



Annabel Short (Head of Program) & Christopher Avery (Director)
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Dear Annabel Short and Christopher Avery,

Please find herewith our response to the SOMO overview 2008 of AkzoNobel business practices which might potentially be unsustainable.

As SOMO has stated: the paragraphs 1, 2, 3, 4 and 8 are no sustainability controversies. We consider these SOMO statements as an expression of concern for items which require a strong sustainability commitment and responsible management – in order to ensure they will not become areas of concern. We genuinely value these comments as an important input and advice from one of our stakeholders.

Paragraph 2: A few remarks

As recently presented during the April 2, 2009 SER Conference on International Sustainable Trade – we practice what we preach by embedding sustainability in our sourcing practices, both with respect to Vendor policies, Sustainable Supplier Visits and Reduction of cradle-to-gate carbon footprint along key value chains. Our request to a segment of high level third parties and consultants to agree to a price cut does not interfere with sustainable supply chain management.

Paragraph 3: Comments

The AkzoNobel Board of Management has agreed to a leading carbon reduction program – based on the tripod of energy efficiency, carbon reduction and energy security. Targets 2015 and 2020 ambition levels for carbon reduction along all of our cradle-to-gate value chains are included in the company strategy dashboard. In previous sustainability reports we have reported our leadership on using low carbon energy sources and on improving our energy efficiency. Compared to neighboring countries, the Netherlands is an island of high price levels for natural gas – to such an extent that the use of low carbon CHP (Combined Heat and Power installations) tends to become uncompetitive. It's obviously both for the benefit of our company, our shareholders and for society that we continue to operate our CHP – installations at full capacity – obviously this requires competitive prices for the required fossil fuels.

Paragraph 4:

List as a Top Polluter on the PERI Index

The listing referred to by SOMO is based on 2005 data. We reviewed the 2005 Toxic Release Inventory (TRI) data that was used for the PERI Index and compared that data to the 2007 data to measure our progress in reducing emissions. Following are specific comments.

- We were not able to determine the specific “Toxicity” and “Population Exposure” factors used for the PERI Index. We will assume, however, that the factors that are applied to the AkzoNobel sites will remain the same for both years since the sites’ locations and the types of operations/pollution remain much the same. The quantity of releases, therefore, is the primary criteria to be evaluated.
- The total air emissions for AkzoNobel have been reduced from 2005 to 2007 by 21%. For offsite incineration the overall reduction was 26%.
- The projected Score on the PERI Index for 2007 was calculated to be 10,431, using a back-calculated factor. We anticipate this Score will result in AkzoNobel dropping out the PERI Index top 100 list, when the results are published in 2010.

With respect to operating in low income areas, with the exception of the few sites built by AkzoNobel, AkzoNobel did not elect to build in the areas where most sites are located. Most of the sites came to AkzoNobel through acquisitions. Regardless, AkzoNobel continually operates as a responsible company, making an effort to be a good citizen and neighbour.

To further improve the position of the company in this respect, several programs have been established for the continuous improvement of our sustainability approach such as the aim to achieve an improved product portfolio based on our Eco-efficiency program, and the new Carbon emission policy, as examples.

Paragraphs 5, 6 and 7 deal with concrete litigations and fines. In the next sections you will be provided with an overview of the way we take responsibility for these issues:

Paragraph 5: Litigation over pollution charges

- A. The chemical manufacturing plant along the Raritan River in Edison, New Jersey, has been operated by various owners since the early 1900s. AkzoNobel acquired the facility as part of a larger acquisition in 1987. Basell-USA acquired the facility from AkzoNobel in 2006.

We purchased a site which was contaminated by prior owners: AkzoNobel did not contaminate the Edison Site. AkzoNobel instead has worked diligently and spent millions of dollars to clean this in a reasonable manner. This cleanup activity was conducted without delay and in cooperation and with the agreement of the New Jersey Department of Environmental Protection (NJDEP) and other governmental agencies. AkzoNobel, as a responsible corporation, has continuously worked with the NJDEP to perform all the work necessary to protect human health and the environment.

