

The Defined Contributions Scheme

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As a participant of Stichting Pensioenfonds AkzoNobel (hereafter referred to as the pension fund) you accrue pension over your annual salary (up to a maximum salary limit of €58,710). If your salary is higher than €58,710 per year (2011), a defined contributions scheme (hereafter referred to as the DC scheme) will be applicable to the part exceeding the maximum salary limit. In this brochure we briefly explain the workings of the DC scheme and inform you about:

- the structure of the DC scheme,
- the level of the contributions that AkzoNobel pays for you,
- the way in which the contributions are invested,
- the risks that you run under the DC scheme.

The contents of the DC scheme have been laid down in the pension scheme regulations.

What is the DC scheme?

As a participant of Stichting Pensioenfonds AkzoNobel (the pension fund) you accrue pension over your annual salary. If your fixed salary is higher than €58,710 (2011) per year, i.e. the maximum salary limit, a defined contributions scheme (DC scheme) will become applicable to the part of the income exceeding this limit. As part of this scheme AkzoNobel pays a pension contribution for you. This contribution is invested and at the retirement date, the accrued contribution and the investment returns are used to purchase a pension for you. The principle underlying the DC scheme is that AkzoNobel pays a contribution, but that you cannot be sure in advance how much pension you are able to purchase with this contribution in the end. The pension level depends on the investment results and the tariffs used by the pension fund when purchasing a pension with your invested contribution. The contributions are invested with the pension fund. You can let the pension fund determine how to invest the contribution (standard portfolios), but you can also decide for yourself in which investment mix you want to invest the contribution. The latter is referred to as a defined contributions agreement with customized portfolios.

How does AkzoNobel determine if you can participate in the DC scheme?

At the start of your employment and each following year on 1st January, AkzoNobel determines if you are eligible for participation in the DC scheme on the basis of your fixed annual salary. You are eligible if your gross fixed annual full-time salary is higher than €58.710 (2011) on 1st October preceding this date. If you work part-time, the salary limit for the DC scheme will be determined pro rata to the part-time percentage.

What is the maximum salary limit?

The amount of €58,710 (2011) is referred to as the 'maximum salary limit'. Over the income under this limit you accrue pension in a career average scheme. For the income exceeding this amount you receive a pension contribution from the employer. The level of the maximum salary limit is determined by the CLA parties and is annually adjusted. The limit as of 1st January of any year is equal to the 101% level of pay group 57 as of 1st October of the preceding year.

What can you do with your DC capital?

The contributions are invested by the pension fund. The contributions and the returns together are referred to as the DC capital. When you retire, the pension fund uses the DC capital to purchase a retirement pension for you. Tax stipulations do not allow you to withdraw or add any capital to the DC capital yourself. The value of the investments is not liable to income tax, so you do not need to include this on your income tax statement.

The Contribution

Over which income do you receive a defined contribution?

In order to determine over which income you are granted a contribution, the maximum salary limit is deducted from your annual salary. Subsequently, the remaining amount is divided by twelve, after which the monthly contribution is determined. Over other income components, such as RAB, EBITDA and the sale of holidays, the defined contribution is determined in the month in which these income components are paid out. This way you accrue a career average pension over an annual salary of €58,710 (2011) and you are granted a defined contribution over the excess amount, all other income components included.

What is the level of the contribution?

If you are eligible for the DC scheme and the part of the salary that you are entitled to a monthly contribution has been defined, the level of your defined contribution will be determined. The level is age-related and the calculation is based on the following table (as of 1 January, 2011). The age on the last day of the month of salary payment determines the contribution category in that month. As you grow older, the contribution increases because the retirement date is getting closer and returns on the contribution can be less profitable. For the sake of completeness we note that the employer pays the pension fund a loading of 3.45% in addition to this contribution percentage in connection with the administration costs. On your salary slip you can see the monthly contribution paid for you, including this loading.

