting procedure does not exist, he or she can use the corporate Complaints Procedure and is expected to go to the Office of the General Counsel (Mr. J. Eijsbouts). In the future, this should be possible through toll-free telephone numbers that can be reached from any country. The corporate procedure is intended to provide for a 'confidential and reliable' way to handle complaints and was adopted in December 2003 by the Supervisory Board. It is formally called 'Procedure for complaints on practices violating Business Principles, HRM, HSE and Security Policy Statements and Corporate Directives'. Reports must be based on 'serious factual grounds' and relate to a (threat of) one of the following:⁴³

- ❑ A violation of one of the Business Principles, Policy Statements or Corporate Directives
- ❑ A criminal act or a violation of the law
- ❑ A dangerous HSE situation
- ❑ Purposeful misinformation of public authorities
- ❑ Theft or fraud against Akzo Nobel
- ❑ Risk to security of people or property

In contrast to country-specific procedures, CSR/HSE Director A. Veneman stresses that complaints should be dealt with at the level of the Business Unit. Each BU can set up its own complaints procedure in which employees can contact compliance officers, as long as the procedure meets the minimum requirements of the corporate Complaints Procedure-framework. For instance, a BU is free to decide whether minor complaints that do not constitute violations of the BP use the same complaints procedure or not. Alternatively, and especially for countries/BUs where no other procedure exists, complaints can always be communicated to the corporate level in The Netherlands, as described above. Mr. Veneman could not explain into detail how employees are informed about the applicable Complaints Procedure that exists at the corporate or BU level; probably there do not exist clear corporate standards for this.⁴⁴

The BP Specifications also feature a section on compliance. It states that:⁴⁵

- ❑ All Akzo Nobel employees must have received a training on BP
- ❑ Key suppliers to Akzo Nobel companies must sign that they comply with Akzo Nobel's BP and that they live up to these principles in their business relations with Akzo Nobel
- ❑ The Board of Management will not hold management (of business units and companies) accountable for any loss of business resulting from compliance with Akzo Nobel's BP

⁴² Interview with A. Veneman, (corporate) Director CSR/HSE, 9 December 2004.

⁴³ *Compliance and Complaints*. In: Akzo Nobel's Online Magazine, 17 September 2004.

⁴⁴ Interview with A. Veneman, (corporate) Director CSR/HSE, 9 December 2004.

⁴⁵ Akzo Nobel Business Principles Specifications, draft 3 September 2004. Attachment for CSR Council Meeting of 17 September 2004.

- ❑ Violations of the BP may lead to disciplinary measures, including dismissal
- ❑ Complaints on (suspected) breaking of Akzo Nobel's BP can be filed in accordance with Akzo Nobel's complaints procedure, which contains a provision to protect whistleblowers
- ❑ Reporting on compliance with the BP and their specifications is an integral part of the Letter of Representation, issued annually by the management of each business unit

7.5. BP translation and training

The Business Principles, probably originally in English, have been translated into approximately a dozen of languages. These include the major ones like Spanish, Dutch and Swedish (Akzo Nobel has a high presence in Sweden), and a few minor ones like Italian and Japanese (Akzo has only a few hundred employees in Japan). Surprisingly, though, Mr. Veneman explained that even though all employees received training on the BP, the BP are not translated into all languages and translations are not carried out or even coordinated at the corporate level.⁴⁶ As a consequence, he could not say into how many and which languages the BP had been translated without checking this first.

When asked how people received training in the BP without the BP being translated into all local languages, Mr. Veneman answered that the trainings were mainly oral. The training materials were centrally prepared at the corporate level because of the size of the trainings programme. The training materials were translated into major languages only. BUs were (and are) responsible for implementing the trainings programme and trainings were given at site level, usually in groups of some 30 people. The trainings were adjusted to the tasks of the employees. For purchasing staff, for example, there was an emphasis on the supplier policy. The duration of the training could be anything from a couple of hours to a whole day or more.⁴⁷

The BP Specifications (the draft is in English) have not been translated into other languages yet. Again, the translation is not coordinated at the corporate level. This leads to a curious situation: while the BP Specifications have the status of law inside Akzo Nobel, employees who do not speak English cannot check the text of these specifications.

Mr. Veneman is of the opinion that translations should be arranged at the BU level, or at country level (and hence across BUs) because only one translation is needed for each language. He then added that countries where the same language is spoken, such as Brazil and Portugal, should then coordinate the translation into their language.⁴⁸ This will however not be coordinated on corporate level. It can be concluded that the corporate management has not paid sufficient attention to the translation of the BP and especially the BP Specifications so far and is not addressing the issue in a constructive way. Mr. Veneman sticks to the position that translations into all local languages are not a responsibility of the corporation, but of the managements at lower levels.⁴⁹

In SOMO's opinion, this is a very weak point that undermines the whole CSR policy of Akzo Nobel. It would be a relatively small effort for the corporation to have the BP and BP specifications centrally translated into all necessary languages, so it is very strange that this does not happen. All employees should have access to the BP and BP specifications and should be informed about complaints procedures in their local language. Given the weak ties between BUs, coordination at 'language level', across BUs and often also across countries, would be much more difficult and more expensive.

⁴⁶ Interview with A. Veneman, (corporate) Director CSR/HSE, 9 December 2004.

⁴⁷ Interview with A. Veneman, (corporate) Director CSR/HSE, 9 December 2004.

⁴⁸ Interview with A. Veneman, (corporate) Director CSR/HSE, 9 December 2004.

⁴⁹ Interview with A. Veneman, (corporate) Director CSR/HSE, 9 December 2004.

7.6. CSR reporting

As of 2003, reporting on the implementation of the Business Principles is still very limited. The focus is on procedures, such as the trainings programme, and the HSE indicators. In April 2005, Akzo Nobel plans to publish its first CSR report. Akzo Nobel intends to be open about CSR implementation. The company is considering to apply the guidelines of the Global Reporting Initiative (GRI).⁵⁰ However, MR. Veneman indicates that reporting will start with a limited number of issues, which the corporation considers most important for the sectors in which it operates, like chemical substances. Whether the report will also address issues like responsible restructuring, for example, is not sure and depends on the priority for this issue.⁵¹

7.7. Supply chain policy

In 2005, Akzo Nobel will start implementing the vendor and supplier policy. The BP of Akzo Nobel states the following: 'Akzo Nobel regards the application of its Business Principles of prime importance in decisions to enter into or continue relationships with contractors and suppliers, and to participate in joint ventures.'⁵² Mr. Veneman points out that the outplacement of whole production processes is quite uncommon for Akzo Nobel companies. CSR in supply chains, on the other hand, needs more attention. In the view of Akzo Nobel, the limits of company responsibility depend on the issue concerned. For HSE, Akzo Nobel is responsible for all activities of suppliers on that take place on Akzo Nobel sites. With regard to child labour, responsibility extends to the whole supplier company. Akzo Nobel's CSR policy also applies to all consolidated Joint Ventures (in which the corporation has a share of 50% or more). For non-consolidated Joint Ventures, Akzo Nobel also seeks to attain the same standards, but cannot demand this.⁵³

The target for end-2005 is that 80% of vendors and supplier (measured as a % of the value of sales/purchases) will have signed a statement that they will comply with Akzo Nobel's BP and BP Specifications. In addition, the corporation points out that it 'appreciates' certain practices such as community involvement, but these are not obligatory. For suppliers, the process of asking for compliance with the BP is carried out through lead-buyers of Akzo Nobel companies. Future steps will include some kind of verification of compliance which will start with Joint Ventures, and extending the process to 2nd-line suppliers. Until now, there have been two cases of BP violations at suppliers. In such cases, BUs are instructed to start a dialogue with the supplier and try to work towards improvement and eventually compliance. Supplier relations will not immediately be terminated; non-compliance will not lead to severance of ties, but to dialogue with the company, and the BP are not intended as a selection criterion for suppliers.⁵⁴

⁵⁰ Akzo Nobel overweegt synchroon mvo-verslag. VBDO-bericht July-August 2004.

⁵¹ Interview with A. Veneman, (corporate) Director CSR/HSE, 9 December 2004.

⁵² Akzo Nobel Business Principles, see attachment 2.

⁵³ Interview with A. Veneman, (corporate) Director CSR/HSE, 9 December 2004.

⁵⁴ Interview with A. Veneman, (corporate) Director CSR/HSE, 9 December 2004.

Annex1: Company Statement

Company Statement

Our Company

Akzo Nobel is a multicultural company. We are market-driven and technology-based, serving customers throughout the world with healthcare products, coatings, and chemicals. Akzo Nobel conducts its diversified activities through Business Units, which report directly to the Board of Management. We maintain a product portfolio with leading positions in important market segments.

Our People

Akzo Nobel regards people as its most important resource. We foster leadership, individual accountability, and teamwork. Our employees are professionals whose entrepreneurial behavior is result-oriented and guided by personal integrity. They strive for the success of their own units in the interests of Akzo Nobel as a global company. In return, our employees can count on opportunities for individual and professional development in an international working environment. We offer them rewarding and challenging assignments with room for initiative.

Our Commitments

We will focus our efforts on the success of our customers. We will provide competitive returns on our shareholders' investments. We will create an attractive working environment for our employees. We will conduct our activities in a socially responsible manner.

Our Ambition

To be the first choice of customers, shareholders and employees, and to be a respected member of society.

Source: Akzo Nobel website, <http://www.akzonobel.com/company/statement.asp>, accessed in November 2004.

Annex 2: Business Principles

Business Principles

As stated in the Company Statement it is Akzo Nobel's ambition to be the first choice of customers, shareholders, and employees, and to be a respected member of society.

In the spirit of the Organization for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises, the Business Principles set out the core values that should underlie the conduct of all Akzo Nobel companies in order to fulfill our ambition. In this respect Akzo Nobel's Business Principles apply equally to our business transactions throughout the world and to the individual behavior of employees in conducting Akzo Nobel's business. This text also brings together the main Akzo Nobel responsibilities for other specific policy areas.

The Business Principles leave business unit management and country management free to specify further local rules of business conduct, provided such rules are consistent with our core values and with safeguarding Akzo Nobel's good reputation worldwide.

