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To the Management Board (*bestuur*) and the  
Supervisory Board (*raad van commissarissen*)  
of Akzo Nobel N.V.  
Christian Neefestraat 2  
1077 WW Amsterdam  
The Netherlands

London, 10 April 2017

Dear Sirs,

We are writing to you on behalf of The Liverpool Limited Partnership and Elliott International, L.P. (together "Elliott" or "we"), which collectively hold 12,360,754 shares in the issued capital of Akzo Nobel N.V. (the "Company" or "Akzo Nobel"), representing significantly over 3% of such issued capital.

This letter should not be a surprise to Akzo Nobel. In our call on 14 March 2017, and letters to Akzo Nobel of 15 March 2017 and of 20 March 2017, we extensively set out our concerns with respect to Akzo Nobel's handling of the initial friendly proposal submitted by PPG Industries Inc. ("PPG") on 2 March 2017, to acquire all of the issued and outstanding ordinary shares in the capital of Akzo Nobel (the "Initial Proposal"). Furthermore, we have made our concerns clear during two meetings on 24 March 2017 and 29 March 2017, and on a further telephone call on 31 March 2017. Therefore, Akzo Nobel has had ample time to consider all of the issues presented below.

#### **Written Communication between Elliott and Akzo Nobel**

In our letters, we specifically noted the Supervisory Board's and Management Board's duties towards all stakeholders should PPG express any interest in re-engaging with Akzo Nobel.

Specifically, in our letter of 15 March 2017 we stated:

*"Should PPG express any interest in re-engaging with Akzo Nobel, the Supervisory Board and Management Board of the Company are, of course, bound to take into consideration their prevailing corporate governance duties and broader stakeholder obligations. As part thereof, a meaningful consultation process with shareholders should be conducted. Undertakings from PPG concerning employment, location of facilities and R&D centres, and environmental and sustainability commitments should be discussed. A constructive dialogue with PPG is also required to resolve potential, but in our*

*view surmountable, antitrust concerns. [...] A blanket rejection of any further proposals from PPG is not a viable option, and would raise serious corporate governance concerns.*"

In addition, we pointed out that without engaging in any discussions with PPG, it would be impossible for your Boards to genuinely compare the manner in which stakeholder interests would be served in a standalone scenario with the manner in which they would potentially be served in case of a possible transaction with PPG.

Specifically, in our letter of 20 March 2017 we stated:

*"Akzo Nobel now needs to devote a significant amount of management time and resources to evaluate the separation of its Specialty Chemicals business, while at the same time engaging with PPG should PPG return with a better proposal. A comprehensive and objective evaluation of the benefits of Akzo Nobel's standalone strategy versus a potential transaction with PPG is only possible following genuine engagement with PPG."*

Furthermore, we noted the apparently overwhelming support among Akzo Nobel shareholders for the Board to engage in discussions with PPG. We did not then, nor in the meantime, receive any indication that would show that your Boards genuinely listened, or, for that matter, now listen, to your shareholders', or any other stakeholders', concerns in that respect. We were therefore shocked to learn on 22 March 2017 that, after PPG significantly improved its offer to EUR 90 per share and addressed stakeholder considerations in an eight page proposal (the "Improved Proposal"), Akzo Nobel outright and immediately rejected that proposal. In fact, in its 22 March 2017 press release, Akzo Nobel claimed that the Improved Proposal "does not warrant AkzoNobel's engagement with PPG."

The level of our serious concerns involving your Boards' governance practices is further heightened by our understanding that PPG was willing to make material commitments for the benefit of the Company's various stakeholder groups, including in relation to employment, research and development, pensions, and sustainability.<sup>1</sup> Of course, we understand, the strength of those commitments can only be tested by your Boards in serious discussions between your representatives and PPG's. We further understand that PPG expressed willingness to engage as evidenced, for example, by the following statement of PPG's CEO Mr. McGarry made on 22 March 2017:

*"We are hopeful that Akzo Nobel engages with us promptly in order to further discuss and explore the benefits of a combination for its stakeholders, including substantial commitments regarding employees in The Netherlands, research and development and sustainability."*<sup>2</sup>

