

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.

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

In order to make informed decisions, the Board has constituted Committees viz Audit Committee, Nomination and Remuneration Committee, Stakeholders Relationship Committee and CSR Committee, that oversee specific areas and monitor activities 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 on corporate governance stipulated under SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('the Listing Regulations').

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 N Kaviratne CBE	Non Executive Chairman	7	1
Mr K Jayakumar	Managing Director	2	1
Mr P Menon	Wholetime Director	1	1
Mr A Ghosh	Non Executive Director	-	1
Mr A Jain	Non Executive Director	2	1
Mr R Gopalakrishnan	Independent Director	5(1)	2
Mr R S Kapur	Independent Director	-	1
Dr S Misra	Independent Director	2	2 (1)
Ms K Narasimhan	Independent Director	1	1
Mr A Uppal	Independent Director	3	3 (1)

*Specified committees include only audit and stakeholders relationship committees

Board Procedures

The Board normally meets once in a quarter to review the financial results and operations of the Company. In addition to the above, 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 by the Management Team on the Company's performance, operations and any other matters sought by the Board.

The Board, inter alia, reviews annual operating and capital expenditure plans and budgets, financial statements of business segments, 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.

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 the Board members are provided with necessary documents/brochures, reports and internal policies to enable them to familiarise with the Company's 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 Directors.

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 2016 to March 2017 and attendance details of Directors:

Name of the meeting	Meeting date
Annual General Meeting (AGM)	26 July 2016
Board	13 May 2016, 26 July 2016, 12 August 2016, 21 October 2016, 9 December 2016, 31 January 2017
Audit Committee	13 May 2016, 12 August 2016, 21 October 2016 and 31 January 2017
Stakeholders Relationship Committee (SRC)	3 March 2017
Nomination and Remuneration Committee (NRC)	30 January 2017
CSR Committee	3 May 2016, 6 October 2016 and 23 February 2017
Independent Directors Meeting	30 January 2017

Attendance details

	AGM	Board	Audit	SRC	NRC	CSR
No. of 1 Meetings held	6	4	1	1	1	3
Directors						
Mr N Kaviratne 1 CBE	4	NA	NA	1	NA	NA
Mr K Jayakumar 1	6	NA	1	NA	NA	3
Mr P Menon 1	6	NA	1	NA	NA	3
Mr A Ghosh -	2	2	NA	1	NA	NA
Mr A Jain 1	4	3	NA	1	NA	NA
Mr R 1 Gopalakrishnan	6	4	NA	1	NA	NA
Mr R S Kapur 1	5	4	NA	1	NA	3
Dr S Misra 1	4	3	NA	1	NA	NA
Ms K Narsimhan 1	6	4	NA	NA	NA	NA
Mr A Uppal -	3	3	1	1	NA	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 Ghosh	Non Executive Director
Mr A Jain	Non Executive Director
Mr R Gopalakrishnan	Independent Director
Mr R S Kapur	Independent Director
Ms K Narsimhan	Independent Director
Mr A Uppal	Independent Director

The members of the Committee are eminent professionals with necessary knowledge in financial, accounting and business matters. The Chairman, Managing Director, Wholtime 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 Ghosh	Non Executive Director
Mr A Jain	Non Executive Director
Mr N Kaviratne CBE	Non Executive Director
Mr R S Kapur	Independent Director
Dr S Misra	Independent Director
Mr A Uppal	Independent Director

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.

Performance Evaluation of Board members

The Company has a mechanism to evaluate the performance of all Board members. The Board works with the Nomination and Remuneration Committee to lay down the evaluation criteria for the performance of all its directors. For the year 2016-17, the evaluation was done through a peer-evaluation survey in accordance with the SEBI Guidance Note on Board Evaluation dated 5 January 2017. 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.

