



Board of Management Remuneration Policy

Introduction

The remuneration policy and the individual service contracts of the members of the Board of Management are determined by the Supervisory Board within the framework of the remuneration policy as adopted by the General Meeting of Shareholders in April 2005 and revised in April 2006.

The company's remuneration policy, including all structures and policies related to the remuneration and employment contracts of the Board of Management, is in line with the Dutch Corporate Governance Code.

Remuneration policy

The objective of the company's remuneration policy is to provide remuneration in a form that will attract, retain and motivate the members of the Board of Management as top managers of a major international company.

The total remuneration package of the members of the Board of Management consists of:

- Base salary
- Performance-related short-term incentive
- Performance-related stock options
- Performance-related shares
- Pension provisions.

It is the company's policy to move gradually toward overall remuneration levels that are at the median level of the external benchmark of the following peer group of companies:

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| ■ Aegon | ■ Royal Ahold |
| ■ Ciba Specialty Chemicals | ■ Royal DSM |
| ■ Clariant | ■ Royal KPN |
| ■ Heineken | ■ Royal Numico |
| ■ ICI | ■ Solvay |
| ■ Reed Elsevier | ■ TNT |
| ■ Rhodia | ■ Wolters Kluwer |

The Remuneration Committee consults professional independent remuneration experts to ensure an appropriate comparison. Royal Ahold, Royal KPN and Wolters Kluwer are not included in the peer group for the CEO. The peer group includes five direct competitors of Akzo Nobel. The Supervisory Board is of the opinion that it is relevant to incorporate compensation data from direct competitors to ensure that information relating to the specific industry pay levels and policies is available.

Changes in the peer group are made only if companies no longer qualify to serve as a peer group company. ICI and Royal Numico have been replaced in 2008.

To ensure that remuneration is linked to performance, a significant proportion of the remuneration package is variable and dependent on short and long-term performance of the individual Board member and the company.

Remuneration elements

Reference is made to the Annual Report for details on the elements of the remuneration of the Board of Management and summarizing overviews.

All members of the Board of Management are entitled to other benefits, such as a company car and representation allowance, which are needed for the execution of their role and which are in line with market norms.

Base salary

The objective of the base salary is to enable recruitment and retention of top managers of a major international company.

Base salaries of members of the Board of Management have increased by 3 percent in 2007 in order to bring remuneration levels more in line with median market levels of the reference market.

In spite of the salary adjustment in 2007, the base salary level of the CEO and the other members of the Board of Management remains significantly below the median level of the peer group of companies used in the external comparison. For the other members, the average percentage amounts to approximately 30 percent below the median level.

Short-term incentive (annual bonus)

The objectives of the short-term incentive are to reward economic value creation (EVA) for our shareholders and other stakeholders, to measure individual and collective performance and to encourage progress in the achievement of long-term strategic objectives.

A total of 70 percent of the bonus opportunity is linked to EVA; the remaining 30 percent is based on individual and qualitative personal targets. On the outcome of these elements, the Remuneration Committee applies an overall rating based on the principles of the Performance and Development Dialog, an appraisal system which was implemented throughout Akzo Nobel in 2005. For the Board of Management, the rating includes a reasonableness test, in which the Supervisory Board critically assesses the actual ambition level of the performance targets in light of the assumptions made at the beginning of the year. It also includes an assessment of the progress made in achieving long term strategic objectives.

This method for bonus determination is also the basis of the compensation framework for executives in the company as introduced in January 2005.

The performance measure EVA is used in order to encourage the Board of Management to create long-term value for the company's shareholders and other stakeholders. EVA is calculated by deducting from net operating profit after taxes (NOPAT) a capital charge

representing the cost of capital calculated on the basis of an average return investors expect.

The EVA-related part of the bonus has a performance threshold level of 80 percent and a maximum performance level of 120 percent of the targeted EVA. The target EVA for the bonus will be determined annually by the Supervisory Board and will be derived from budget. Qualitative individual and collective targets are set in the context of the medium-term objectives of the company and qualify as commercially sensitive information. The company will not disclose the targets.

The Supervisory Board critically assesses the progress made in achieving long-term strategic objectives and the actual ambition level of the performance targets in light of the assumptions made at the beginning of the year. The Supervisory Board ensures that targets are realistic and sufficiently stretching.

Long-term incentives

The objectives of the Akzo Nobel long-term incentive plan are to encourage long-term economic and shareholder value creation, both absolute and relative to our competitors, to align the interests of the Board of Management with those of shareholders and to ensure retention of the members of the Board of Management.

The long-term incentive plan consists of performance stock options and performance shares.

Stock option plan

As of 2008, the stock option plan has been discontinued. Up until 2008, stock options were conditionally granted for performance upon vesting. The number of stock options granted to the Board of Management was determined by the Supervisory Board. Market levels, as well as company-specific circumstances, were taken into account in determining the appropriate conditional number of options granted. The actual number of options which the Board of Management receives depends on the company's performance during a three-year vesting period. The total option term is seven years.