Mr. McGarry further noted on 23 March 2017:

*"I offered to come over here any time, any day, any place."*<sup>3</sup>

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<sup>1</sup> For example, several excerpts from PPG's 20 March 2017 letter to Akzo Nobel:

- "With your cooperation, we are confident we can substantially alleviate any uncertainties that employees may feel with respect to a business combination with PPG."
- "We appreciate the importance to your pensioners, regulators, and government, of ensuring that any proposed transaction does not negatively impact AkzoNobel's pensions. We believe that, after discussion with your pension trustees, we will be able to provide them with the assurance that they seek with respect to a business combination with PPG..."
- "The combined company will also continue to maintain a commitment to operate in a sustainable and socially-responsible manner."

<sup>2</sup> <http://www.bizjournals.com/pittsburgh/news/2017/03/22/akzonobel-rejects-ppgs-second-takeover-bid.html>

<sup>3</sup> <http://uk.reuters.com/article/uk-akzo-nobel-m-a-ppg-idUKKBN16T16Y>

Separately, the revised PPG offer represents a significant improvement in terms of shareholder value and entails a significant 40% premium compared to the stock's closing price immediately before the Initial Proposal. As noted, we, like other shareholders quoted in the press in recent weeks, fail to grasp how, within 48 hours of receiving PPG's Improved Proposal, Akzo Nobel's Supervisory Board and Management Board could unreservedly dismiss this offer as not being in the interest of its stakeholders, without even attempting to enter into discussions with PPG and without consulting the Company's stakeholders. It is absolutely clear to us that Akzo Nobel's Supervisory Board and Management Board must be held to account for their failure to engage with PPG following PPG's friendly approach, Improved Proposal, and clear willingness to engage with Akzo Nobel.

Upon learning of Akzo Nobel's rejection of PPG's Improved Proposal, and the lack of willingness of Akzo Nobel to meet and discuss the proposal on a friendly basis, Elliott publicly stated on 22 March 2017:

*"Although Elliott views PPG's second bid of EUR 90 per share (cum dividend) as inadequate, it views such level of bid price to be a credible basis for engagement, representing a 39.7% premium to Akzo Nobel's undisturbed price. It is only through engagement that Akzo Nobel can determine if PPG is prepared to bid at a level that provides adequate consideration to shareholders. [...] Akzo Nobel's Supervisory Board and Management Board must take into consideration their prevailing corporate governance duties and broader stakeholder obligations and engage with PPG in order to objectively evaluate the benefits of Akzo Nobel's standalone strategy versus a transaction with PPG. [...] Aside from valuation, a second group of criteria which Akzo Nobel cited in rejecting PPG's bids and refusing to engage were broader stakeholder considerations. While correct in recognizing the risks and uncertainties involved in such a large and complex transaction, Akzo Nobel cannot duly analyse these risks and uncertainties without engaging with PPG. In Elliott's view, the combination of Akzo Nobel and PPG has the potential to create a stronger company which could devote more resources to R&D, innovative product development and sustainable business practices, thereby creating opportunities for employees, benefiting customers and advancing environmental considerations. A comprehensive and objective evaluation of the benefits of Akzo Nobel's standalone strategy versus a transaction with PPG is only possible following engagement with PPG. It is unfair for Akzo Nobel to continually criticize PPG's offers for failing to address stakeholder concerns if Akzo Nobel has been unwilling to engage with PPG to articulate precisely what those concerns are and suggest possible solutions."*