It is the responsibility of the Board of Management and each Business Unit Manager to ensure that Akzo Nobel's Business Principles are communicated to and observed by Akzo Nobel employees. In addition, Akzo Nobel regards the application of its Business Principles of prime importance in decisions to enter into or continue relationships with contractors and suppliers, and to participate in joint ventures.

1. Core values

Akzo Nobel strives to meet high standards of performance and behavior based on the Company's core values of business conduct. These core values are:

- entrepreneurial spirit
- personal integrity
- social responsibility.

2. Responsibilities

Akzo Nobel is committed to creating long-term value for its customers, shareholders, employees and society, recognizing that sustainable profit is essential for the continuity of its business.

We will focus our efforts on the success of our customers. In this respect it is our responsibility to provide customers with products and services that offer value in terms of price and quality, and that meet high health, safety, and environmental standards.

We will provide competitive returns on our shareholders' investments. In this respect it is our responsibility to take due account of the expectations of our investors.

We will create an attractive working environment for our employees. In this respect it is our responsibility to recruit, hire and promote employees on the sole basis of suitability for the job, to stimulate their individual and professional development, and to provide safe and healthy working conditions. It is also our responsibility to prohibit harassment of any kind and exploitation of child labor.

We will conduct our activities in a socially responsible manner. In this respect we observe the laws of the countries in which we operate, support fundamental human rights in line with the legitimate role of

business and give proper regard to health, safety and the environment consistent with our commitment to contribute to sustainable development.

3. Free enterprise

Akzo Nobel supports the principles of free enterprise and fair competition. The Company aims to meet customer's needs faster, better, and more distinctively than our competitors. To this end, Akzo Nobel will compete vigorously but fairly, and within the framework of applicable competition laws.

4. Business integrity

Akzo Nobel insists on integrity and fairness in all aspects of its business operations. Bribery and any other form of unethical business practice is prohibited.

Akzo Nobel employees are expected to avoid all situations in which their personal or financial interests may conflict with the Company's interest.

All business transactions shall be accurately and completely recorded in accordance with the Company's accounting principles and local laws and can be subject to audit.

5. Community activities

Akzo Nobel companies are encouraged to support community activities.

Akzo Nobel companies are to give their employees the opportunity to play an active role in societal matters - for example, through community or educational programs - unless participation in these activities creates a conflict of interest.

Akzo Nobel companies are not to make payments to political parties, or their institutions, agencies, or representatives.

6. Communication

Akzo Nobel recognizes that in view of the scope of its activities, the impact they have on stakeholders, and the public role the Company fulfills, proper communication is essential. Subject to any overriding considerations of confidentiality, Akzo Nobel companies endeavor to communicate with others in an open, factual, and timely manner.

7. Compliance

The Board of Management will not hold management accountable for any loss of business resulting from compliance with Akzo Nobel's Business Principles, and will see to it that no employee suffers as a consequence of reporting a breach or suspected breach of these principles

Source: Akzo Nobel website, <http://www.akzonobel.com/company/principles.asp>, accessed in November 2004.

Annex 3: Business Principles Specifications



AKZO NOBEL

Attachment **12
Agenda CSR Council
Meeting Sept. 17, 2004

Memorandum
Corporate Social
Responsibility / Health
Safety Environment

To: Members CSR Council (Hans Wijers, Jan Dopper, Dave Maggs, Jon Meijnen, Richard Minnen, Rob Molenaar, Jan Svård, André Veneman)

From: A.H.J. Veneman - ASR

Date: 15 September 2004

Ref: 04538

Copies to:

2.1.1
CSR Manual
Dispatch October 12, 2004

Subject: Directive Business Principles - specifications

Status: for information

Business Principles specifications (draft September 3, 2004)

Purpose
To drive the practical deployment of the Business Principles, a set of Business Principles specifications have been adopted by the Board of Management. Like the Business Principles themselves these specifications are applicable to all employees. They are reviewed on a regular basis and revised if necessary.
These specifications form an integral part of the Akzo Nobel Business Principles.

1. Human rights

a. Discrimination
Our employees must be recruited, selected, and promoted on the basis of objective and non-discriminatory criteria. Every employee has equal opportunities. Akzo Nobel shall offer equal pay for equal work performed at equal levels at similar locations. No harassment or discrimination of any kind will be tolerated, such as discrimination based on race, color, sex or religion. In the case of disability or chronic illness, including HIV/AIDS, employees should be able to work for as long as medically fit in available, appropriate work, avoiding prejudice and discrimination in the process (Corp. Directive on Disability, Chronic Illness, HIV/AIDS).'

b. Child labor

1. Akzo Nobel adheres to the legal minimum age requirements in all countries in which the Company is active.
2. Moreover, in adhering to the International Labor Organization's (ILO) Convention 138 "Minimum Age", and Convention 182 "Ban of worst Forms of Child Labor", Akzo Nobel does not employ children under age 16.
3. If children between age 16 and 18 are employed, the Company ensures that this work does not affect or prohibit appropriate schooling.



4. **Business Relations:** business unit management is responsible for making the Akzo Nobel standards with regard to child labor explicitly known to the first layer of suppliers and contractors. (see Corporate Directive Child Labor)

c. **Forced labor**

1. Akzo Nobel will under no circumstances make use of forced labor. Akzo Nobel will only employ employees that are working of their own free will. No employee is required to lodge deposits or will be deprived of identity papers upon commencing employment with the company.
2. Business unit management is responsible for making the Akzo Nobel standards with regard to forced labor explicitly known at least to the first layer of suppliers and contractors.

d. **Right to organize**

Akzo Nobel recognizes the freedom of employees to establish or join an organization of their choice (including trade unions) and will respect this right. Akzo Nobel will not make the employment of a worker subject to the condition that he/she shall not join a union or shall relinquish trade union membership. Akzo Nobel will not dismiss or otherwise prejudice a worker for the mere reason of trade union membership.

e. **Collective bargaining**

Akzo Nobel respects within the framework of applicable laws, regulations and prevailing labor relations and employment practices, the right of employees to be represented by labor unions and other employee organizations. Akzo Nobel will engage in negotiations either on its own behalf or through an employer's association, with a view to reaching agreement on employment conditions.

f. **Presence in high risk countries**

Setting up business activities in countries where Akzo Nobel has no presence (through a new legal entity or an Agent) is always subject to approval by the Board of Management.

Akzo Nobel business units must not operate in countries where the UN has imposed economic sanctions. The conditions and timeframe for withdrawal from such a country have to be decided by the Board of Management (see Corporate Directive Presence in High Risk Countries)

2. **Fair competition**

Akzo Nobel operates a strict policy to ensure that its operations around the world are in full compliance with all applicable competition laws (Corp. Directive Legal Affairs 7.7) and the Akzo Nobel competition law compliance policy .

3. **Business integrity**

Payments

All payments have to be recorded in the appropriate ledgers so that they can be subject to internal and external audit.



Secret accounts and/or bookkeeping outside the Company accounts are strictly forbidden.

No payments will be channeled through an agent unless they form part of normal agency fees or reimbursement for incurred costs.

Apart from petty cash transactions, cash payments to third parties are not permitted; all payments should be made to a bank account designated in writing. Payments to a so-called numbered account are not permitted.

A request by a contract partner to divert a payment to an entity or person offshore shall always be rejected.

Commission payments

The rule prohibiting bribes of any form may not be circumvented by commission payments.

Any commission payment should be justified by a clear and traceable service rendered to the Company.

The remuneration of agents, distributors and commissioners (hereinafter Agents) cannot exceed normal business rates and practices.

Government officials shall not be appointed by Akzo Nobel as Agents

Agents must comply with Akzo Nobel's Business Principles

Money laundering

Akzo Nobel will not enter into nor tolerate any arrangement which appears to or which is suspected to be used to facilitate any acquisition, retention, use or control of any property or money intended to disguise the proceeds of crime.

Facilitating payments

Background:

Facilitating payments are small payments made in money or in kind (for instance company products) which have to be made, in accordance with publicly known and widely followed local custom and practice, in connection with the performance, by officials in documentation, customs clearance and other matters, of their normal duties. A characteristic of facilitating payments is that the service obtained as the result of such payment represents the legitimate function of the official concerned and does not render undue advantage to the payer in comparison with other companies.

Directive:

Akzo Nobel is opposed to the making of facilitating payments.

The Company will promote measures to eliminate such practices; at all events applicable laws and regulations should be complied with, which in some countries completely outrules the making of facilitation payments.

4. Community activities

Political parties



Akzo Nobel companies are encouraged to give their employees the opportunity to play an active role in society, including activities in political parties and standing for election to public office, where this is appropriate in the light of local circumstances.

Akzo Nobel companies are not to make any payments or donations in kind to political parties or their institutions, agencies or representatives. Akzo Nobel companies will also not facilitate political donations by employee action committees.

5. Compliance

Implementation

All Akzo Nobel employees must have received a training on Business Principles. The intensity of training may vary depending on the risk of possible infringement of Business Principles the various categories of employees may be exposed to.

New employees entering the Company must receive at least a basic training on Business Principles within their first three month of employment.

Management at every level of the Company has to see to it that all employees are informed about Akzo Nobel's Business principles (by preference as an addendum by their employment letter).

Key suppliers to Akzo Nobel companies must sign that they comply with Akzo Nobel Business Principles and that they live up to these principles in their business relations with Akzo Nobel (see Corporate Directive Vendor/Supplier Policy)

Accountability

The Board of Management will not hold management accountable for any loss of business resulting from compliance with Akzo Nobel's Business Principles.

Sanctions

All Akzo Nobel employees must comply with the Business Principles and these specifications. Violation may lead to disciplinary action, including dismissal, notwithstanding any further civil or criminal action that may be taken.

Complaint Procedure

Complaints on (suspected) breaking of Akzo Nobel's Business Principles can be filed in accordance with Akzo Nobel's Complaint Procedure (ref.....). This procedure contains a provision to protect whistleblowers.

Letter of Representation

Reporting on compliance with the Business Principles and their specifications is an integral part of the Letter of Representation, issued annually by the management of each business unit

Annex 4: HSE Policy Statement

Health, Safety & Environment

POLICY STATEMENT

Concern for health, safety and environment is an integral part of Akzo Nobel's business policy.