The performance measure used to determine the number of options that vest is the average of the results of the comparison between planned and realized EVA on Invested Capital (EOI) or economic value created in relation to invested capital during the period of three consecutive years. This measure is used to encourage EVA performance over a longer period of time.

The EOI targets were set annually by the Supervisory Board. Stock options will not vest below 80 percent of the targeted EOI. The number of granted options is also the maximum number of options that vest upon achieving the targeted performance. If targeted performance is exceeded, there will be no increase in the number of options that vest. The specific targets will not be disclosed as they qualify as commercially sensitive information.

The exercise price of the stock options is the Euronext Amsterdam opening price on the first day after the General Meeting of Shareholders that the Akzo Nobel share is quoted ex-

dividend.

The expected value of performance stock options for the Board of Management is based on the Binomial Option Pricing Model, which is in line with international accounting regulations. The calculations for the valuation will be reviewed by the company's auditors.

Performance share plan

Under the performance share plan, shares will be granted to the members of the Board of Management provided that certain performance targets are achieved and the contract of employment is continued. These targets are determined by the Supervisory Board in the first quarter of the year of issue on the basis of the weighted average of the price of the Akzo Nobel share increased by the dividend paid over a period of three years (Total Shareholder Return or "TSR").

Relative TSR performance will be compared with a peer group. Based on the peer group, Akzo Nobel will be ranked for its total return to shareholders. Independent external specialists will conduct this analysis to determine the number of shares that will vest over a three-year period. The determination of the final ranking (and thus the vesting of shares) will be reviewed by the company's auditors at the end of the performance period. In order to adjust for changes in exchange rates, all local currencies are converted into euros. The retention period for the shares expires five years after the conditional grant.

Relative TSR performance will be compared with the following peer groups for the 2005 and 2006 grant respectively and the 2007 grant:

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| <ul style="list-style-type: none">■ Bayer■ Ciba Specialty Chemicals■ Clariant■ Dow Chemical Company■ DuPont■ ICI (until the 2005 grant)■ Merck KGaA■ Nippon Paint (only for the 2006 grant)■ Novo Nordisk■ PPG Industries■ Rohm & Haas■ Royal DSM■ Sherwin-Williams■ Solvay■ UCB■ Valspar Corporation | <p>AS FROM 2007</p> <ul style="list-style-type: none">■ Arkema group■ BASF■ Ciba Specialty Chemicals■ Dow Chemical Company■ DuPont■ Hercules■ Kansai Paint■ Kemira OYJ■ PPG Industries■ RPM Industrial■ Sherwin-Williams■ Valspar Corporation |
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Given the company's historical performance, market expectations and strategy, the following performance incentive zones apply for the 2005 and 2006 share grant respectively and the 2007 share grant:

2005-2006

As from 2007

Rank	Payout (as % of target payout)	Rank	Payout (as % of target payout)
1	150%	1	150%
2	137.5%	2	135%
3	125%	3	120%
4	112.5%	4	100%
5	100%	5	85%
6	80%	6	70%
7 (median)	60%	7	55%
8	40%	8	40%
9	20%	9	25%
10-16	0%	10-16	0%

The Supervisory Board has made sure that the revision of the peer group does not make targets easier to achieve. Probability analyses were run to ensure an equal likelihood of achieving payout for the 2007 peer group as compared with the previous peer groups used.

The expected value of the performance share plan is based on probability analyses. In valuing its incentive plans, the company is assisted by independent external advisers. All valuations are reviewed by the company's auditors.

Pensions

The pension plan for all the members of the Board of Management is based on an income and age-related defined contribution plan.

The available premium is invested with a pension fund. The pension payment at pension age depends on the premiums received and the investment results during the period. The premium percentages to be paid for the Board member concerned are fixed by the Supervisory Board taking into account pension built up (internally or externally) in the period preceding the appointment as Board member and the rules applicable in the country of origin. External reference data can be used in determining market competitive levels of pension arrangements. If applicable, pension rights built up in the period preceding Board membership will be adjusted in conformity with the relevant rules and regulations. Members of the Board of Management pay a personal contribution. Members of the Board of Management normally retire in the year that they reach the age of 62.

Employment agreements

Employment agreements for members of the Board of Management appointed in 2004 and subsequent years are concluded for a period of four years in conformity with the Dutch Corporate Governance Code. After this initial term, reappointments may take place for consecutive periods of four years each or, if applicable, up until their date of retirement if less than four years from their reappointment.

The notice period by the Board member is subject to a term of three months; notice by the company shall be subject to a six months term.

If reappointment does not take place and the employment agreement between the Board

member concerned and Akzo Nobel N.V. is not continued, the Board member will be entitled to a severance payment, established in accordance with the Dutch Corporate Governance Code. The employment agreements for the member of the Board of Management appointed before 2004 have not been adjusted in this respect. However, the Supervisory Board has the intention to take the provisions of the Code as guidance for establishing severance payments.

The employment contracts allow the Supervisory Board to request a Board member to resign between the age of 60 and the regular retirement age for effective succession planning within the Board. In such an exceptional situation, the Board member concerned will be entitled to fixed salary payments until the date of retirement.

Loans

The company does not grant any personal loans to its Board members.

September 2008