### **Verbal Communication between Elliott and Akzo Nobel**

On 24 March 2017, Elliott representatives, including Mr. Gordon Singer, Mr. Wiktor Sliwinski and Mr. Leo Markel, met with Akzo Nobel's Management Board members at Elliott's office in London. During this meeting Akzo Nobel again refused to confirm that the Company would engage in discussions with respect to a potential transaction with PPG in an effort to sincerely put itself in a position to fairly and adequately assess the manner in which stakeholder interests would be served under the two alternatives open to the Company: on the one hand Akzo Nobel's standalone strategy, including a separation of the Specialty Chemicals business, on the other hand, a potential transaction with PPG. Again, this shows that the Company: (i) has insufficient regard for the *bona fide* interests of its stakeholders, and (ii) does not truly consider and evaluate the interests at stake in a non-biased manner as would be appropriate to fulfil the Boards' duties under Dutch law. During this meeting, Elliott clearly spelled out that should members of Akzo Nobel's Boards continue to refuse to engage with PPG, and therefore obstruct the due and fair corporate governance process required to evaluate the two alternatives on a fair and adequate basis, then Elliott, would have no choice but to propose and seek the dismissal of obstructive member(s) of such Board(s).

On 28 March 2017, Akzo Nobel announced that new financial guidance and an outline of the plans for the creation of two focused businesses will be provided on 19 April 2017. Elliott agrees that Akzo Nobel should be given, and use, appropriate time to evaluate alternatives to a sale of the entire Company. We understand that Akzo Nobel has in fact been evaluating its strategic alternatives since 2016. As we have previously noted, the evaluation of a potential separation of the Specialty Chemicals business is worthy of shareholder support. However, being given time to evaluate this and other alternatives does not mean that it is appropriate to completely ignore a bona fide offer from a respected counterparty. PPG approached Akzo Nobel on 2 March 2017, which means that by 19 April 2017, Akzo Nobel will have had seven weeks to conduct discussions with PPG, learn what commitments may or may not be obtainable from PPG, and evaluate PPG's best offer against Akzo Nobel's strategic alternatives. Akzo Nobel's institutional shareholder base has clearly voiced its expectation that the Boards fulfil their corporate governance duties accordingly, and the Boards owe the appropriate fulfilment of those duties to the Company's stakeholders as a whole. Akzo Nobel's refusal to engage with PPG does not achieve anything to address the interests of the Company's broader stakeholder community. On 29 March 2017, Elliott also stated:

*"The upcoming three weeks are therefore the appropriate time for Akzo Nobel to sincerely engage with PPG so that a fair and objective evaluation of the two alternatives can be conducted. Akzo Nobel should immediately enter into negotiations with PPG and carefully evaluate what PPG is willing to offer in a friendly transaction against Akzo Nobel's standalone strategic alternatives."*

It is also noteworthy to mention that Elliott has engaged Boudicca Proxy Consultants ("Boudicca") to conduct a study<sup>4</sup> of the opinions of Akzo Nobel's institutional shareholders. The results of this study further confirm and quantify what a number of institutional shareholders have already stated publicly: 94.1% of the survey respondents, representing 99.6% of the share capital that participated in the survey, stated that Akzo Nobel should engage with PPG. Boudicca conducted its study during the period between 10 March 2017 and 24 March 2017. The study involved over 1,000 telephone calls and emails with over 300 institutions, representing 49.9% of the issued share capital of Akzo Nobel. Responses were successfully gathered from institutions representing 24.6% of Akzo Nobel's issued share capital. Separately, it is notable that not one of Akzo Nobel's shareholders has publicly stated its support for the stance of Akzo Nobel's Supervisory Board and Management Board.

Notwithstanding this unequivocal and broadly supported call from Akzo Nobel's shareholders, during a meeting between Elliott representatives Mr. Wiktor Sliwinski and Mr. Leo Markel and Akzo Nobel Supervisory Board Chairman Mr. Antony Burgmans which took place on 29 March 2017 at Akzo Nobel's office in Amsterdam, Akzo Nobel once again reconfirmed that it would continue to refuse to engage in any meaningful discussion with PPG and asked for patience while Akzo Nobel works on its standalone value creation plan. Mr. Sliwinski agreed with Mr. Burgmans that Akzo Nobel should take until 19 April 2017 to evaluate its alternatives. However, while Mr. Burgmans insisted that all of Akzo Nobel's management time should be solely devoted to analysing the Company's standalone alternative, Mr. Sliwinski insisted that part of the time should also be used to engage with PPG to obtain the inputs required to be able to fairly and adequately evaluate that alternative against the Company's standalone plan. There was courteous but firm disagreement between the parties on this point. Mr. Sliwinski again reiterated what was stated during the meeting on 24 March 2017: should members of Akzo Nobel's Boards continue to refuse to engage with PPG, and therefore obstruct the due and fair corporate governance process required to evaluate the two alternatives on a fair and adequate basis, then Elliott, would have no choice but to propose and seek the dismissal of obstructive member(s) of such Board(s).