Akzo Nobel actively supports the guiding principles of the Business Charter for Sustainable Development of the International Chamber of Commerce, the Responsible Care® program of the chemical industry and the Coatings Care® program of the paint and printing ink industry.

In addition to compliance with regulatory requirements, we pursue the following objectives in close cooperation with our distributors, customers and suppliers.

Health

Akzo Nobel seeks to conduct its activities in such a way as to prevent harm to and promote the health of its employees and other stakeholders.

Safety

Akzo Nobel strives to prevent any injuries at work both for our own employees and our contractors.

Environment

Akzo Nobel protects the environment by preventing or minimizing the environmental impact of its activities and products through appropriate design, manufacturing, distribution, use, and disposal practices.

Product Stewardship

Akzo Nobel seeks to expand the concern for health, safety and environment to our suppliers and our customers through a Product Stewardship Management System.

*The Board of Management
November, 2002*

Annex 5: Business Charter for Sustainable Development

The Business Charter for Sustainable Development

Principles for Environmental Management

Foreword

There is widespread recognition today that environmental protection must be among the highest priorities of every business.

In its milestone 1987 report, "Our Common Future," the World Commission on Environment and Development (Brundtland Commission) emphasised the importance of environmental protection to the pursuit of sustainable development.

To help business around the world improve its environmental performance, the International Chamber of Commerce created this Business Charter for Sustainable Development. It comprises sixteen Principles for environmental management which, for business, is a vitally important aspect of sustainable development.

This Charter assists enterprises in fulfilling their commitment to environmental stewardship in a comprehensive fashion, in line with national and international guidelines and standards for environmental management. It was formally launched in April 1991 at the Second World Industry Conference on Environmental Management in Rotterdam, and continues to be widely applied and recognised around the world.

Introduction

Sustainable development involves meeting the needs of the present without compromising the ability of future generations to meet their own needs. Economic growth provides the conditions in which protection of the environment can best be achieved, and environmental protection, in balance with other human goals, is necessary to achieve growth that is sustainable.

In turn, versatile, dynamic, responsive and profitable businesses are required as the driving force for sustainable economic development and for providing the managerial, technical and financial resources to contribute to the resolution of environmental challenges. Market economies, characterised by entrepreneurial initiatives, are essential to achieve this.

Business thus shares the view that there should be a common goal, not a conflict, between economic development and environmental protection, both now and for future generations.

Making market forces work in this way to protect and improve the quality of the environment - with the help of standards such as ISO 14000, and judicious use of economic instruments in a harmonious regulatory framework _ is an on-going challenge that the world faces in entering the 21st century.

This challenge was recognised by the nations of the world at the 1992 United Nations Conference on Environment and Development, which called on the co-operation of business in tackling it. To this end, business leaders have launched initiatives in their individual enterprises as well as through sectoral and cross-sectoral associations.

In order that more businesses join this effort and that their environmental performance continues to improve, the International Chamber of Commerce continues to call upon enterprises and their associations to use the following Principles as a basis for pursuing such improvement and to express publicly their support for them.

Individual programmes to implement these Principles will reflect the wide diversity among enterprises in size and function.

The objective remains that the widest range of enterprises commit themselves to improving their environmental performance in accordance with these Principles, to having in place management practices to effect such improvement, to measuring their progress, and to reporting this progress as appropriate internally and externally.

Note : The term environment as used in this document also refers to environmentally related aspects of health, safety and product stewardship.

Principles

1. Corporate priority

To recognise environmental management as among the highest corporate priorities and as a key determinant to sustainable development; to establish policies, programmes and practices for conducting operations in an environmentally sound manner.

2. Integrated management

To integrate these policies, programmes and practices fully into each business as an essential element of management in all its functions.

3. Process of improvement

To continue to improve corporate policies, programmes and environmental performance, taking into account technical developments, scientific understanding, consumer needs and community expectations, with legal regulations as a starting point; and to apply the same environmental criteria internationally.

4. Employee education

To educate, train and motivate employees to conduct their activities in an environmentally responsible manner.

5. Prior assessment

To assess environmental impacts before starting a new activity or project and before decommissioning a facility or leaving a site.

6. Products and services

To develop and provide products or services that have no undue environmental impact and are safe in their intended use, that are efficient in their consumption of energy and natural resources, and that can be recycled, reused, or disposed of safely.

7. Customer advice

To advise, and where relevant educate, customers, distributors and the public in the safe use, transportation, storage and disposal of products provided; and to apply similar considerations to the provision of services.

8. Facilities and operations

To develop, design and operate facilities and conduct activities taking into consideration the efficient use of energy and materials, the sustainable use of renewable resources, the minimisation of adverse environmental impact and waste generation, and the safe and responsible disposal of residual wastes.

9. Research

To conduct or support research on the environmental impacts of raw materials, products, processes, emissions and wastes associated with the enterprise and on the means of minimizing such adverse impacts.

10. Precautionary approach

To modify the manufacture, marketing or use of products or services or the conduct of activities, consistent with scientific and technical understanding, to prevent serious or irreversible environmental degradation.

11. Contractors and suppliers

To promote the adoption of these principles by contractors acting on behalf of the enterprise, encouraging and, where appropriate, requiring improvements in their practices to make them consistent with those of the enterprise; and to encourage the wider adoption of these principles by suppliers.

12. Emergency preparedness

To develop and maintain, where significant hazards exist, emergency preparedness plans in conjunction with the emergency services, relevant authorities and the local community, recognizing potential transboundary impacts.

13. Transfer of technology

To contribute to the transfer of environmentally sound technology and management methods throughout the industrial and public sectors.

14. Contributing to the common effort

To contribute to the development of public policy and to business, governmental and intergovernmental programmes and educational initiatives that will enhance environmental awareness and protection.

15. Openness to concerns

To foster openness and dialogue with employees and the public, anticipating and responding to their concerns about the potential hazards and impacts of operations, products, wastes or services, including those of transboundary or global significance.

16. Compliance and reporting

To measure environmental performance; to conduct regular environmental audits and assessments of compliance with company requirements, legal requirements and these principles; and periodically to provide appropriate information to the Board of Directors, shareholders, employees, the authorities and the public.

Support for the Charter

The ICC undertakes to encourage member companies and others to express their support and implement the Charter and its Principles.

A list of these companies can be obtained from ICC Headquarters. The ICC also publishes regularly a Charter bulletin which provides more specific information on the Charter's Principles and different

interpretations possible - an attribute of the Charter that has been widely commended.

The first edition of Business Charter for Sustainable Development was adopted by the ICC Executive Board on 27 November 1990, and first published in April 1991.

It was prepared and revised by the ICC Working Party for Sustainable Development.

Chair Peter Scupholme (British Petroleum) **Vice-Chair** W. Ross Stevens III (Du Pont)

The ICC is indebted to numerous companies and business organisations for their input in preparing and revising the Charter.

The Business Charter for Sustainable Development provides a basic framework of reference for action by individual corporations and business organisations throughout the world. It has been recognised as a complement to environmental management systems. To this end, the ICC, the United Nations Environment Programme (UNEP) and the International Federation of Consulting Engineers (FIDIC) have developed a kit to help enterprises integrate environmental management systems in the daily management practices, a step consistent with the objectives set out in this Charter.

Source: <http://www.iccwbo.org/home/environment/charter.asp>

Annex 6: Care programmes

Responsible Care

CEFIC Guidelines for the Protection of the Environment

All human activity, including that of the chemical industry, affects the environment. CEFIC believes that the protection of the environment is an integral part of good business practice and that the industry has a duty to satisfy itself that its products are manufactured, handled, transported, used and disposed of safely and without unacceptable risks for the environment. This requires that companies not only comply with the law, but also take independent and responsible actions.

In order to assist in translating these principles into management practices, CEFIC in the framework of the Environmental Guidelines for World Industry established by the International Chamber of Commerce, has prepared the following guidelines for chemical companies:

- ❑ prepare and regularly review at the highest management level company environmental policies and establish procedures for their implementation.
- ❑ foster among employees at all levels an individual sense of responsibility for the environment and the need to be alert to potential source of pollution associated with the operations;
- ❑ assess in advance the environmental implications of new processes, products and other activities, and monitor the effects of current operations on the local environment;
- ❑ minimize adverse environmental effects of all activities, and monitor the effects of current operations on the local environment;
- ❑ take the necessary measures to prevent accidental releases;
- ❑ in cooperation with public authorities, establish and maintain contingency procedures to minimize the effects of accidents that may nevertheless occur;
- ❑ provide the public with the information necessary to enable them to understand the potential environmental effects of the companies' operations and be prepared to respond positively to expressions of public concern;
- ❑ provide public authorities with relevant information and assist them in establishing well- founded environmental regulations;
- ❑ provide appropriate advice to customers on safe handling, use and disposal of the companies' products;
- ❑ ensure that contractors working on the companies' behalf apply environmental standards to equivalent to their own;
- ❑ in transferring technology to another party, provide the information necessary to ensure that the environment can be adequately protected;
- ❑ promote research into the development of environmentally sound processes and products.

(adopted June 1987)

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Source: <http://www.cefic.be/activities/hse/rc/rcguide.htm>

Responsible Care®

Responsible Care took off in the 1980s and was the chemical industry's response to public concerns

about the manufacture and use of chemicals. Nowadays the program is advancing in 46 countries, representing over 85 percent of the world's chemical production.

Through Responsible Care, member companies are committed to support a continuing effort to improve the industry's responsible management of chemicals.

Coatings Care

Another program designed to promote responsible business practices and continuous improvement of performance in health, safety and protection of the environment is called Coatings Care.

Developed in the early nineties for paints and printing ink manufacturers, Coatings Care adds a product stewardship element to the emphasis given to process safety in Responsible Care.

Responsible Care® requires companies to:

- ❑ Continually improve their health, safety and environmental performance;
- ❑ Listen and respond to public concerns;
- ❑ Assist each other to achieve optimum performance; and
- ❑ Report their goals and progress to the public.

