

Annexure I

Report on Corporate Governance

1. Company's philosophy on Corporate Governance

Your Company aspires to uphold the highest standards of corporate governance and seeks to consistently enhance and improve corporate governance performance, emphasizing transparency and embedding a sustainable culture of long-term value creation; its corporate governance practices are a reflection of its values and principles.

Your Company takes utmost care to safeguard the interests of all its stakeholders. The Board represents the shareholders' interest in optimizing long-term financial returns and is committed to its responsibility towards all the stakeholders viz. customers, employees, suppliers, regulatory bodies and the public in general. All significant matters are decided after due examination by the

Board with full participation of non-executive directors, who impart the benefit of their vast experience and skills to bring qualitative improvement to the decision-making process.

Your Company has adopted a Code of Conduct based on three principles viz. Safety, Integrity and Sustainability, in order to drive a culture of good governance.

In order to make informed decisions, the Board has constituted Committees viz. Audit Committee, Nomination and Remuneration Committee, Stakeholders Relationship Committee and CSR Committee, to oversee specific areas within their purview.

The principles and policies that guide the Company in achieving its corporate governance goals are listed on company's website www.akzonobel.co.in.

The Company is in compliance with the requirements of corporate governance stipulated under SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('the Listing Regulations'), as reported below:

2. Board of Directors

Composition

The Board composition is in conformity with the applicable provisions of the Companies Act and the Listing Regulations. The names and categories of the Directors and the number of Directorships and Committee Memberships held by them as on the date of this report are as follows:

Name of the Director	Category of Directorship in the Company	Directorship in other Companies (Chairmanship)	Membership in specified* committees (Chairmanship)
Mr A Jain ¹	Non Executive Chairman	1	1
Mr K Jayakumar	Managing Director	2	1
Mr P Menon	Wholetime Director	1	1
Mr A Ghosh	Non Executive Director	-	1
Mr J Rowe ²	Non Executive Director	8	-
Mr R Gopalakrishnan	Independent Director	4(1)	2
Mr R S Kapur	Independent Director	-	1
Dr S Misra	Independent Director	2(1)	2
Ms K Narsimhan	Independent Director	1	1
Mr A Uppal	Independent Director	2	2(2)

*Specified committees include only audit and stakeholders relationship committees

1 appointed as the Chairman w.e.f 15 Aug 2017

2 joined the board w.e.f. 6 April 2018

Board Procedures

The Board normally meets once in a quarter to review the financial results and operations of the Company. In addition to this, the Board also meets as and when necessary to deal with specific matters concerning your Company.

The Board Meetings are governed by a structured agenda. The agenda along with supporting material are circulated in advance before each meeting to all the Directors. At each meeting, presentations are made on the Company's performance, operations and any other matters sought by the Board.

All Board members have access to accurate, relevant and timely information to fulfil their responsibilities. The Company has arranged for sharing information electronically in a secure manner with its board members. Board meeting agendas, presentations, minutes and other important documents and messages are shared through this platform making the board communication seamless and paperless.

All Board members are provided with necessary documents/ brochures, reports and internal policies to enable them to familiarise with the Company's business, policies and procedures. Presentations are made at the Board and Board Committee Meetings, on business and performance of the Company, business environment, strategy and risk management. Quarterly updates on relevant statutory changes and judicial pronouncements encompassing important laws and their impact on the Company's operations, quarterly financial results, press releases and annual report are circulated to all the Board members.

The Board, inter alia, reviews annual operating and capital expenditure plans and budgets, financial statements, compliance report(s) of laws applicable to the Company, major legal and tax issues, appointment and remuneration to Directors and all relevant information in terms of Listing Regulations concerning your Company.

Details of familiarization programmes imparted to Independent Directors is uploaded on the website of the Company and available at www.akzonobel.co.in.