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<sup>4</sup> All figures related to the Boudicca study exclude Elliott.

After the meeting, Mr. Sliwinski followed up with a brief telephone call to confirm that, in Elliott's view, Mr. Burgmans is responsible for such obstruction and that therefore the proposal would be for the dismissal of Mr. Burgmans from the Supervisory Board of Akzo Nobel.

On 31 March 2017, Mr. Burgmans was quoted<sup>5</sup> as saying, "PPG just made a bad proposal, which provides no basis for a dialogue." PPG responded to this in an emailed statement sent to Bloomberg stating that:

*"PPG has done an extensive analysis of the antitrust requirements. Consistent with PPG's approach to the many transactions that it has successfully concluded, we have engaged antitrust legal experts in Brussels, London, Washington D.C., and New York to analyze the potential transaction and their work confirms that there is a clear path forward to complete the transaction. We have repeatedly offered to have our counsel meet with AkzoNobel's counsel to discuss the external analysis, which AkzoNobel has refused. To fully understand PPG's proposal, its regulatory clearance strategy and to make an objective judgement for its stakeholders, we strongly believe that AkzoNobel should meet with us and our antitrust experts. We call again on AkzoNobel's leadership to engage with us so that we can share our analysis and work together in a collaborative manner to complete this transaction for the benefit of all stakeholders."*

This is a clear indication that PPG is still interested in engaging with Akzo Nobel, but that they are being ignored. Furthermore, on 31 March 2017, in a telephone call between Elliott representatives including Mr. Gordon Singer and Mr. Wiktor Sliwinski, and Akzo Nobel representatives including Mr. Burgmans, Mr. Burgmans again reiterated his position presented during the meeting on 29 March 2017, stating that Akzo Nobel will not engage with PPG.

Finally, on 5 April 2017 PPG reiterated in writing its invitation to Akzo Nobel to enter into discussions to explore PPG's proposal to form a combined company, and stated that:

*"We once again invite AkzoNobel to meet with us to learn more about our specific proposals. We are prepared to address all of AkzoNobel's concerns in a collaborative and substantive manner, and the best approach for AkzoNobel is to engage with PPG in each of these important areas for the benefit of all stakeholders."*

Akzo Nobel again rejected the invitation to engage, this time within a mere 45 minutes, and called PPG's proposal "unacceptable".

The position presented by Mr. Burgmans is incomprehensible. We fail to see how Akzo Nobel could have a meaningful discussion with its shareholders on 19 April 2017 about its plans for a potential separation of the Specialty Chemicals business, while the alternative of a transaction with PPG is being effectively disregarded entirely from the outset, as demonstrated by Akzo Nobel's unwillingness to engage with PPG. Shareholders, similarly to the Supervisory Board and Management Board, should be fully equipped to make a well informed decision on the options available to the Company, and need to obtain all relevant information in that respect. By pushing for the presentation of its standalone proposal, while in the meantime disregarding and potentially even jeopardizing a *bona fide* alternative from a credible third party, Akzo Nobel's Boards again demonstrate their lack of sufficient consideration for the interest of all of the Company's stakeholders and reconfirm a tunnel vision which has apparently predisposed them against any meaningful discussion with PPG. In fact, we believe that the Boards are

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[http://www.telegraaf.nl/df/nieuws\\_df/27915208/\\_Burgmans\\_\\_Gewoon\\_een\\_slecht\\_bod\\_van\\_PPG\\_\\_html](http://www.telegraaf.nl/df/nieuws_df/27915208/_Burgmans__Gewoon_een_slecht_bod_van_PPG__html)

wilfully ignoring the interests of stakeholders in this respect, and that they are acting in a self-entrenching and obstructive manner.