Implementation of the Responsible Care concept by National Chemical Industry Associations may vary according to national cultures and circumstances. Nevertheless, all initiatives have to include certain fundamental features:

- ❑ A formal commitment to a set of Guiding Principles on behalf of each company, e.g. by CEO signature.
- ❑ A series of Codes, Guidance Notes and checklists to assist companies to implement the commitment.
- ❑ The progressive development of indicators against which improvements in performance can be measured.
- ❑ An ongoing process of communications on health, safety and environmental matters with interested parties outside the industry.
- ❑ Provision of opportunities for companies to share views and exchange experiences on the implementation of the commitment (e.g. informal conferences).
- ❑ Adoption of a title and a logo which clearly identify national programmes as being consistent with and part of the concept of Responsible Care.
- ❑ Consideration of how best to encourage all Association member companies to commit to and participate in Responsible Care.
- ❑ Systematic procedures to verify the implementation of the measurable (or practical) elements of Responsible Care by member companies.

Coatings Care® provides a framework for companies to incorporate health, safety and environmental decision-making into planning, operations, and practices. This ensures that participating companies:

- ❑ More effectively use organizational and management resources for compliance with health, safety and environmental regulations;
- ❑ Integrate consideration of health, safety and environmental resource information in organizational planning and operations; and
- ❑ Access health, safety and environmental management practices and resources being used or considered on an international basis.

When paint and printing ink businesses sign on to the industry's Coatings Care program, like Akzo Nobel has done, they become part of an international standardized approach to excellence in the management of health, safety and environment systems. Improvement must be continuous.

Annex 7: Product Stewardship

Product Stewardship

Product Stewardship may sound like just another fancy industry term, but behind it lies one of the key issues facing businesses today in this planet-friendly age of environmental consciousness. That's why Akzo Nobel businesses are developing Product Stewardship management systems.

Every aspect of a manufacturer's activities nowadays falls under the closest scrutiny, as the impact of products on people (health) and the environment (emissions, waste products) takes on increasing significance.

Which is where Product Stewardship comes in. The European Chemical Industry Council (CEFIC) describes it as "the responsible and ethical management of the health, safety and environmental aspects of a product throughout its total life cycle." In other words, products must be managed and used safely every step of the way, through development, manufacture, packaging, distribution, use and ultimate disposal. The so-called Cradle to Grave process.

The doorway to Akzo Nobel's implementation of a company-wide Product Stewardship initiative was nudged ajar in the year 2000. A number of pilot projects were launched in carefully selected business units.

These pilots identified three key influencing factors when developing a Product Stewardship approach: the degree of pressure from the environmental movement, whether or not there is flexibility with regard to the product composition and the competitive advantage to be gained.

The positive results that emerged from the projects led to the decision to involve the whole organization. A directive was issued which stated that by 2003, all Akzo Nobel business units should have developed a Product Stewardship management system.

Ultimately, Product Stewardship is all about manufacturers taking on more responsibility for reducing the health and environmental impacts of their products and packaging. It's an incentive to redesign products with fewer hazardous materials, so that they are more durable, reusable and recyclable. In the end, therefore, everyone benefits, the customers and employees, the environment and the businesses themselves.

As CEFIC itself states: "By adopting a program of Product Stewardship, every company can play its part in protecting humans and the environment from potential harm."

Source: <http://www.akzonobel.com/citizen/stewardship.asp>

Annex 8: Locations of the BU Headquarters

Pharma

Organon: Headquarters—Roseland, New Jersey, USA

Acting BU Manager—Toon Wilderbeek

Key products—Drugs for the human healthcare market, including oral contraceptives, antidepressants and infertility treatments.

Sales 2003— EUR 2,273 million

Internet— www.organon.com

Intervet: Headquarters—Boxmeer, the Netherlands

BU Manager—Ruurd Stolp

Key products—Animal healthcare products for the worldwide veterinary market including vaccines, antibiotics and anti-infectives.

Sales 2003— EUR 1,010 million

Internet— www.intervet.com

Diosynth: Headquarters—Oss, the Netherlands

BU Manager—Johan Evers

Key products—Active pharmaceutical ingredients used in the manufacture and development of drugs and medicines.

Sales 2003— EUR 479 million

Internet— www.diosynth.com

Coatings

Car Refinishes: Headquarters—Sassenheim, the Netherlands

BU Manager—Rinus Rooseboom

Key products—Paints, services and specialized equipment for the car repair and transportation market.

Sales 2003— EUR 880 million

Internet— www.carrefinishes.com, www.transportationcoatings.com

Decorative Coatings: Headquarters—Decorative Coatings International, Stockholm Sweden;

Decorative Coatings Europe, Sassenheim, the Netherlands

BU Manager—Jan Andersson (Decorative Coatings International); Leif Abildgaard (Decorative Coatings Europe)

Key products—Decorative and protective products for both the architectural and interior design sectors, including paints, adhesives and leveling compounds.

Sales 2003—EUR 1,842 million

Internet— www.akzonobel.com/coatings

Industrial Activities (includes Industrial Finishes and Powder Coatings)

Sales 2003— EUR 1,336

Industrial Finishes: Headquarters—Louisville, Kentucky, USA

BU Manager—Robert Torba

Key products—Wood, coil and specialty plastics coatings, and adhesives for a diverse range of industries and applications.

Sales 2003— see above (Industrial Activities)

Internet— www.akzonobel-if.com

Marine and Protective Coatings: *Headquarters*—London, UK*BU Manager*—Bill McPherson*Key products*—Marine and protective paints, anti-fouling coatings for ships and yachts, and aerospace coatings.*Sales 2003*— EUR 832 million*Internet*— www.international-coatings.com; www.international-pc.com; www.international-marine.com; www.superyacht.com; www.yachtpaint.com; www.akzonobelaerospace.com**Nobilas:** *Headquarters*—Hoofddorp, the Netherlands*BU Manager*—Cor de Grauw*Key products*—car repair process management, claims management and supply chain management, and fleet imaging services.*Internet*— www.nobilas.com**Powder Coatings:** *Headquarters*—Felling, UK*BU Manager*—Rob Molenaar*Key products*—Powder coatings used in the architectural, automotive, domestic appliance and industrial finishing sectors.*Sales 2003*— see above (Industrial Activities)*Internet*— www.interpon.com; www.resicoat.com**Chemicals****Base Chemicals:** *Headquarters*—Amersfoort, the Netherlands*BU Manager*—René Scheffers*Key products*—Chemicals that play a key role in numerous industries, such as the manufacture of glass and detergent and paper production.*Sales 2003*— EUR 544 million*Internet*— www.basechemicals.com**Energy:** *Headquarters*—Amersfoort, the Netherlands*BU Manager*—Gert van Ingen*Key function*—Internal consultants and utility operators for Akzo Nobel.*Sales 2003*— EUR 171 million**Functional Chemicals:** *Headquarters*—Amersfoort, the Netherlands*BU Manager*—Jon Meijnen*Key products*—Various chemicals used in a wide range of products such as toothpaste, deodorants, cosmetics, detergents, ice cream and flame retardants.*Sales 2003*—EUR 789 million*Internet*— www.functionalchemicals.com**Polymer Chemicals:** *Headquarters*—Chicago, USA*BU Manager*—Bob Margevich*Key products*—Organic peroxides, thermoset chemicals, metal alkyls and polymerization catalysts for the polymer production and processing industries.*Sales 2003*—EUR 492 million*Internet*— www.akzonobel-polymerchemicals.com**Pulp and Paper Chemicals:** *Headquarters*—Gothenburg, Sweden*BU Manager*—Jan Svärd*Key products*—Chemicals used in the manufacture of paper and board.

Sales 2003—EUR 869 million

Internet— www.ekachemicals.com

Resins: *Headquarters*—Bergen op Zoom, the Netherlands

BU Manager—Jo Lennartz (appointed Manager of Diosynth RTP in Durham (USA), effective October 1, 2003. Per the same date Rob Harmsen assumed responsibility for Coating Resins and UV Resins.)

Key products—Specialized resins used in the manufacture of coatings and printing inks.

Sales 2003—EUR 394 million

Internet— www.akzonobelresins.com

Salt: *Headquarters*—Amersfoort, the Netherlands

BU Manager—Peter Gommers

Key products—Various types of salt used not only in the kitchen, but also for water softening, de-icing and as a key source of minerals for livestock.

Sales 2003—EUR 267 million

Internet— www.akzonobelsalt.com

Surface Chemistry: *Headquarters*—Stenungsund, Sweden

BU Manager—Frank Sherman

Key products—Chemicals used in a variety of everyday items such as hair and skincare products, detergents, water-based paints and household cleaning goods.

Sales 2003—EUR 784 million

Internet— www.surface.akzonobel.com

Annex 9: 2002-2003 articles Dutch Press

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June 3, 2003 Tuesday

HEADLINE: Akzo Nobel schrapt circa 200 banen bij Surface Chemistry

DATELINE: AMSTERDAM

BODY: Akzo Nobel NV schrapt ongeveer 200 banen bij het onderdeel Surface Chemistry in Noord-Amerika en Europa. Dat meldt de onderneming in een persbericht.

De personeelsreductie is onderdeel van een efficiencyprogramma dat de marktpositie van Surface Chemistry, onderdeel van de chemie-divisie, moet versterken, aldus Akzo.

In Noord-Amerika worden circa 120 banen geschrapt en in Europa 80. In Noord-Amerika verdwijnen voornamelijk banen in de productie en enkele in de administratie, R&D en verkoop. In Europa ligt juist de nadruk op deze laatste drie gebieden.

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June 3, 2003 Tuesday

HEADLINE: Vakbonden wijzen toenadering Akzo Nobel af

BODY: De vakbonden gaan niet in op de uitnodiging van chemieconcern Akzo Nobel om weer over de CAO te praten. Zij missen daarin een duidelijke toezegging dat de pensioen kwestie buiten de onderhandelingen blijft.

FNV Bondgenoten, CNV Bedrijvenbond, De Unie en VHP hebben dat vandaag in een gezamenlijke brief aan Akzo Nobel geschreven. Het bedrijf had hen uitgenodigd om weer te gaan praten nadat de gesprekken vorige week vastliepen.