Meetings and attendance

Given below is the consolidated list of meetings of the shareholders, Board and specified committees held during April 2017 to March 2018 and attendance details of Directors:

Name of the meeting	Meeting date
Annual General Meeting (AGM)	14 Aug 2017
Board	18 May 2017, 14 August 2017, 2 November 2017, 7 November 2017 and 1 February 2018
Audit Committee	18 May 2017, 14 August 2017, 2 November 2017 and 01 February 2018

Stakeholders Relationship Committee (SRC)	2 November 2017
Nomination and Remuneration Committee (NRC)	18 May 2017 and 01 February 2018
CSR Committee	10 August 2017 and 06 March 2018
Independent Directors Meeting	01 February 2018

Attendance details

	AGM	Board	Audit	SRC	NRC	CSR
No. of Meetings held	1	5	4	1	2	2
Directors						
Mr N Kaviratne CBE	1	2	NA	NA	1	NA
Mr K Jayakumar	1	4	NA	1	NA	2
Mr P Menon	1	5	NA	1	NA	1
Mr A Jain	1	4	2	NA	2	NA
Mr A Ghosh	-	1	1	NA	0	NA
Mr R Gopalakrishnan	1	3	3	NA	2	NA
Mr R S Kapur	1	4	4	NA	2	2
Dr S Misra	1	5	4	NA	2	NA
Ms K Narsimhan	-	3	3	NA	1	NA
Mr A Uppal	1	5	4	1	1	NA

'NA' signifies not a member of the relevant committee or meetings held when the Director was not a member of the Board/Committee.

3. Audit Committee

Composition

Dr S Misra (Chairman)	Independent Director
Mr A Jain*	Non Executive Director
Mr A Ghosh	Non Executive Director
Mr R Gopalakrishnan	Independent Director
Mr R S Kapur	Independent Director
Ms K Narsimhan	Independent Director
Mr A Uppal	Independent Director

*upto 14 August 2017

The members of the Committee possess necessary knowledge in financial, accounting and business matters. The Chairman, Managing Director, Wholetime Director, Internal Auditors and Statutory Auditors are permanent invitees to the meetings of the Committee, with the Company Secretary acting as its Secretary. Any other person / executive, when required, also attend the meetings of the Committee. Minutes of the Audit Committee meetings are circulated to all the Board members.

The terms of reference of the Committee are in alignment with the norms specified in the Listing Regulations and relevant provisions of the Companies Act, 2013.

For details of meetings of the Committee held during the year and attendance therein, please refer to para 2 above.

4. Nomination and Remuneration Committee

Composition

Mr R Gopalakrishnan (Chairman)	Independent Director
Mr A Jain	Non Executive Director
Mr A Ghosh	Non Executive Director
Mr N Kaviratne ¹	Non Executive Director
Ms K Narasimhan ²	Independent Director
Mr R S Kapur	Independent Director
Dr S Misra	Independent Director
Mr A Uppal	Independent Director

1 upto 14 August 2017

2 w.e.f 15 August 2017

The purpose of this Committee is to identify persons who are qualified to become directors and recommend to the Board such candidates for appointment as Executive/ Non-Executive Directors and also for senior management positions. It will also advise the Board on the policies and framework for the remuneration and other terms and conditions of employment including commissions, perquisites and allowances for all Executive Directors of the Company.

The Company Secretary functions as the Secretary to this Committee.

For details of meetings of the Committee held during the year and attendance therein, please refer para 2 above.

5. Board evaluation

In terms of the Companies Act, 2013 and the Listing Regulations, an annual performance evaluation of the Board is being undertaken to formally assess the performance of the Board, its Committees and its individual members with an objective to improve the effectiveness of the Board and its Committees. For the year 2017-18, the evaluation was done through a peer-evaluation survey in accordance with the SEBI Guidance note on Board Evaluation dated 5 January 2017. The evaluation process focused on various aspects of the functioning of the Board and Committees such as composition of the Board and Committees, experience and competencies, performance of specific duties and obligations, governance structure, succession and talent management, etc.

The findings from the survey were shared with the Chairman, who in turn, held discussions with individual Board members. Individual evaluations were in line with the full Board evaluation, with no Board Member receiving negative feedback on any aspect. Aggregate findings were shared with the Board and it was noted that these were all positive, either meeting/exceeding expectations or exemplary. Several constructive suggestions for improvement were also noted for action. The survey also revealed that previous year's low rating items have moved up the scale and no longer remain a concern.