Age	Defined Contribution
< 25 years	9.5%
25 - 29 years	10.9%
30 - 34 years	12.6%
35 - 39 years	14.6%
40 - 44 years	16.9%
45 - 49 years	19.6%
50 - 54 years	22.8%
55 - 59 years	26.6%
60 - 61 years (if born before 1950)	29.5%
60 - 64 years (if born after 1949)	31.2%

Example

Suppose you are 47 years old and your annual salary, including holiday allowance, amounts to €66,000. In June you receive an EBITDA benefit of 5%. In February and October you sell ten holidays at a price of €250 per day. First, the annual income minus the maximum salary limit is determined, and the monthly income over which you are entitled to a defined contribution. For the months in which your income varied, the variable income is added to the amount that we just calculated. The defined contribution is then determined on the basis of the relevant contribution percentage, which in this example results in 19.6%.

In euros	Monthly income	Maximum salary limit	Contribution base	Defined contribution incl. costs	Contribution to be invested
Month	A	B	(C=A-B)	20.2% (D=20.2%xC)	19.6% (D=19.6%xC)
January	5,500	4,893	607	122.61	118.97
February	8,000	4,893	3,107	627.61	608.97
March	5,500	4,893	607	122.61	118.97
April	5,500	4,893	607	122.61	118.97
May	5,500	4,893	607	122.61	118.97
June	8,800	4,893	3,907	789.21	765.77
July	5,500	4,893	607	122.61	118.97

August	5,500	4,893	607	122.61	118.97
September	5,500	4,893	607	122.61	118.97
October	8,000	4,893	3,107	627.61	608.97
November	5,500	4,893	607	122.61	118.97
December	5,500	4,893	607	122.61	118.97
Total	74,300	58,716	15,584	3,147.97	3,054.46

Who pays the defined contribution?

The defined contribution is paid by AkzoNobel. You do not pay an employee contribution over your income exceeding the maximum salary limit.

How can you spend the defined contribution?

If you participate in the DC scheme, you do not have to use the entire contribution paid by AkzoNobel for your pension, only a minimum of 60% of the defined contribution. The contribution is added to your DC capital each month. If you decide not to use the entire contribution for pension, you can let the remaining contribution be paid out as 'salary'. Statutory payroll tax and social security contributions are deducted from the contribution. You see this reflected on your salary slip.

If you want to have a part of the contribution be paid out as 'salary', please indicate this on the 'Defined Contributions' spending options form available on the HR portal of AkzoNobel. You can adjust your selection each month. Find out more about investing your defined contribution in the next chapter.

Investments

What happens after AkzoNobel has paid the contribution to the pension fund?

The defined contribution paid by AkzoNobel to the pension fund for you in any month, is invested by the pension fund on the first day of the following month. It is up to you how you want the pension fund to invest your contribution, but you can also let the pension fund decide on this in which case your contribution is invested in the 'lifecycle fund' investment portfolio by the pension fund. In this standard portfolio the investments become less risky as you grow older. On the 'Defined Contributions Scheme Customized Portfolios/Risk Attitude' form sent to you by the pension fund you indicate:

1. if you opt for 'customized portfolios' or 'standard portfolios',
2. the investment portfolios in which you want to invest (only if you opt for 'customized'),
3. you answer some questions on the basis of which we determine your risk attitude (only if you opt for 'standard').

If you do not return this form, you will automatically opt for investment in standard portfolios. In that case, your contribution is invested in the 'lifecycle fund' portfolio, with a decreasing risk as you grow older.

Investment options

You can indicate how you wish to invest the defined contribution by making a selection between the various mixes of shares, bonds and cash/marketable securities, each with its own risk profile. These mixes are referred to as customized portfolios. If you prefer the pension fund to invest the contribution for you, your contributions will be invested in the 'lifecycle fund' investment portfolio. In this chapter you find more information to help you make a decision.

Duty of care

In the Dutch Pensions Act (*Pensioenwet*) it has been laid down that there is a duty of care for defined contribution schemes with customized portfolios. Since the APF DC scheme is such a scheme, the pension fund has to provide you with adequate information to make sure that your investment selections coincide with your risk attitude and your age. The pension fund has defined the duty of care as follows:

- you have the possibility to take on the responsibility for the investments yourself.