In de uitnodiging schrijft het chemieconcern dat het "onvermijdelijk is om over pensioenen te praten". Daar voegt het aan toe dat het van "belang is dat er concreet uitzicht komt op een afspraak over dit belangrijke onderwerp".

De bonden willen eerst een akkoord over de CAO en daarna pas praten over de bedrijfspensioenen. Akzo Nobel benadrukt dat het eigen pensioenfonds gewoon blijft bestaan, net als de verplichting van de onderneming om premies te betalen.

Akzo is verrast door de reactie van de bonden. "We geven aan dat we uit zijn op een praktische oplossing. Alternatieve routes om die te bereiken zijn voor ons bespreekbaar," aldus een woordvoerder. De bonden op hun beurt achten zich gehouden aan een uitspraak van de leden die alleen verder willen praten als het pensioenverhaal los staat van de CAO. "Akzo weet van die resolutie maar gaat er in de uitnodiging niet op in. Zo'n uitnodiging kunnen wij dan ook niet serieus nemen," aldus FNV-er B. Roodhuizen.

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Akzo Nobel Company Profile

June 2, 2003 Monday

HEADLINE: Akzo Nobel-onderdeel Diosynth tekent meerjarig contract met Pfizer

DATELINE: AMSTERDAM

BODY: Akzo Nobel NV-dochter Diosynth heeft een meerjarig contract getekend met Pfizer Inc voor de levering van het actieve farmaceutisch ingrediënt leveren voor de productie van Somavert, het middel tegen een tekort aan groeihormonen. Dat maakte het chemiebedrijf vanochtend bekend.

Financiële details zijn niet bekend gemaakt, maar de overeenkomst zal in de komende jaren een aanzienlijke bijdrage leveren aan het resultaat van Diosynth, aldus Akzo Nobel.

Diosynth Biotechnology is al sinds de beginfase van het klinisch onderzoek betrokken bij de ontwikkeling van het industriële proces voor Somavert. Pfizer zal in eerste instantie worden beleverd door de productiefaciliteit op het Research Triangle Park in North Carolina (VS).

Momenteel worden maatregelen genomen om de productie te verplaatsen zodat straks zowel vanuit Oss als vanuit North Carolina aan de stijgende vraag van Pfizer voldaan kan worden.

Goedkeuringen voor het productiebedrijf in Oss door de Amerikaanse Food and Drug Administration en de Europese autoriteiten worden in de tweede helft van het volgend jaar verwacht.

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May 28, 2003 Wednesday

HEADLINE: Akzo verkoopt Impregnated Paper voor eur 114 mln; omzet eur 265 mln in 2002

DATELINE: AMSTERDAM

BODY: Akzo Nobel NV verkoopt Casco Impregnated Papers voor eur 114 mln aan Deutsche Beteiligungs AG en Harvest Partners Inc. Dat meldt de onderneming in een persbericht.

Naar verwachting zal de transactie eind juni 2003 afgerond zijn, aldus Akzo. Volgens de onderneming past het onderdeel niet meer bij de coatingsactiviteiten. Casco is actief in 45 landen en behaalde in 2002 een omzet van eur 265 mln. De 900 werknemers wereldwijd gaan mee met de nieuwe eigenaren.

De ondernemingsraden en vakorganisaties zijn inmiddels geïnformeerd over de voorgenomen verkoop.

May 27, 2003 Tuesday

HEADLINE: Vakbonden dreigen Akzo Nobel met acties

DATELINE: AMSTERDAM

BODY: De vakbonden willen dat Akzo Nobel NV voor het einde van volgende week reageert op een resolutie over de nieuwe CAO. Gebeurt dat niet, dan gaan de bonden peilen of de leden in zijn voor acties. Dat maakten FNV Bondgenoten en CNV Chemie en Energie bekend.

Akzo Nobel Company Profile

Ook bij Akzo-Nobel zit de pijn bij de onderhandelingen over een nieuwe CAO bij de pensioenen. De bonden stellen voor eerst een CAO-akkoord te bereiken over de werknemersvoorstellen die zij hebben ingediend. Pas daarna willen zij met de directie van Akzo Nobel praten over het afstoten van het bedrijfspensioenfonds.

Vrijwel alle locaties van Akzo Nobel hadden een delegatie afgevaardigd naar een dinsdag gehouden ledenbijeenkomst. Zo'n 400 werknemers waren aanwezig.

Het CAO-overleg werd bijna twee weken geleden door Akzo Nobel afgebroken. Het concern wil praten over het pensioenfonds omdat de voorziening door dalende beurskoersen zwaar op het vermogen van het concern drukt. De onderneming wil daarom het fonds verzelfstandigen.

Bij zo'n verzelfstandiging komt het risico volledig bij de werknemers terecht. De vakbonden zijn niet blij met de plannen. De CAO geldt voor de circa 13.000 werknemers.

AFX - NL

May 15, 2003 Thursday

HEADLINE: Akzo's farmadivisie gezond maken prioriteit voor nieuwe topman Wijers

DATELINE: AMSTERDAM

BODY: De nieuwe topman van Akzo Nobel, Hans Wijers, die op 1 mei het stokje van Cees van Lede overnam, wil eerst de farmadivisie gezond maken, door een desinvesteringsprogramma van eur 500 mln, een structureel kostenbesparingsprogramma van eur 120 mln per jaar en allianties voor de marketing. Dat zal de topman vandaag op een analistenbijeenkomst vertellen. Het aantal werknemers bij de farmadivisie zal voor het eind van het jaar minder dan 21.000 zijn. Voor het eind van het jaar zal Wijers een update geven. Op korte termijn ligt de focus op het verbeteren van de operationele performance van alle divisies.

Als de kosten in lijn zijn gebracht met de lagere opbrengsten wordt voor de farmacie-divisie opnieuw gekeken naar de strategie voor Organon.

Voor de Coatingsdivisie ziet Wijers een groot potentieel, met name in opkomende markten. De divisie zag de omzet in deze markten de afgelopen vijf jaar verdubbelen tot eur 1,5 mrd. Om de Rendement op Investerings (ROI) doelstelling van 30 pct te halen moet gerekend worden op autonome groei, selectieve acquisities en een lagere kostenbasis, volgens divisie directeur Van der Meer.

De Chemie divisie heeft een brede portfolio aan producten en daar zitten zeker gedeeltes in die een goed potentieel hebben. De operationele resultaten van deze divisie zijn prima vergeleken met de concurrentie, maar toch is er ruimte voor verbetering, alus Wijers. Er zal in deze divisie selectief gedesinvesteerd worden.

Financiering in de huidige onzekere omstandigheden is zeer belangrijk en de kredietwaardigheidsrating van Akzo is erg belangrijk. Dus wil de nieuwe topman pas investeren als er gedesinvesteerd is.

AFX - NL

May 8, 2003 Thursday

HEADLINE: HERH Akzo Nobel wil af van eigen pensioenfonds

DATELINE: AMSTERDAM

Akzo Nobel Company Profile

BODY: (Herhaling bericht laat gisteren) Akzo Nobel NV wil wegens nieuwe boekhoudregels af van zijn bedrijfspensioenfonds. Het chemieconcern stelde in het eerste CAO-overleg met de bonden voor het eigen pensioenfonds los te koppelen en onder te brengen in een collectief spaarsysteem, waarbij het beleggingsrisico voortaan bij de werknemers komt te liggen.

De vakbondsbestuurders B. Roodhuizen van FNV Bondgenoten en J. Loosman van de CNV Bedrijvenbond waren na afloop van het CAO-overleg verbijsterd. Zij vrezen dat veel zekerheden wegvallen, die de ruim 13.000 Akzo-werknemers in Nederland nu nog rond hun oudedagsvoorziening hebben. "De denkrichtingen van Akzo maken ons behoorlijk nerveus", stelde Loosman.

Roodhuizen beklemtoont dat in het eerste overleg de bonden en het bedrijf alleen nog maar elkaars voorstellen hebben voorgelezen. "Maar bij het volgend overleg moet Akzo echt met een goede verklaring komen." Hij verwacht echter dat de pensioenplannen zo ingrijpend zijn dat hij ze eigenlijk helemaal niet in het CAO-overleg wil bespreken. "Daar is dit onderwerp veel te ingewikkeld en belangrijk voor."

Volgens Akzo Nobel is aanpassing van het pensioenstelsel nodig omdat in 2005 de nieuwe IAS-boekhoudregels gaan gelden. "Dan zal het pensioenfonds als een last op het eigen vermogen drukken en wordt de bewegingsvrijheid van de onderneming te veel beperkt. Dit jaar hebben we al 1,7 miljard euro van het eigen vermogen moeten afboeken om een pensioenvoorziening te nemen. Wij zijn geen verzekeringsmaatschappij", aldus een woordvoerder van het concern.

Volgens het plan van Akzo Nobel gaat de huidige inkomensgrens voor het zogeheten beschikbare pensioenpremiestelsel naar beneden van 50.338 euro naar 40.000 euro. Dit houdt in dat een grotere groep voortaan zelf de pensioenpremie moet gaan beleggen voor het deel van zijn jaarsalaris dat boven die grens uitkomt. "Werknemers dragen voor deze beleggingen volledig zelf de risico's", verklaarde Roodhuizen.

Voor het inkomen onder de grens van 40.000 euro wil het bedrijf dan het collectief pensioensparen invoeren, waarbij zowel de werkgever als de werknemer premies betalen. Die worden volledig belegd in het Akzo Nobel Pensioenfonds, dat inmiddels is losgekoppeld van de onderneming.

Roodhuizen: "Op deze manier probeert het bedrijf ook af te komen van de huidige afspraak dat het de risico's voor een eventuele onderdekking voor zijn rekening neemt. Nu is het bedrijf nog verplicht tekorten in het fonds aan te vullen als de dekkingsgraad onder de 100 procent terechtkomt."

AFX - NL

March 27, 2003 Thursday

HEADLINE: Akzo Nobel ziet af van overname GlaxoSmithKline fabriek

DATELINE: AMSTERDAM

BODY: Akzo Nobel NV onderdeel Diosynth ziet af van de overname van een productievestiging voor actieve farmaceutische ingrediënten in Montrose, Schotland van GlaxoSmitKline PLC. Dat meldt Akzo Nobel in een persbericht.

