

Akzo Nobel India Limited Dividend Distribution Policy

1. BACKGROUND, SCOPE and PURPOSE

The equity shares of Akzo Nobel India Limited (the “Company”) are listed on BSE Limited and NSE Limited. The Securities Exchange Board of India (SEBI) on July 8, 2016 introduced Regulation 43A of Listing Regulations, requiring the top five hundred listed companies (based on market capitalization) to formulate a Dividend Distribution Policy (the “Policy”), which shall be disclosed in its Annual Report and on its website.

The Policy endeavours fairness, consistency and sustainability while distributing profits to the shareholders. The dividend distribution shall be in accordance with the applicable provisions of the Companies Act, 2013, Rules framed thereunder, SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and other legislations governing dividends and the Articles of Association of the Company.

2. EFFECTIVE DATE

This policy shall become effective from 1 February 2017.

3. DEFINITIONS

- a) **“Board”** shall mean Board of Directors of the Company
- b) **“Companies Act”** shall mean the Companies Act, 2013 and Rules thereunder, notified by the Ministry of Corporate Affairs, Government of India, as amended.
- c) **“Dividend”** includes interim dividend, if any and final dividend.
- d) **“Listed Entity / Company”** shall mean Akzo Nobel India Limited.
- e) **“Policy”** means Dividend Distribution Policy.
- f) **“Regulations”** shall mean the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 as notified by The Securities and Exchange Board of India, as amended, from time to time.
- g) **“Stock Exchange”** shall mean a recognised Stock Exchange as defined under clause (f) of Section 2 of the Securities Contracts (Regulation) Act, 1956.

4. POLICY RULES

A. CIRCUMSTANCES UNDER WHICH THE SHAREHOLDERS OF THE COMPANY MAY OR MAY NOT EXPECT DIVIDEND

The Board will assess the Company’s financial requirements, including present and future organic and inorganic growth opportunities and other relevant factors, and declare Dividend in any financial year. The decision seeks to balance the dual objectives of appropriately rewarding shareholders through dividends and retaining profits in order to maintain a healthy capital adequacy ratio to support future growth.

The shareholders of the Company may not expect dividend in certain circumstances, such as:

- a) Proposed expansion plans requiring higher capital allocation
- b) Decision to undertake any acquisitions, amalgamation, merger, joint ventures, new product launches etc. which requires significant capital outflow
- c) Requirement of higher working capital for the purpose of business of the Company

- d) Proposal for buy-back of securities
- e) In the event of loss or inadequacy of profit

In the event of the Board proposing not to recommend any Dividend, the grounds thereof and information on utilisation of the undistributed profit, if any, shall be disclosed to the shareholders in the Annual Report of the Company.

B. FINANCIAL PARAMETERS FOR DECLARATION OF DIVIDEND

The dividend pay-out decision of the Board depends upon various financial parameters. An illustrative list of such parameters and factors is as below:

- a) Macroeconomic and business conditions in general
- b) Operating cash flow of the Company
- c) Profit earned during the year
- d) Profit available for distribution

C. INTERNAL AND EXTERNAL FACTORS THAT WOULD BE CONSIDERED FOR EVALUATION OF DIVIDEND

Internal Factors:

- a) Working capital requirements
- b) Capital expenditure requirement
- c) Business expansion and growth
- d) Likelihood of crystallization of contingent liabilities, if any
- e) Additional investment in subsidiaries and associates of the company
- f) Upgradation of technology and physical infrastructure
- g) Creation of contingency fund
- h) Acquisition of brands and business
- i) Cost of Borrowing
- j) Past dividend payout ratio / trends, etc.

External Factors:

- a) Economic environment
- b) Capital markets
- c) Global conditions
- d) Statutory provisions and guidelines
- e) Dividend payout ratio of competitors
- f) Such other factors as the Board may deem fit from time to time

D. UTILIZATION OF THE RETAINED EARNING

The Board may retain the earnings in order to make better use of the available funds and increase the value of the stakeholders in the long run. The decision of utilization of the retained earnings of the Company shall be based on the factors illustrated as below:

- a) Market expansion plan
- b) Product expansion plan
- c) Increase in production capacity
- d) Modernization plan
- e) Diversification of business
- f) Long term strategic plans
- g) Replacement of capital assets
- h) Expensive debt
- i) Dividend payment

j) Such other criterion as the Board may deem fit from time to time

E. PARAMETERS TO BE ADOPTED WITH REGARD TO VARIOUS CLASSES OF SHARES

At present, the Company has issued only one class of equity shares with equal voting rights, and all the members of the Company being entitled to receive the same amount of dividend per share.

The Policy shall be suitably revised if and when the Company chooses to issue any new class of shares depending upon the nature and guidelines thereof.

5. POLICY REVIEW AND AMENDMENTS

The Board shall have the power to review and amend the Policy from time to time and in such frequency as it may deem fit.

To the extent any change/ amendment is required in terms of any applicable law, the Managing Director and the Chief Financial Officer of the Company shall be jointly/ severally authorized to review and amend the Policy, to give effect to any such changes/ amendments. Such amended Policy shall be periodically placed before the Board for noting and necessary ratification at the meeting following such changes or as soon as reasonably practicable after giving effect to such change(s).

6. DISCLOSURE

The Policy shall be disclosed in the Annual Report and on the website of the Company.

7. DISCLAIMER

This document does not solicit investments in the Company's securities. Nor it is an assurance of guaranteed returns (in any form) for investments in the Company's equity shares.