- if you do not opt for customization, the contributions will be invested in accordance with the 'lifecycle fund' standard investment profile. Thus, the fund complies with article 135 of the Pensions Act (investment in accordance with the Decree on prudential persons).
- at the commencement of your participation in the scheme your risk attitude is determined and laid down. The risk attitude is also the basis for the annual information.
- if you opt for customized portfolios, the pension fund will annually provide you with information about the deviation from the risk profile of your portfolio compared with the risk attitude that you entered.

Spread capital over investment categories

Investing capital means taking risks. Share prices, interest rates and exchange rates fluctuate continuously, among others due to the fact that companies have sometimes more and sometimes less favourable results and that the prospects of a certain industry branch or country are not always favourable. Investors are only interested in taking more risk if the returns will be higher. Therefore, the principle of investing is control of the risks up to a level that is acceptable for the investors. Hence, it is important to spread the investments over the various investment categories (shares, bonds and cash/marketable securities).

Shares

Shareholders are the owners of a company. The returns consist of dividend (profit distribution) and price results. The dividend payment is not guaranteed, but depends among others on the profitability of the company. Price fluctuations influence the final returns on shares, which can be both positive and negative.

Bonds

Bonds are debt notes of a company or government which give periodical interest payment (coupon rate). The value of a bond may fluctuate, which means that the returns can be both positive and negative.

Cash/marketable securities

For example bank deposits, over which the bank pays interest. There is no capital gain or loss in this case.

Risk and returns

The purpose of investments is to achieve positive returns on the invested funds. The level of those returns depends mainly on the risk that you are willing to take. With investments, risk and return go hand in hand. In general one could say that investments with higher risk give higher returns than investments with less risk. The various investment categories vary from a high average return, but also a high risk (shares) to a lower average return, but also less risk (securities). Investments in bonds are somewhere in the middle.

Research has shown that in the long term, shares give a higher average return than bonds. However, this may be a completely different story on the short term. This makes investments in shares most suitable for long-term investments. From a historical perspective, the risk on returns of bonds is less than the risk on returns of shares. Moreover, the value of bond investments (or fixed-income investments) can also fluctuate as the price of bonds (the rate at which they are traded) is very sensitive to changes in the interest rate. If the interest rate increases, the price will decrease, and the other way round. It is these differences in characteristics that at certain moments make it more attractive to invest a little bit more in a certain investment category and a little bit less in other categories, while at other moments it may just be the opposite.

Your choice

If you want to compose the investment mix yourself, you should reflect on return and risk. The period during which the investments will be outstanding, plays an important role in this decision. For the DC scheme this is in fact the time between your current age and your target retirement date. The longer this period, the more risk you can take. If e.g. it takes another 25 years before you retire, a higher investment in shares will be more obvious, as shares are on average expected to give a higher return in the long term. In that case you can e.g. opt for the 'aggressive' portfolio. But if you are on the verge of retirement, it would be more logical to opt for security, i.e. opt for more bonds in the portfolio or for investments in securities. So, you would select the portfolio with the lowest risk level. In the combined mix there is an automatic link between investment horizon and risk profile. If you reach a certain age, the portfolio is automatically adjusted to the corresponding risk profile and you do not have to do anything. However, the final selection of portfolios is entirely your own responsibility. Please reflect on the risk you are willing to take and the time until retirement. Personal preferences and investment knowledge are also important.