6. Remuneration of Directors

While remuneration of Wholetime Directors is recommended by the NR Committee, the remuneration of NEDs is recommended by the Board. The NEDs, other than Mr A Ghosh, were paid sitting fees of ₹50,000 per meeting for attending Board/Committee meetings, where they have been nominated as members, and Commission as approved by the Board/shareholders from time to time. The details of remuneration paid/payable to the Directors for the year 2017-18 are given below:

	Fixed component a	Performance linked bonus b	Total remuneration c
	Salary and allowances	Performance Pay	(c = a+b)
(₹ million)			
Managing/Wholetime Directors			
Mr K Jayakumar	17.45	6.31	23.76
Mr P Menon	14.37	3.40	17.77
Total	31.82	9.71	41.53
Non-Executive Directors	Sitting fees	Commission	
Mr N Kaviratne CBE (Chairman upto 14 August 2017)	0.15	0.86	1.01
Mr A Jain (Chairman w.e.f 15 August 2017)	0.10	0.30	0.40
Mr R Gopalakrishnan	0.40	0.80	1.20
Mr R S Kapur	0.60	0.80	1.40
Dr S Misra	0.55	0.80	1.35
Ms K Narsimhan	0.35	0.80	1.15
Mr A Uppal	0.55	0.80	1.35
Total	2.70	5.16	7.86

Notes:

- Service contracts with the Managing Director and Wholetime Director are terminable by notice of three months.
- No severance fee was paid to any Director during the year.
- Performance linked bonus are made to the Managing Director and Wholetime Director(s) based on pre-agreed parameters and taking into account the recommendations of the NR Committee.
- Currently, the Company does not have any stock option scheme, though some of the senior managers of the Company are eligible for long-term incentives, which are in the nature of share-based payments.

7. Stakeholders Relationship Committee

Composition

Mr A Uppal (Chairman)	Independent Director
Mr K Jayakumar	Managing Director
Mr P Menon	Wholetime Director

The Company Secretary functions as the Secretary to this Committee and has been nominated as the Compliance Officer of the Company.

The Company received 9 complaints from its investors during 2017-18, all of which have been resolved and no complaint was pending as on 31 March 2018. Routine queries/service requests received from the shareholders are normally addressed within 7 days of receipt. All share transfer requests received during the year were serviced within the normal service time.

For details of meeting of the Committee held during the year and attendance therein, please refer para 2 above.

8. General Body Meetings

(i) Details of the last three Annual General Meetings of the Company are given below:

Date of AGM	Time	Venue
14 August 2017	2:00 pm	Hyatt Regency, Salt Lake City, Kolkata 700 098
26 July 2016	2:00 pm	Hyatt Regency, Salt Lake City, Kolkata 700 098
14 August 2015	2:30 pm	Taj Bengal, 34-B, Belvedere Road, Kolkata 700 027

(ii) No Extraordinary General Meeting of the Members was held during the year 2017-18.

(iii) One Ordinary Resolution was passed by the shareholders through Postal Ballot on 18 December 2017 for divestment of Chemicals business. Further, a Special Resolution has been proposed for shareholder approval through postal ballot for buyback of 1.12 million equity shares of the company, which is pending for approval as of 10 May 2018.

9. Means of Communication

i. Quarterly results	The quarterly results of the Company are published And advised to the Stock Exchanges where the Company's shares are listed.
ii. Newspapers wherein results are normally published	Business Standard (English), Aajkaal (Bengali)
iii. Any website, where results are displayed	The results, press releases, presentations and other relevant information are displayed on the Company's website
iv. Whether it also displays official news releases	
v. Presentations made to institutional investors or to the analysts	www.akzonobel.co.in