NJDEP officials have acknowledged the company’s cooperation and the success of its remediation efforts: “At this time, Akzo Nobel has been responsive and is in compliance with DEP requirements pertaining to the remediation of the riverbank seep.”

AkzoNobel believes the pending litigation is without merit and remains confident that it has a strong position and will ultimately demonstrate that the company has acted responsibly to protect the public and the environment with regard to former operations at the Edison site.

B. ICI Canada Inc. has had chemical manufacturing operations in Cornwall since 1934. This included the manufacture of chlorine and sodium hypochlorite (involving the use of mercury). They ceased operations in 1995. Since that time the plant has been successfully decommissioned.

An industrial sewer owned by the City of Cornwall and that was formerly used by ICI Canada for treated waste water discharge, traversed also some neighboring properties, including the former Domtar site property.

These waters from the ICI Canada site have been progressively migrated to the City of Cornwall municipal sewer system, as permitted, and by 2002 the only remaining discharge through the industrial sewer was a small quantity of surface storm water from the site. All discharge to the industrial sewer (including storm water) ceased in 2008 when ICI Canada was completely disconnected.

ICI has engaged a leading global environmental engineering firm to verify the factual assertions. The firm's investigation has determined the plaintiff's claim to be completely baseless and their factual allegations to be false. ICI has determined that water discharges up to the time of decommissioning of the industrial sewer line were wholly compliant with Ontario Ministry of the Environment (MOE) standards.

All issues in the civil litigation are currently in abeyance as the parties have reached a conditional comprehensive settlement agreement, subject to finalization and implementation of a work plan. The MOE has been apprised of the parties' intentions and technical work proposal and have been supportive to date of ICI Canada proposed action plan.

ICI Canada has been at the forefront of industry efforts and has been proactively involved with historical mercury issues at Cornwall over the past 12 years and will continue to be. Such involvement has included playing a leadership role and working in concert with the Federal/Provincial/Municipal governments and other stakeholders to conclude the Cornwall Sediment Strategy in 2005 and thereafter fully cooperating with authorities, including provision of groundwater analysis, in formulating the "Cornwall Mercury Trackdown". The studies showed that at that time the mercury found in St. Lawrence river sediments had no impact on the aquatic environment.

Paragraph 6: Fines for Functional Chemicals in Ornskoldsvik and for AkzoNobel Coatings Inc. in Delaware were related to non compliances with reporting requirements. Our respective sites did provide required information too late to government authorities in Sweden and USA. These sites were not fined for environmental damage, but for a delayed response to regulators. This obviously represents an omission, however it does not represent damage to the environment.

The subject BU has developed a system and implemented procedures to ensure that all their facilities make these important submittals by the annual deadline, thus preventing futures penalties.

Paragraph 7: Cartel prosecutions

- A. Brazil / Pharma prior to 1999
- B. European Commission / Calciumcarbide prior to 2001
- C. European Commission / Heat stabilizers prior to 2001

The allegations relate to possible violations of antitrust rules prior to 2001.

In 2000 AkzoNobel has introduced a world-wide Business Principles training for all of its employees and a compliance training for all employees engaged in business transactions.

At the introduction of the AkzoNobel Business Principles program, we also introduced a company wide whistle blower & complaints procedure.

Moreover early 2000 a one time amnesty program was announced to all managers, allowing them to confess any breaches of business integrity – while at the same time announcing Zero Tolerance for any breaches of business integrity after the one time Amnesty rule.

We are confident that the AkzoNobel Code of Conduct and Compliance training is well established and implemented across our businesses. Annually the AkzoNobel report provides an overview of the number of complaints received, the number of integrity issues examined and the corrective measures & sanctions executed. Obviously we deeply regret the accusations and possible violations of antitrust rules – which all date back prior to the introduction of the Global roll out of business principles, compliance, one time amnesty and zero tolerance policy.

I do expect the above answers provide an adequate response to concerns expressed by SOMO. Moreover, I do trust that our remedial actions towards the potential violations mentioned by SOMO, will ensure you that we practice what we preach with respect to our social responsibilities. In case you expect more detailed information, please contact me.

Best regards,

André Veneman
Corporate Director Sustainability & HSE