Investor profile

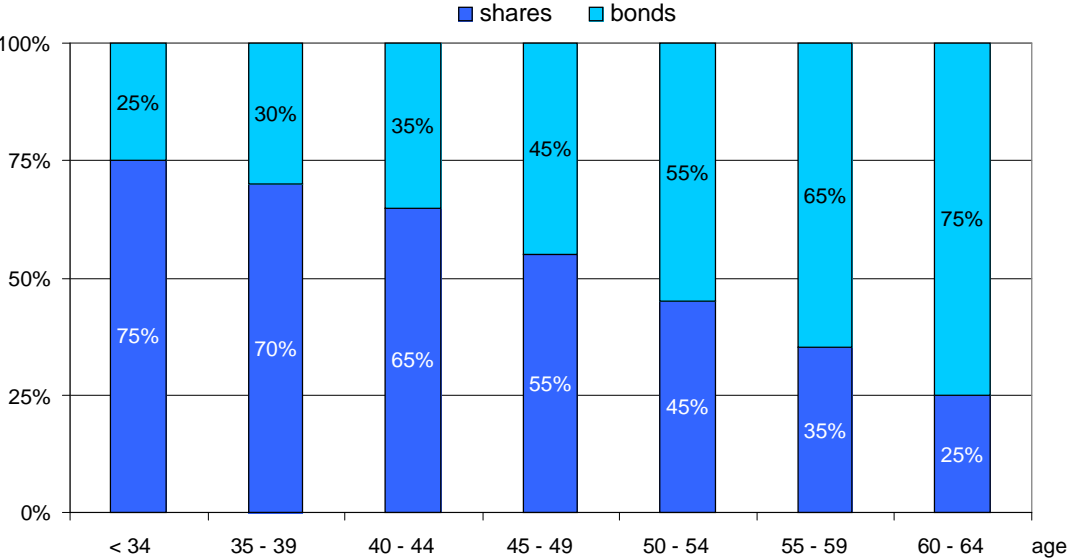
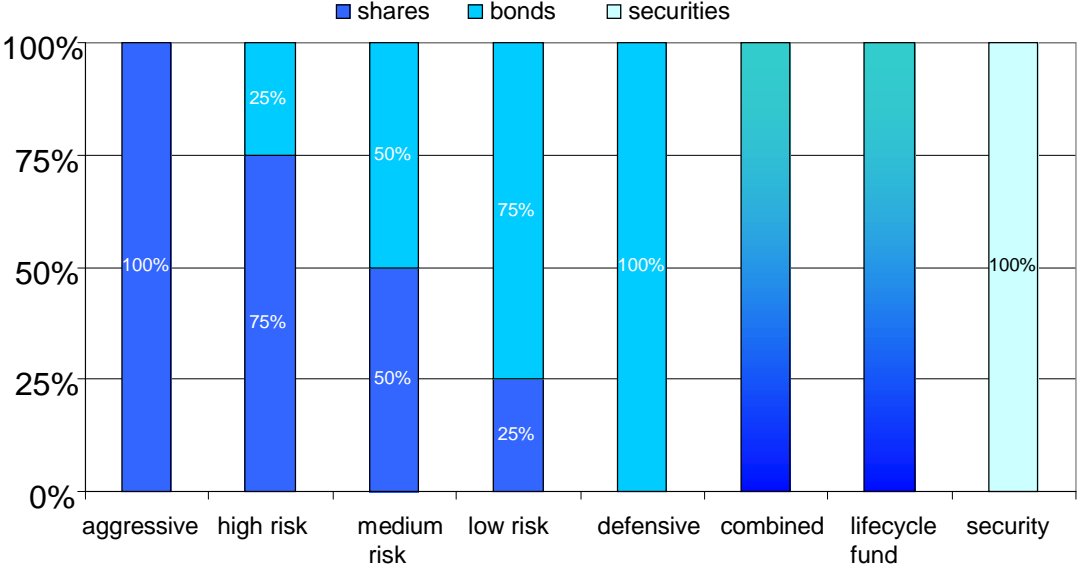
The pension fund helps you in determining your investment selection by letting you complete a questionnaire and preparing an investor profile, which in turn is used by the fund to determine your risk attitude. Your choice of investment mix depends on the number of years left until your retirement date and the risk you are willing to take.

The investment portfolios you can select from

If you want customized portfolios, you can invest in the following portfolios. For standard portfolios, the pension fund offers the 'lifecycle fund' portfolio.

The combined fund portfolio consists of investments in shares and bonds, where the percentage of investments in shares decreases as the age of the participant increases. The distribution of the combined fund portfolio is equal to that of the 'lifecycle fund' portfolio. The following graphic illustrates the distribution between shares and bonds for the combined fund portfolio and the 'lifecycle fund' portfolio.