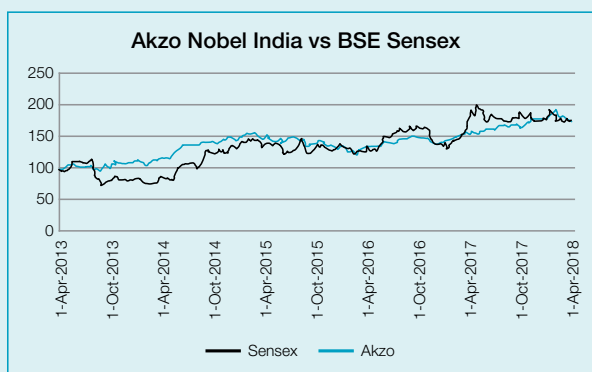
10. General Shareholder Information

i. AGM:date, time and venue	2 August, 2018 at 1400 hours at Bharatiyam, IB-201, Sector III, Salt Lake City, Kolkata 700 106	
ii. Financial year	1 April to 31 March	
iii. Financial calendar (Tentative)	Quarterly / Annual Results	Publication on or before
	1st quarter ending 30 June 2018	14 August 2018
	2nd quarter ending 30 September 2018	14 November 2018
	3rd quarter ending 31 December 2018	14 February 2019
	Year ending 31 March 2019	30 May 2019
iv. Date of book closure	27 July 2018 to 2 August 2018 (both days inclusive)	
v. Dividend payment date	On or around 16 August 2018 (after approval at the AGM)	
vi. Listing on Stock Exchange	The Company's shares are listed on Bombay Stock Exchange (BSE) and National Stock Exchange (NSE). Listing fees for the period 1 April 2018 to 31 March 2019 have been paid.	
vii. Stock code	BSE : 500710	
	NSE : AKZOINDIA-EQ	
	ISIN : INE133A01011	

viii. Market price data and stock performance during the year 2017-18

Month	BSE			NSE		
	High (₹)	Low (₹)	Volume	High (₹)	Low (₹)	Volume
April 2017	2,095.00	1,855.00	27,741	2,089.00	1,851.00	316,901
May 2017	2,091.95	1,760.15	16,602	2,025.00	1,751.00	217,964
June 2017	1,973.95	1,740.10	19,620	1,959.00	1,766.60	221,976
July 2017	1,893.60	1,743.00	286,830	1,874.95	1,750.00	243,806
August 2017	1,830.00	1,715.70	159,935	1,831.00	1,711.00	119,063
September 2017	1,951.00	1,779.35	21,836	1,967.95	1,752.00	256,238
October 2017	1,948.00	1,805.00	22,387	1,959.00	1,804.95	161,767
November 2017	1,943.00	1,755.00	57,696	1,948.35	1,752.20	399,052
December 2017	1,865.00	1,750.00	62,261	1,870.00	1,748.30	217,372
January 2018	1,999.00	1,823.05	95,037	1,990.10	1,830.10	337,302
February 2018	1,862.85	1,688.00	8,848	1,877.90	1,700.50	126,739
March 2018	1,883.85	1,720.05	19,220	1,883.30	1,730.65	274,014

ix. Stock performance in comparison to BSE Sensex from April 2013 to March 2018



Note: Comparison is made by anchoring the share price and Sensex at a base value of 100 as on 1 April 2013. The movements in the BSE Sensex and the Company's share price have been displayed in the graph with reference to that base.

x. Unpaid/unclaimed Dividend and related shares

In terms of the applicable provisions of the Companies Act, 2013, read with the Investor Education & Protection Fund Authority (Accounting, Audit, Transfer and Refund) Rules, 2016, all dividends that are remaining unclaimed for a period of seven years along with the corresponding shares are required to be transferred by the Company to the IEPF Authority.

The Company has sent intimation to the concerned shareholders at their latest available address individually whose dividends/shares are liable to be transferred to IEPF as well as through a Press advertisement. Full details of such dividends/shares, including the names of shareholders, Folio number or DP ID-Client ID and the number of shares and dividend amount have also been uploaded on the website of the Company www.akzonobel.co.in, with due intimation to the Stock Exchanges.

Your Company has transferred a sum of ₹6.96 million and 281,307 shares, after 148 and 222 days respectively of aforesaid intimation, to the IEPF Authority being unclaimed dividend for seven consecutive years and corresponding shares in respect of the financial year ended 31 March 2010, within the due date.