De bedrijven maakten een intentie-overeenkomst in december bekend. Volgens Akzo Nobel was het niet mogelijk een definitieve overeenkomst af te sluiten.

"Akzo Nobel en GlaxoSmithKline hebben integer en eerlijk met elkaar onderhandeld om de voorgenomen overname te voltooien," aldus Fritz Froehlich, Akzo Nobel CFO. "Helaas is Akzo Nobel vanwege de

Akzo Nobel Company Profile

gewijzigde economische omstandigheden in de farmaceutische sector niet langer in staat verder te onderhandelen."

cjs

AFX - NL

March 21, 2003 Friday

SECTION: COMPANY NEWS

LENGTH: 96 words

HEADLINE: Akzo Nobel's Organon president Hans Vemer treedt af miv 1 april

DATELINE: AMSTERDAM

BODY: Akzo Nobel NV meldt dat "in onderling overleg is overeengekomen" dat Hans Vemer zal terugtreden als president van dochteronderneming Organon International per 1 april 2003.

Toon Wilderbeek zal vanaf die datum de verantwoordelijkheden voor het business unit management van Organon overnemen, in aanvulling op zijn normale taken als lid van de Raad van Bestuur van Akzo Nobel.

Gedurende een overgangperiode zal hij daarbij worden geassisteerd door Hans Vemer, aldus Akzo Nobel.

Ls

AFX - NL

March 20, 2003 Thursday

HEADLINE: PERSB Akzo Nobel opent poedercoatingsfabriek in Vietnam

BODY: PERSBERICHT Akzo Nobel NV: Akzo Nobel heeft een nieuwe poedercoatingsfabriek geopend in Ho Chi Minhstad, het commercile centrum van Vietnam. Samen met joint venture-partner Chang Cheng Securities was Akzo Nobel de eerste die investeerde in de productie van poedercoatings in Vietnam. De fabriek produceert het volledige assortiment van Akzo Nobels Interpon poedercoatings. Het is de 12de locatie van Akzo Nobel Powder Coatings in de regio Asia-Pacific.

"De opening in Vietnam is wederom een belangrijke mijlpaal in onze voortdurende inspanningen om onze poedercoatingsactiviteiten geografisch verder uit te breiden, verklaarde Rudy van der Meer, in de Raad van Bestuur van Akzo Nobel verantwoordelijk voor de coatingsactiviteiten. Dit is het meest recente voorbeeld van een serie strategische investeringen door de Coatings-groep in deze regio. Onze leiderschapspositie in de Aziatische poedercoatingsmarkt wordt hierdoor verder versterkt. Vorig jaar vertoonde die al een sterke groei door de overname van de poedercoatingsactiviteiten van Ferro Corporation in Asia-Pacific en Noord- en Zuid-Amerika.

"Het is altijd al onze strategie geweest om nadrukkelijk aanwezig te zijn in iedere regio en elk marktsegment. Wij willen onze klanten - waar dan ook ter wereld - optimaal kunnen bedienen, aldus Bill McPherson, General Manager van Akzo Nobel Powder Coatings.

"Sinds de ingebruikname hebben wij de productie van poedercoatings in onze andere fabrieken in de regio naar Vietnam verplaatst. Wij zijn nu in staat onze klanten, ter plekke, het volledige assortiment aan te bieden.

De fabriek, waar momenteel 80 mensen werken, bevindt zich op een terrein van 10.000 m2.

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AFX - NL

February 14, 2003 Friday

HEADLINE: Akzo Nobel verdacht van pvc-prijsafspraken - media

DATELINE: AMSTERDAM

BODY: Akzo Nobel NV wordt ervan verdacht deel uit te maken van een Europees kartel dat illegale prijsafspraken heeft gemaakt in de pvc-markt, aldus het Financieele Dagblad.

Woensdag is de Europese Commissie bij veertien chemiebedrijven binnengevallen in zes Europese landen. Het onderzoek wordt uitgevoerd in samenwerking met mededingingsautoriteiten in Japan, Canada en de VS, aldus de krant.

Volgens een woordvoerder van Akzo Nobel is er inderdaad een inval geweest. "Zolang we de precieze beschuldigingen niet weten, kunnen we niet inhoudelijk reageren. Wel zullen we volledig meewerken," aldus de woordvoerder in het FD.

Het onderzoek richt zich op twee kartels die betrekking hebben op chemische grondstoffen die gebruikt worden in plastic. Met dergelijke grondstoffen worden pvc-plastics geschikt gemaakt voor verwerking in pijpen en voedselverpakking. De Europese Commissie vermoedt dat de onderzochte bedrijven 'prijsafspraken en marktverdelingsafspraken' voor deze producten hebben gemaakt.

Volgens de krant is het voor het eerst dat vier mededingingsautoriteiten in een gezamenlijke actie bij bedrijven zijn binnengevallen. De Europese kartelonderzoekers zijn binnengevallen bij bedrijven in Nederland, Frankrijk, Duitsland, België, Italië en Groot-Brittannië.

Mochten bedrijven schuldig bevonden worden, dan kan de Europese Commissie zware straffen opleggen. De maximale boete bedraagt 10 pct van de wereldwijde omzet van het bedrijf. De hoogste boete ooit opgelegd bedroeg eur 855 mln, en werd in 2001 opgelegd aan een groep vitamineproducenten, aldus het FD. amsterdam@afxnews.com Is

AFX - NL

February 14, 2003 Friday

SECTION: COMPANY NEWS; GOVERNMENT

LENGTH: 78 words

HEADLINE: EU doet inval bij Akzo Nobel ivm onderzoek naar PVC-markt

DATELINE: AMSTERDAM

BODY: Akzo Nobel NV woordvoerder Huub Verbeeten zei dat de Europese Commissie een inval heeft gedaan bij het onderdeel Akcros Chemicals in het Engelse Manchester in verband met een onderzoek naar de PVC en PVC-additievenmarkt.

De woordvoerder kon geen verdere details geven over de aard en duur van het onderzoek maar zei dat Akzo Nobel zijn volledige medewerking eraan zal verlenen.

mrk

AFX - NL

February 11, 2003 Tuesday

HEADLINE: INTERVIEW Akzo Nobel banenverlies Pharma levert eur 100 mln op

DATELINE: AMSTERDAM

BODY: ---- door Cornelia Messing ----Akzo Nobel NV verwacht dat het vandaag aangekondigde verlies van 500 banen bij de Pharma-activiteiten kostenbesparingen uiterlijk in 2004 zullen opleveren van circa eur 100 mln. Dat zei financieel directeur Fritz Froehlich tegen ANP-AFX.

Het kostenbesparingsprogramma dient als een van de middelen om een gat van eur 450 mln te dichten als gevolg van het omzetverlies bij Remeron.

"Organon zal het dieptepunt (door het verlies van inkomsten van Remeron) dit jaar meemaken en daarna kan het alleen maar beter gaan, al hangt de snelheid daarvan af van de producten zelf. Een andere manier om het verlies aan inkomen te compenseren is om een defensieve lijn te trekken in de margepercentages en te waken voor verval," aldus CFO Froehlich.

Het bedrijf heeft geen plannen om de Pharma-activiteiten af te stoten maar sluit het niet uit.

"Het enige wat ik kan zeggen is dat we een pragmatistische aanpak nemen: als de mogelijkheid zich voordoet zullen we die aanpakken. Ik kan hier niets meer over vertellen, behalve dan dat deze pragmatische aanpak voortgezet zal worden onder Hans Wijers," aldus voorzitter Cees van Lede tijdens de persconferentie naar aanleiding van de resultaten over het vierde kwartaal. Volgens hem zal de onderneming weer "op koers" zijn in 2004-2005.

Akzo Nobel hoopt dat het anti-depressivum Ariza voor het einde van dit jaar goedgekeurd zal worden door het Amerikaanse FDA, aldus Froehlich, die er aan toevoegde dat het hormoon suppletie-therapie-medicijn Xyvion waarschijnlijk in 2006 geïntroduceerd zal worden in plaats van in 2004.

De divisie Diosynth blijft het goed doen en Intervet zal haar "positie moeten verbreden," aldus de CFO. Chemicals en Coatings zal het goed blijven doen en verder groeien, maar valuta-effecten en hogere pensioenlasten zullen zwaar blijven wegen op de resultaten bij Pharma in 2003.

Froehlich blijft positief gestemd over Noord Amerika ondanks verdeelde signalen over de economische situatie aldaar. Minder optimistisch is hij over Europa en dan vooral Duitsland.

Azie blijft een aantrekkelijk gebied met meer dan 2,1 mrd mensen, voegde Froehlich toe, en Akzo Nobel investeert in ventures gericht op de lange-termijn. Uit Azie - inclusief Japan - wordt 12 pct van de groepsomzet behaald.

Akzo Nobel nam een voorziening van eur 1,1 mrd voor pensioenlasten en volgens de CFO is het de bedoeling om een kredietwaardering van 'A' te behouden.

Akzo Nobel Company Profile

De kapitaaluitgaven in 2003 zullen op hetzelfde niveau zijn als in 2002 maar de focus zal daarbij meer op Pharma richten en minder op Coatings en Chemicals.

Het bedrijf kondigde het verlies van 3,500 banen aan in 2001, nogeens 1,500 banen in 2002 en vandaag een additionele 500 banen bij Pharma. Bij Coatings zijn inmiddels 1,400 van de 2,500 banen verdwenen. Eerder vandaag werd abusievelijk gesuggereerd dat Akzo Nobel nogeens 2,000 banen schrapt.
amsterdam@afxnews.com

AFX - NL

January 21, 2003 Tuesday

HEADLINE: Akzo Nobel neemt directe verantwoordelijkheid van Synteko

DATELINE: AMSTERDAM

BODY: Akzo Nobel NV maakt bekend directe verantwoordelijkheid te hebben genomen voor de Noord Amerikaanse marketing en productie van het vloerverf merk Synteko.

Dat meldt de onderneming in een persbericht.