Combined fund portfolio and age-related 'lifecycle fund' portfolio



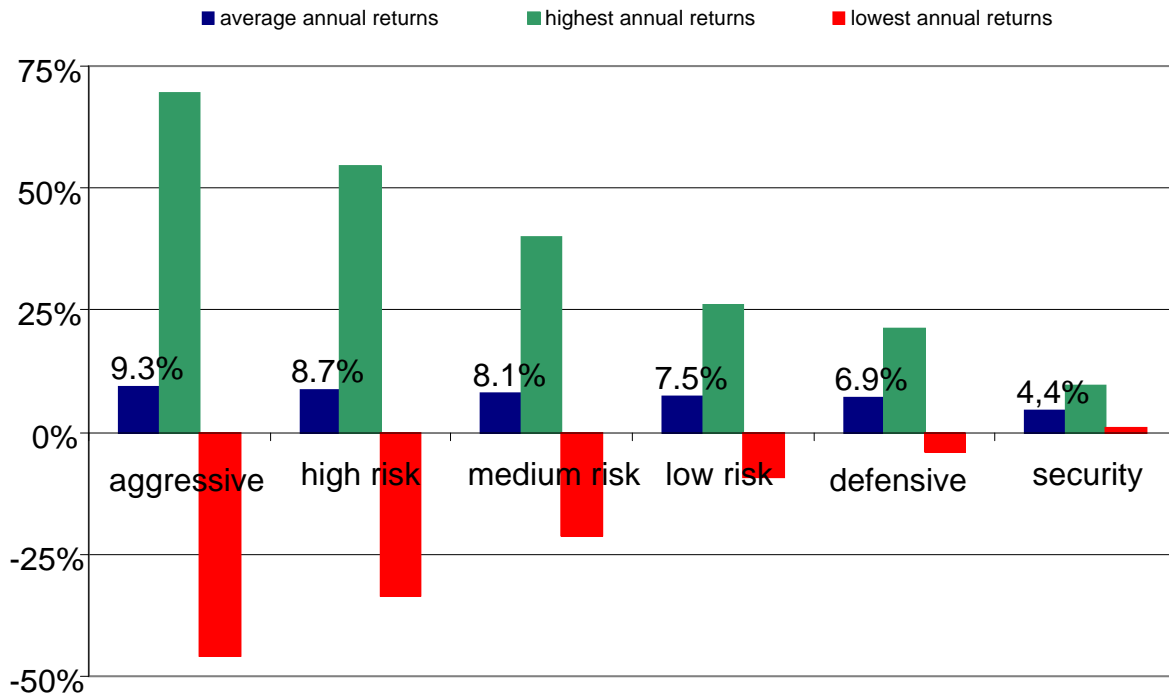
The combined fund portfolio falls within the scope of funds with customized portfolios. Hence, you can switch between funds in the same category. The 'lifecycle fund' does not have any freedom of investment so you cannot switch between funds.

Switch between portfolios

If you have opted for customized portfolios, you can adjust the selection for your investment portfolio each month. The change is implemented in the following month and applies to the total DC capital accrued by you in that moment and to the investment of future contributions. You can use the forms available through the website to inform the fund about any changes. Changes are free of charge.

If you opt for customization, the selected portfolio depends on your investment horizon (the number of years until the retirement date) and on the risk level you are willing to take. To be of assistance, we provide you with an overview of the performance achieved by this portfolio in the past. We would like to emphasize that past performance is no guarantee of future results.

Moving 12 monthly annual returns on basis of APF returns, period between 1989 - 2010



How much investment costs do you pay?

For the investment of your DC capital, or for a switch between the investment portfolios, you are not charged any administration, management or transaction costs.

More information

Each year you receive a Uniform Pension Statement (UPO) from the pension fund, with an overview of the accrued DC capital as of 31 December of the previous year. You can also find these data on the national pension register (www.mijnpensioenoverzicht.nl). The statement also contains an estimation of the retirement pension that can be purchased with the DC capital. Twice per year you receive an overview showing the development of your DC capital on the basis of the capital invested and the returns. The results of the various portfolios are published on the website (www.pensioenfondsen-akzonobel.nl) each quarter. If you want to know more about the pension fund's investment policy, please refer to the website and consult the 'statement on investment principles'.

Your pension

What is the level of the pension to be purchased?