In conclusion, we believe that the Boards have failed to fulfil their corporate governance duties towards the Company's stakeholders. We also note that Akzo Nobel's shareholders have publicly expressed their lack of confidence in the Boards' course of action. We hold Mr. Burgmans accountable for this turn of events, because as Chairman of the Supervisory Board, Mr. Burgmans in particular has the duty to ensure the proper consideration of the interests of all stakeholders and oversee the actions of the Management Board. Since PPG has continued to call on Akzo Nobel executives to meet and discuss the proposal, and Akzo Nobel continues to ignore PPG, this matter now requires the urgent action described below.

### **Next Steps**

Akzo Nobel's repeated and outright rejections of PPG's proposals jeopardize a potential transaction with PPG that could be value maximising for shareholders. Without having seriously engaged with PPG, Akzo Nobel's Boards are not in a position to appropriately evaluate whether a potential transaction with PPG best serves the interests of all the Company's stakeholders. It is therefore of the utmost urgency that Akzo Nobel starts engaging in discussions with PPG to comprehensively evaluate the alternatives available to the Company. Although we would have strongly preferred otherwise, and to allow for such discussions to have started on a friendly basis, at this stage we see no other option than to request the dismissal of Mr. Burgmans as member of and Chairman of the Supervisory Board. Given that time is of the essence, an Extraordinary General Meeting ("EGM") needs to take place at which a shareholder resolution to that effect can be voted upon at the shortest term possible.

Our serious concern does not relate to the Company's strategy as it may ultimately evolve and be set by your Boards, and we are not trying to steer the Company to one outcome or the other. We are, however, requesting that due process be followed to allow a fair and adequate assessment by the Company of the two alternatives and their impact on stakeholders. We cannot see how the Company's stakeholders could accept the Boards' conduct, in which the Boards completely ignore potentially crucial information that they should be gathering and exploring in order to: (i) properly fulfil their own corporate governance duties and (ii) adequately inform the Company's shareholders, before those shareholders may be asked to assess and compare choices that may need to be made at the shareholder level, including potential shareholder votes to dispose a significant part of Akzo Nobel's business.

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### **Start of Request from Shareholders**

#### **Request**

With reference to Section 2:110 of the Dutch civil code ("DCC") and article 46.5 of the Company's articles of association (the "Articles"), we therefore hereby request Akzo Nobel, also on behalf of:

[REDACTED]

[REDACTED]

which collectively with Elliott represent in excess of 10% of the issued capital and which act together with Elliott **specifically and solely for the purposes of this request**, to call an Extraordinary General Meeting ("EGM") at the shortest term possible. For the avoidance of any doubt, we note that Elliott and the above named shareholders have confirmed that they are not, and shall not be considered in any way as, acting in concert, and that each of these parties is entirely free to cast its vote in the EGM to be convened or in any other general meeting of shareholders of the Company as it deems fit, including but not limited to the agenda item listed below.

We point out that the Company has the legal obligation to ensure that the EGM takes place no later than within eight weeks following this letter, but we trust that given the circumstances – and the urgency – you will condense this timeframe as much as possible.

At such EGM the following voting item should be put on the agenda:

1. The dismissal of Mr. Burgmans as member of, and Chairman of, the Supervisory Board.

**End of Request from Shareholders**

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Should the Management Board and/or Supervisory Board plan to convene another sooner EGM, Elliott requests that the abovementioned voting item be placed on the agenda of such EGM with reference to Section 2:114a DCC and article 46.4 of the Articles. For the avoidance of doubt, we note that this request is made solely on behalf of Elliott.

Should Akzo Nobel not accede to these requests, Elliott will be forced to urgently take legal action, and Elliott reserves all of its rights. To that effect, this letter also constitutes as a letter within the meaning of Section 2:349 DCC.

In case the Boards start taking concrete actions towards fulfilling their corporate governance duties towards all of their stakeholders, Elliott reserves its right to revoke the requests made above.

Yours sincerely,

The Liverpool Limited Partnership  
Elliott International, L.P.



Wiktor Sliwinski  
Elliott Advisors (UK) Limited  
Authorised Signatory