Amounts of unclaimed dividend as on 31 March 2018 and the due dates for transfer to IEPF are:

Financial year	Amount (₹ million)	Due date for transfer to IEPF (excluding the period allowed for remittance under Rule 3 of the IEPF Rules, 2001)
2010-11	8.3	27 August, 2018
2011-12	11.1	14 September, 2019
2012-13	44.9	13 September, 2020
2013-14	43.4	16 September, 2021
2014-15	12.3	19 September, 2022
2015-16	38.4	31 August, 2023
2016-17	14.4	19 September, 2024
Total	172.8	

xi. Registrar and Share Transfer Agent

M/s C B Management Services (P) Ltd.
P-22, Bondel Road, Kolkata 700 019
Tel: 033-40116700 Email: rta@cbmsl.com

xii. Share transfer system

All requests for share transfers are processed and approved by the Seal and Share Transfer Committee, which normally meets once in every 10 to 15 days. Share transfers are registered and returned within 10 days from the date of lodgment of complete documents.

xiii. Distribution of shareholding as on 31 March 2018

Range (No. of shares)	No. of shareholders	% of shareholders	No. of shares	% to total issued capital
1-50	26,479	65.77	490,002	1.05
51-500	12,585	31.26	1,790,175	3.84
501-5000	1,106	2.75	1,274,654	2.73
5001-50000	67	0.16	815,134	1.75
50001-1000000	21	0.05	6,235,684	13.36
1000001 & above	4	0.01	36,054,665	77.27
TOTAL	40,262	100.00	46,660,314	100.00

Shareholding Pattern as on 31 March 2018

Category of shareholders	No. of shares (000's)	%
(A) Promoter and Promoter Group	34,044	72.96
(B) Public shareholding		
(a) Mutual funds	2,305	4.94
(b) Insurance companies	1,873	4.01
(c) Nationalised Banks	18	0.04
(d) Other Banks	4	0.01
(e) Foreign Institutional Investors	806	1.73
(f) NRIs	117	0.25
(g) Bodies Corporate	3,591	7.70
(h) Individuals/others	3,902	8.36
Total public shareholding	12,616	27.04
Total (A) + (B)	46,660	100.00

xiv. Dematerialisation of shares and liquidity

The Company's equity shares have been notified for trading only in demat form with effect from 17 January 2000. As of 31 March 2018, 74.60% of the Company's equity shares involving 34.81 million shares have been dematerialised (No. of Demat accounts: 27,767).

The Company has entered into necessary agreements with the authorised depositories NSDL & CDSL to enable smooth operation of demat mode of shareholding.

xv. Outstanding GDRs/ ADRs/warrants or any convertible instruments, conversion date and likely impact on equity

None issued/outstanding

xvi. Commodity price risk or foreign exchange risk and hedging activities

The Company's business operations are subject to commodity as well as foreign exchange risks. Commodity

price risk is managed by adhering to inventory norms. Foreign exchange risk is managed through forward contracts.

xvii. Plant locations

The Company's plants are located at:

1. Plot No 9-29, Narsapur Road, Balanagar, Hyderabad, Telangana - 500 037
2. Plot No 62 P, Hoskote Industrial Area, Pilgumpa Village, Bengaluru, Karnataka - 562 114
3. Plot No. GAE-1 (Part), GAF-1 & GAF-2, Industrial Area, Ghirongi (Malanpur), Bhind, Madhya Pradesh - 477 117
4. Plot No. A-42, Phase-VIII-B, Focal Point, SAS Nagar, Mohali, Punjab - 160 059
5. Plot No.1/1, TTC. Indl. Area, Thane Belapur Road, Koparkhairne, Navi Mumbai, Maharashtra - 400 709

xviii. Address for correspondence

Shareholders' correspondence may be addressed to:

1. C B Management Services (P) Ltd.,
Unit: Akzo Nobel India Limited
P-22, Bondel Road, Kolkata 700 019
Tel: 033-40116700
Email: rta@cbmsl.com

OR

2. The Company Secretary
Akzo Nobel India Limited
Epitome, Building No 5, Tower A,
20th Floor, Cyber City, DLF Phase III,
Gurugram 122 002
Tel: 0124-2540400
Email: investor.india@akzonobel.com