We cannot tell you in advance how much pension you will be able to purchase with the DC capital. It depends on a number of factors, such as the performance and the tariffs used for the purchase of your pension. These tariffs include - among others - administration and dividend payment costs, i.e. the costs made for the administration of the pension purchased with your DC capital, as well as life expectancy. The tariffs increase in line with any increase of the administration and dividend payment costs or the increase of life expectancy. This means that you can purchase fewer pension in return for your capital. The tax authorities do not want you to purchase more pension with your DC capital than the pension that you would have been permitted to accrue in a (fiscally limited) career average scheme. In a fiscally limited career average scheme you can accrue pension up to a maximum of 2.5% of the pensionable salary per year. The pension fund checks if the pension that you can purchase with your capital is within this limit. If the capital exceeds this limit, the excess capital will profit back to the pension fund by virtue of tax rules.

Is the pension increased with a supplement after commencement?

Each year the pension fund tries to increase the pension that you have purchased with your DC capital in line with the price developments, with a maximum of 4%. The supplement to the pensions in payment is funded with the returns on investments. Pensions can only be increased if the fund has sufficient financial reserves, so you are not automatically entitled to indexation and there is no guarantee to indexation in the long term either. It is important that you realize this. This is referred to as conditional indexation.

Risks

Which risks do you run?

The contributions are invested at your own risk. If things go well, it will be to your advantage. But if things go bad, you will also bear the consequences. This is referred to as investment risk and you carry it yourself. In addition, the tariffs used by the pension fund for the purchase of pension can change, e.g. because we are getting older in the Netherlands. This is referred to as the longevity risk and the consequences thereof, positive or negative, influence the level of the pension that you can purchase with your DC capital. You also carry this risk yourself.

Other things you need to know

What happens if you stop working at AkzoNobel?

If you stop working at AkzoNobel prior to your retirement date, the pension fund will use your DC capital to purchase a pension on the date at which your employment is terminated. You can decide yourself if you want the pension fund to only purchase retirement pension or if you also want the fund to purchase partner pension and retirement pension. Similar to the pension from the career average scheme this pension is annually increased on the basis of the provisions in the scheme. You can have the pension purchased with your DC capital transferred to the pension insurance company of your new employer. If you want, you can decide to use the DC capital for the purchase of pension at your retirement date in which case the pension fund continues to invest your DC capital until your retirement. If you have decided to exchange retirement pension from the career average scheme for partner pension, a part of the DC capital is also used to purchase a partner pension. The pension fund continues to invest the remaining part of the DC capital until the retirement date. The investment risk over this capital will be for you until your retirement date. It is important to realise this, because you cannot reverse a choice made earlier. The selection of the investment portfolio cannot be changed after leaving service.

What happens if you and your partner get divorced?

In the event of a divorce, termination of a registered partnership or judicial separation your ex partner is entitled to half of the DC capital that you have accrued during the marriage or registered partnership. This entitlement is converted into a waiver paid-up entitlement to retirement pension for your ex partner. If you are going to divorce and you are already retired or your employment has already terminated, and you have used the DC capital to purchase a pension, your ex partner will be entitled to a paid-up entitlement to retirement pension, including the pension that you have purchased with your DC capital.

What happens if you become occupationally disabled?

If you become occupationally disabled, something changes in the DC scheme. For the part that you are declared occupationally disabled, the maximum salary limit ceases to exist and you accrue pension in the career average scheme. For the part that you continue working, you continue participating in the DC scheme and the conditions of the DC scheme remain applicable.

What happens in the event of your death?

If you die while in service at AkzoNobel, the DC capital will not be used for the purchase of a partner pension. It is not necessary as a partner pension is insured over the total fixed income, so without applying the maximum salary limit. In the event of your death the DC capital profits back to the pension fund. In return, your DC capital is increased each month while in service, on the basis of the expected death. The increase is funded by the DC capital released as a result of deaths.

More information

For additional information please contact us during office hours at telephone number: (013) 462 33 12.

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Although this brochure has been composed with the utmost care, rights can only be derived from the pension scheme regulations, not from this brochure. You can find the regulations on www.pensioenfonds-akzonobel.nl.

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