AFX - NL

December 20, 2002 Friday

HEADLINE: Akzo Nobel, overheid tekenen convenant over einde chloortransport per 2006

DATELINE: AMSTERDAM

BODY: Akzo Nobel NV meldt vandaag met de Nederlandse overheid de overeenkomst te hebben ondertekend waarin de beëindiging van het structurele chloortransport in Nederland per 2006 is vastgelegd.

Staatssecretaris Pieter van Geel van Volkshuisvesting, Ruimtelijke Ordening en Milieubeheer en Cees van Lede, voorzitter van de Raad van Bestuur van Akzo Nobel, tekenden de overeenkomst die volgt op het op 5 juli van dit jaar overeengekomen principeakkoord.

Om tot beëindiging van het chloortransport te komen, zal Akzo Nobel de productie en verwerking van chloor concentreren in Rotterdam en Delfzijl. De chloorproductie in Hengelo wordt daarom verplaatst naar Delfzijl.

Ook wordt de chloorverwerkende (MCA-)fabriek in Hengelo gesloten en in Delfzijl wordt een nieuwe fabriek gebouwd; het bedrijf investeert al enkele miljoenen euro's voor de voorbereiding van de nieuwbouw van de fabrieken in Delfzijl.

In Delfzijl ontstaat duurzame werkgelegenheid voor ongeveer 150 werknemers. In Hengelo komen 270 arbeidsplaatsen te vervallen. Akzo Nobel heeft met vakorganisaties inmiddels overeenstemming bereikt over een sociaal plan voor deze mensen.

Akzo Nobel moet eur 200 mln investeren als gevolg van de plannen. De Nederlandse overheid komt Akzo Nobel met eur 57 mln tegemoet. Daarnaast zal de investerings- en ontwikkelingsmaatschappij voor Noord-Nederland (NOM) in de nieuwe chloorfabriek voor eur 30 mln participeren, al moet dit nog contractueel worden vormgegeven.

Ook zal de Europese Commissie zich positief over de overeenkomst moeten uitspreken en moeten de vergunningen voor de bouw van de fabrieken in Delfzijl tijdig worden verstrekt, aldus Akzo Nobel, dat er vertrouwen in heeft dat aan alle voorwaarden tijdig zal worden voldaan.

AFX - NL

August 22, 2002 Thursday

HEADLINE: Akzo Nobel koopt Ferro's poedercoatings-activiteiten voor usd 73 mln

DATELINE: AMSTERDAM

BODY: Akzo Nobel NV meldt in een persbericht dat Akzo Nobel-onderdeel Coatings een contract heeft getekend met Ferro Corp voor de overname van de poedercoatings-activiteiten in Noord- en Zuid-Amerika en de regio Asia-Pacific voor usd 73 miljoen, schuldenvrij.

Het in Cleveland, Ohio gevestigde bedrijf behaalde in 2001 voor de poederactiviteiten in Noord- en Zuid-Amerika en de regio Asia-Pacific een omzet van usd 100 mln.

De acquisitie is afhankelijk van de goedkeuring van de Amerikaanse mededingingsautoriteiten, en waar nodig zal later ook elders goedkeuring worden aangevraagd, aldus Akzo Nobel.

"Door deze acquisitie krijgen wij niet alleen een top 3-positie in de grootste poedermarkt ter wereld, maar verbeteren wij ook de service aan onze wereldwijd opererende klanten. Daarnaast vult het onze activiteiten in Mexico aan en bouwen we onze posities in Korea en China verder uit," aldus Rudy van der Meer, in de raad van bestuur van Akzo Nobel verantwoordelijk voor de coatingsactiviteiten.

"Het kapitaal dat nodig is voor deze transactie was opgenomen in onze plannen voor 2002. De acquisitie vormt geen belemmering bij ons vaste voornemen om onze schuld aan het eind van het jaar met tenminste eur 200 mln terug te brengen," aldus Akzo Nobel CFO Fritz Froehlich.

Volgens de overeenkomst neemt Akzo Nobel alle poederactiviteiten van Ferro over in de VS, met inbegrip van de productiebedrijven in Nashville, Tennessee en Brecksville, Ohio, en de ontwikkelings- en managementfaciliteiten in Cleveland.

In de regio Asia-Pacific omvat de transactie de overname van Ferro's poederactiviteiten in het Chinese Ningbo en de joint venture-belangen in Ulsan (Zuid-Korea). In totaal zullen 540 medewerkers naar Akzo Nobel overgaan.

AFX - NL

October 29, 2002 Tuesday

HEADLINE: HERH Akzo Nobel verkoopt Scandinavische coatings act aan Kemira voor eind-2002

DATELINE: ARNHEM

BODY: (Herhaling bericht van gisteren) Akzo Nobel NV gaat haar gaat Nordic general industrial liquid coatingsactiviteiten verkopen aan Kemira Oyj. Dat meldt Akzo Nobel.

Financiële bijzonderheden zijn niet bekendgemaakt. De transactie zal vermoedelijk eind dit jaar worden afgerond.

"Hoewel Nordic goed presteert en een sterke reputatie heeft in de markt, past deze activiteit strategisch gezien niet meer in onze productenportefeuille," zo zegt Rudy van der Meer, lid van de Raad van Bestuur van Akzo Nobel verantwoordelijk voor Coatings.

"De afstoting, die volgt op de verkoop van onze algemene industriële coatingsactiviteiten in de Verenigde Staten en Frankrijk eerder dit jaar, moet worden gezien in het licht van onze ambitieuze groeistrategie voor de kernactiviteiten van coatings, waarvoor aanzienlijke investeringen nodig zijn," aldus Van der Meer.

In 2001 behaalde Nordic een totale omzet van eur 17 mln in Zweden, Finland, Noorwegen, Denemarken en Polen. Industriële vloeibare coatings worden gebruikt voor de bescherming van industriële producten zoals bouwmachines en hoogspanningsapparatuur.

De productie van de coatings zal binnen anderhalf jaar worden overgebracht van Akzo Nobel-locaties in Malmoe (Zweden) en Wloclawek (Polen) naar coatingsbedrijven van Kemira, aldus Akzo Nobel.

Titels:

AFX - NLDecember 6, 2002 Friday

HEADLINE: *AKZO NOBEL KOOPT RESTERENDE 50 PCT BELANG IN ECI ELEKTRO-CHEMIE VAN TUI

AFX - NLNovember 6, 2002 Wednesday

HEADLINE: *AKZO NOBEL'S PHARMA ZOEKT SAMENWERKING, PRODUCTOVERNAMES

AFX - NLOctober 31, 2002 Thursday

HEADLINE: *AKZO NOBEL INVESTEERT IN ANTIAANBAK-COATINGS FABRIEK IN CHINA

AFX - NLOctober 29, 2002 Tuesday

HEADLINE: *AKZO NOBEL POLYMER CHEMICALS-ONDERDEEL NEEMT DUITSE MOCHEM OVER

AFX - NLOctober 10, 2002 Thursday

HEADLINE: *AKZO NOBEL NEEMT 50-PCT BELANG IN MEXICAANSE POWDER COATINGS-PRODUCENT INDA

AFX - NL,September 20, 2002 Friday

HEADLINE: *AKZO NOBEL SELLS ROSEMOUNT PHARMACEUTICALS FOR 99 MLN USD TO BIOTECH GENERAL

AFX - NLAugust 22, 2002 Thursday

HEADLINE: *AKZO NOBEL KOOPT FRANSE AUTOLAKGROOTHANDEL JOUANNE

Annex 10: 2002-2003 articles on strategy and restructuring

AFX - NL

June 3, 2003 Tuesday

HEADLINE: PERSB.Akzo Nobel: efficiency programma bij Surface Chemistry; ca 200 banen weg

BODY: Persbericht Akzo Nobel: Akzo Nobel Surface Chemistry, a business unit within the Company's Chemicals group, has started an efficiency improvement program, primarily affecting its European and North American surfactants operations. The program aims to strengthen Surface Chemistry's position in the segments where it operates. The measures will result in a total staff reduction of approximately 200 employees, made up of approximately 120 people in North America and approximately 80 in Europe. In North America, the reduction will be primarily in production with some reduction in administration, R&D and sales. In Europe, however, the changes will primarily occur in administration, R&D and sales. In recent years Akzo Nobel Surface Chemistry has carried out large investments in Europe, the United States and Asia. This included the acquisition of the Industrial Specialties business from Crompton Corporation, in June 2002, which established the basis for further growth in important market segments such as fabric care, cleaning, agro-surfactants and oilfield chemicals. "The steps we are taking will improve our efficiency in meeting needs of these markets," said Rob Frohn, General Manager of Surface Chemistry. "In combination with the expanded base, we will come out as an even stronger player in this increasingly competitive market."

"Specialty surfactants is one of Akzo Nobel's businesses we would like to continue to grow. There has been strong organic growth in virtually all segments. It's our ambition to profitably outgrow the markets we choose to compete in," added Dag Strvmqvist, Member of Akzo Nobel's Board of Management responsible for Chemicals.
End of publication.

AFX - NL

May 16, 2003 Friday

HEADLINE: NIEUWSAN. Akzo: operat. kasstroom niet genoeg voor gewenste schuldenreductie

BODY: (FDA Research) - Mr. Wijers, a former Dutch minister, has held his first speech as CEO of Akzo Nobel. As we expected, the company remains fully committed to its pharma activities and it has chosen to sharpen the restructuring at pharma. Furthermore it has Mr. Wijers' full attention to prevent credit downgrades of the agencies which have put Akzo on a negative outlook. The announced cost savings measures at pharma (of EUR 120 million) and the intended reduction of net debt by EUR 250 mln at the end of this year are primarily used to ward off the threat of credit downgrades. Planned divestments of EUR 500 million (primarily within the chemicals divisions) will certainly help to achieve the desired debt reduction, since this years's operating cash flow from operations is unlikely to be sufficient to realize the planned debt reduction.

Overall, we expect the speech to favourably effect Akzo's share price. During the coming weeks or months the share price may rise to EUR 25. Among others, because Mr. Wijers has opened the way for the longer-term option of completely divesting the chemicals division (which was not an option under the previous CEO). Nevertheless, we do not regard it the right moment to change the valuation

recommendation from a 'minus' to a 'plus'. Apart from the still very likely possibility of a downgrading we expect Q2 earnings figures to disappoint, especially regarding Remeron sales in the United States. Moreover, the longer-term problem of a highly inadequate pharma pipeline will not be solved by the announced measures.