11. Other Disclosures

- a. There were no materially significant related party transactions entered into by the Company with its Promoters, Directors or the Management, their subsidiaries or relatives, etc, that may have potential conflict with the interests of the Company at large. The Directors periodically disclose their interest in different companies, which are noted by the Board. The Register of Contracts containing the transactions with companies in which Directors are interested is placed before the Board periodically.
- b. There were no strictures or penalties imposed on the Company by Stock Exchanges or SEBI or any statutory authority for non-compliance of any matter related to capital markets, during the last three years.
- c. The Company has adopted a Whistle Blower policy by the name 'Speak Up' under which the employees are free to report violations of applicable laws and regulations and the Code of Conduct. It is affirmed that no personnel has been denied access to the Audit Committee. A copy of the policy is posted on the website of the Company at www.akzonobel.co.in
- d. The Policy on materiality of related party transactions can be accessed on the Company's website www.akzonobel.co.in
- e. The Policy on related party transactions can be accessed on the Company's website www.akzonobel.co.in
- f. The Company's business operations are subject to commodity risk. Commodity risk is not hedged but is managed by adhering to inventory norms.
- g. None of the Non Executive Directors had any materially significant pecuniary relationship or transaction vis-à-vis the Company, which may have a potential conflict with the interests of the Company at large. Mr A Jain, Mr A Ghosh and Mr J Rowe are/were entitled to remuneration and other benefits for their respective roles and responsibilities in the AkzoNobel Group.
- h. All Directors have confirmed that they do not hold any shares in the Company.
- i. None of the Directors are related to each other.

12. Compliance

The Company is in full compliance with all the requirements specified in regulation 17 to 27 and clauses (b) to (i) of sub-regulation (2) of regulation 46 of the listing regulations.

13. Code of Conduct

Your Company has in place a comprehensive Code of Conduct applicable to all the employees and Non-executive Directors including Independent Directors. The Code of Conduct gives guidance and support needed for ethical conduct of business and compliance with law. Copy of the Code of Conduct is posted on the website of the Company www.akzonobel.co.in. This has been circulated to Directors and Management Personnel, and its compliance is affirmed by them annually. A declaration in this regard by the Managing Director is given below:

Code of Conduct Declaration

I hereby confirm that the Company has obtained affirmation from all the members of the Board and senior management personnel that they have complied with the Code of Conduct of the Company in respect of the financial year ended 31 March 2018.

Gurugram
10 May 2018

Jayakumar Krishnaswamy
Managing Director

14. Certificate of Compliance

A certificate from a practicing Company Secretary on the Company's compliance with corporate governance norms as required under Listing Regulations is appended.

15. Unclaimed Suspense Account

In terms of the listing regulations, the Company has dematerialized and kept the unclaimed shares in 'Akzo Nobel India Limited - Unclaimed Suspense Account'. Disclosure in respect of the equity shares kept in this account is given below:

i) Aggregate number of shareholders and the outstanding shares lying in the Unclaimed Suspense Account at the beginning of the year.	724 shareholders and 24,624 shares
ii) Number of shareholders who approached the issuer for transfer of shares from the Unclaimed Suspense Account during the year.	5 shareholders and 96 shares
iii) Number of shareholders to whom shares were transferred from the Unclaimed Suspense Account during the year.	5 shareholders and 96 shares
iv) Number of shareholders to whom shares were transferred from the Unclaimed Suspense Account to IEPF Authority	585 shareholders and 19,196 shares
iv) Aggregate number of shareholders and the outstanding shares lying in the Unclaimed Suspense Account at the end of the year	134 shareholders and 5,332 shares

The voting rights on these shares have been frozen till the rightful owner approaches the Company to claim the shares as per applicable regulations.

16. Non-mandatory Requirements

Details of compliance with non-mandatory requirements as specified in Part E of Schedule II of the Listing Regulations are given below:

Description	Status as on 31 March 2018
(i) Non Executive Chairman's office and expenses	The former Non Executive Chairman was reimbursed the cost of maintaining his office at Mumbai upto his retirement. In addition, expenses incurred by him in the performance of his duties on behalf of the Company were also borne by the Company. For the current Non Executive Chairman, expenses incurred by him in the performance of his duties on behalf of the Company are borne by the Company.
(ii) Sending of half-yearly declaration of financial performance including summary of the significant events during the past six months to each household of shareholders	As the Company's quarterly financial results are published in leading newspapers and major developments are covered in the press releases (which are also posted on the Company's website), sending the half-yearly financial results to the shareholders is not considered necessary.
(iii) Audit qualifications	There is no audit qualification in the report of the statutory auditors for the current financial year.
(iv) Separate posts of Chairman and CEO	The Company currently has separate persons appointed to the posts of Chairman and Managing Director
(v) Reporting of Internal Auditor	The Internal auditor directly reports to the Audit Committee