For its pharma division Akzo focuses on cost reduction and the acceleration of the research process. The new CEO said that there is a clear commitment that before the beginning of next year Organon will fully hit the level of EUR 100 million of cost savings (on an annualized basis). For Pharma as a whole the announced cost savings target is set at EUR 120 million. The announced cost reduction implies an extension of the earlier reorganization, which aimed at a 800 headcount reduction. We expect reorganization measures on top of the earlier plans, along some of the lines set out by Mr. Wijers, such as a more intensive cooperation with other companies (in research as well as marketing and sales) and an optimization of Organon's manufacturing strategy.

On average Mr. Wijers expects the divestments to be implemented in the course of the first quarter of next year, indicating that negotiations with possible take-over candidates already started. We regard it highly likely that some divestments will be announced before the end of this year to compensate for negative news in relation to Remeron sales, pension problems, the weak European economy and negative currency effects. Most of the intended divestments will come from the chemicals division. Divestments will be primarily oriented to areas where there is insufficient basis to build the intended market leader positions or where this objective would require too much cash. In the intended way Akzo is likely to achieve some extraordinary profits on the sale of companies. Akzo has announced that part of the divestment revenues may be used for "bolt-on" (related) acquisitions for the coatings division. For the short term, we regard such acquisitions unlikely, because of the size of the present challenges. Mr. Wijers refrained from commenting on the Dutch negotiations with trade unions about ways to avoid Akzo's pension fund to negatively effect the company's balance sheet (as is likely to be the case under the combination of the present pension system, a weak stock market and new accounting rules). Organization-wide Akzo is determined to bring about a change from a defined benefit to a defined contribution system. However, for the period up to 2005 we do not expect Akzo Nobel to be successful in returning the full amount of investment risk to its employees.

AFX - NL

May 15, 2003 Thursday

HEADLINE: PESB. Akzo: desinvesteringsprogramm Farma eur 500 mln; kostenbesp. eur 120 mln

BODY: Persbericht Akzo Nobel: Hans Wijers: "Fix Pharma and create room to maneuver"

New CEO Hans Wijers talks about general Akzo Nobel issues, as well as presenting a Coatings update, during the company's Spring Analyst Meeting in Amsterdam. Wijers leaves no doubt about his priorities for the near future. "We have to fix Akzo Nobel's pharmaceutical business first. This means a strict realignment of cost levels to lower sales volumes. The next step is to reassess the strategy of our human healthcare business Organon.

"To create room to maneuver we have decided on a EUR 500 million divestment program. Don't expect major moves today. We have further adjustments in preparation, and before the year-end I will give you an update. In the short-term we will improve the performance of all three groups Pharma, Coatings and Chemicals. In the long run we will keep all strategic options open."

Like other companies, Akzo Nobel is facing a strong impact from the macro-economic situation, currencies and pensions. On top of that Organon has to deal with a lack of sales momentum. Wijers says: "This is a

normal part of doing business in this high risk, high reward, environment. The flexibility we have shown in a period of stronger growth will now help us to reduce costs. We took some clear decisions about a roadmap to fix Pharma. A structural EUR 120 million cost-saving program has started and before year-end the number of Pharma employees will be reduced to under 21,000. We are continuously looking for alliances in R&D and marketing to share knowledge and costs and to exploit our sales force."

Coatings "very attractive business"

Wijers calls Akzo Nobel's world leading Coatings activities a very attractive business with a high upside. "We are committed to further growth, especially in the emerging markets. We have a number of strong brands and will use the benefits of scale especially in purchasing. Coatings is not a very capital intensive business, but we will certainly do everything to further improve capital productivity."

Chemicals portfolio assessment in progress

"Chemicals has a broad portfolio where certain parts have a good potential for growth," adds Wijers. "Operational results are fine if we compare them with our peers in the European chemical industry, but we can even improve further. A critical portfolio assessment is progressing well. We are concentrating on scope, performance and cash. We will divest selectively, creating more room to maneuver for the Company."

Investing to protect vitality

"Uncertain times ask for conservative financing," says Wijers. "We are very selective in making investment choices, in order to use funds for what is really necessary to protect the vitality of this company. There are always a lot of interesting acquisitions possible to invest in further growth, but Akzo Nobel's credit rating has a high priority. A logical consequence is that we will divest first, before we invest in new growth opportunities. The priority now is an efficient and lean organization."

Coatings determined to further improve No. 1 position

The Spring Analyst Meeting is mainly dedicated to Akzo Nobel's Coatings activities.

Rudy van der Meer, Member of the Akzo Nobel Board of Management responsible for Coatings: "The aim of the Coatings Group remains undiminished, both to improve our performance and to continue to reinforce our worldwide number one position. In order to reach our target of 30% ROI, excluding pension costs, we must deliver on organic growth and selective acquisitions, continue to lower our cost base and improve our capital turnover.

"Our focus remains growing in emerging markets. In the last five years we have doubled our sales in emerging markets to EUR 1.5 billion and grown in Asia-Pacific from 4 to 12% of our total sales. Finally, in the field of innovation, we will continue to step up our R&D efforts in areas such as waterborne paints, high solids, powder coatings and UV cure."

Decorative Coatings, aligning strategies with distributors

The decorative coatings market is changing rapidly from a very local market to a regional market. "Akzo Nobel is in an outstandingly strong position to benefit from this development with a presence in virtually all corners of Western Europe and with leading positions in more and more of the potential new European Union countries," says Stephanie Knowles, Head of Retail Europe for Decorative Coatings Europe. "We have a superior customer base with a strong network of distributors. We also have a very efficient logistical structure available to serve our customers, which is a major strength in a market where there is ongoing consolidation of large distributors moving over regions." On the subject of branding, she comments: "Developing brand leadership positions via innovative and high-impact marketing to consumers, as well as aligning our strategies with distributors in strategic partnerships, is the essence of the Retail division of Decorative Coatings Europe. This formula has proven successful to date and we are going to take it to another level."

Industrial Finishes, various stages of consolidation and cost reduction

Industrial Finishes continues to aggressively reduce costs in its mature market businesses, while boosting investments in growth technologies and geographic expansion. Industrial Finishes' General Manager Bob Torba: "The largest plant consolidation and cost reduction program in our history is in various stages of completion. At the same time we are reaping the benefits of geographic growth investments at an all-time record pace. Our industry and the markets we serve continue to reshape and restructure. We have positioned ourselves to take full advantage of the resultant opportunities."

Powder Coatings, successful transfer of production

For Powder Coatings, number one in the worldwide market, the economic conditions in Europe and the Americas are testing. General Manager of Powder Coatings Bill McPherson: "In our drive to improve performance in those markets, we will cease production at our Houston powder facility during May. Transfer of production to the sites acquired in 2002 in Monterrey, Mexico, and to the former Ferro sites in the United States, has been successful. We can now focus on improving our performance at these new sites through further productivity gains, and on building a stronger presence in the Americas.

"We will also continue to increase our already strong presence in Asia. The Ferro acquisitions of 2002 in China and Korea are performing better than we had planned. Our new facility in Vietnam, officially opened in March, has been an outstanding success so far. We see many opportunities for further strengthening our positions throughout the region and will pursue those opportunities vigorously."

End of publication.

Annex 11: press release on merger Diosynth and Organon

Akzo Nobel integrates Diosynth and Organon to reinforce its human pharmaceutical business

- EUR 60 mln investment for new parenteral production facility in the Netherlands
- New biotechnology research facility in the United States

Arnhem, the Netherlands, August 31, 2004 – Akzo Nobel announced today the intention to integrate its two human pharmaceutical businesses, Diosynth and Organon, into one operating business unit. The integration combines key competences of Diosynth and Organon in order to provide a targeted approach for the Company's human pharmaceutical activities. To support this development, Akzo Nobel intends to invest EUR 60 million in Oss, the Netherlands, to build a state-of-the-art parenteral production facility. A new biotechnology research facility in Cambridge, Massachusetts, United States, will also be created.

“The integration and investments are an exciting next step in the strategy to ‘fix pharma’ and represent the new way forward,” said Toon Wilderbeek, Member of Akzo Nobel's Board of Management. “This is a logical move, following initiatives to improve profitability and a strategic shift to actively seek partnerships. This is not primarily about costs. It is much more aimed at building the business in a way that will move us forward.”

The integration of the key competences of Diosynth and Organon offers clear benefits. The new organization will leverage its combined know-how, technologies, people and facilities to capitalize on market opportunities. The integration will also reduce complexity and thus support the strategy of partnerships in development and marketing and sales. Bundling of forces will bring optimized investment decisions and strengthen management of the entire supply chain. It also allows the Company to combine biotechnology activities in Organon and Diosynth into one platform.

The Cambridge location has been chosen to create the new biotechnology research facility because of its high concentration of medical research institutes, universities, and hospitals. The biotechnology industry is also well established in the area. The investment in the new parenteral facility confirms Akzo Nobel's commitment to its pharmaceutical activities and the importance of the production site in Oss. Construction of the facility is expected to start early in 2005. It will be operational in 2007.

It is expected that the integration will result in some overlap of functions. This will lead to redundancies involving some 60 full time positions, roughly 50 of which will be in Oss and the remainder in Roseland, New Jersey, United States. Employee representative bodies and unions have been informed and consultation procedures will commence shortly, where applicable.

As of January 2005, the two entities will operate as a single business unit called Organon. Diosynth's third party business will remain a reliable partner for its customers and will continue to trade under the name Diosynth.

To mark the importance of this integration and the opportunities it will provide, the management team will be extended, with offices based in the United States (Roseland, New Jersey) and the Netherlands (Oss).

Internet: www.diosynth.com; www.organon.com

Our Safe Harbor Statement applies to this press release.

Corporate Media Relations: tel. +31 26 366 4343

Source: Akzo Nobel press release archive,

http://www.akzonobel.com/news/news_detail.asp?id=ktkzRIOhG3c%3D&lan=English, accessed in November 2004.