5. 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 Jain and Mr A Ghosh, were paid sitting fees of H 20,000 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 2016-17 are given below:

	Fixed component a Salary and allowances	Performance linked bonus b Performance Pay	Total remuneration c (c = a+b)
			(H million)
Managing/Wholetime Directors			
Mr K Jayakumar Mr P Menon Total	17.71	4.42	22.13
Non-Executive Directors	12.82	4.28	17.10
Total	30.53	8.70	39.23
	Sitting fees	Commission	
Mr N Kaviratne CBE Mr R Gopalakrishnan Mr R S Kapur	0.10	2.30	2.40
Dr S Misra Ms K Narsimhan Mr A Uppal Total	0.22	0.80	1.02
	0.26	0.80	1.06
	0.16	0.80	0.96
	0.20	0.80	1.00
	0.14	0.80	0.94
	1.08	6.30	7.38

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.

6. 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 13 complaints from its investors during 2016-17, all of which have been resolved and no complaint was pending as on 31 March 2017. 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.

7. General Body Meetings

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

Date of AGM	Time	Venue
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
11 August 2014	2.30 pm	Kala Mandir, 48, Shakespeare Sarani, Kolkata 700 017

(ii) No Extraordinary General Meeting of the Members was held during the year 2016-17.

(iii) There was one special resolution for payment of remuneration to Non-executive Directors taken up in the 2014 AGM which was approved with requisite majority.

(iv) No Postal Ballot was conducted during the year 2016-17, nor is there any proposal pending as on date for approval as a special resolution through postal ballot.

8. 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), Aajkal (Bengali)
iii. Any website, where results are displayed	
iv. Whether it also displays official news releases	The results, press releases, presentations and other relevant information are displayed on the Company's website www.akzonobel.co.in
v. Presentations made to institutional investors or to the analysts	

9. General Shareholder Information

AGM: date, time and venue	14 August, 2017 at 1400 hours at Hyatt Regency, Salt Lake City, Kolkata 700 098	
Financial year	1 April to 31 March	
Financial calendar (Tentative)	Quarterly / Annual Results	Publication on or before
	1st quarter ending 30 June 2017	14 August 2017
	2nd quarter ending 30 September 2017	14 November 2017
	3rd quarter ending 31 December 2017	14 February 2018
	Year ending 31 March 2018 30 May 2018	
v. Date of book closure	8 August 2017 to 14 August 2017 (both days inclusive)	
v. Dividend payment date	On or around 30 August 2017 (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 2017 to 31 March 2018 have been paid to BSE and NSE.	
vii. Stock code	BSE : 500710	
	NSE : AKZOINDIA-EQ	
	ISIN : INE133A01011	

viii. Market price data and stock performance during the year 2016-17						
BSE				NSE		
Month	High (J)	Low (J)	Volume	High (J)	Low (J)	Volume
April 2016	1,375	1,286	61,658	1,375	1,285	144,881
May 2016	1,540	1,309	37,156	1,546	1,303	292,510
June 2016	1,611	1,480	40,962	1,621	1,483	243,669
July 2016	1,705	1,516	48,321	1,705	1,515	302,879
August 2016	1,740	1,585	32,077	1,745	1,590	196,685
September 2016	1,725	1,590	42,958	1,729	1,580	326,861
October 2016	1,710	1,615	26,387	1,709	1,620	200,771
November 2016	1,675	1,375	28,963	1,684	1,370	205,157
December 2016	1,465	1,355	18,556	1,470	1,351	224,406
January 2017	1,459	1,328	35,612	1,464	1,328	329,038
February 2017	1,525	1,434	1,31,086	1,530	1,430	317,228
March 2017	1,916	1,510	88,685	1,925	1,500	634,124

ix. Stock performance in comparison to BSE Sensex from April 2012 to March 2017



Note: Comparison is made by anchoring the share price and Sensex at a base value of 100 as on 1 April 2012. 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 provisions of the Companies Act, the Company is required to transfer the amount of

dividend remaining unclaimed for a period of seven years from the date of transfer to the unpaid dividend account to the Investor Education and Protection Fund (IEPF). Amounts of unclaimed dividend as on 31 March 2017 and the due dates for transfer to IEPF are:

Financial year	Amount (J million)	Due date for transfer to IEPF (excluding the period allowed for remittance under Rule 3 of the IEPF Rules, 2001)
2009-10	7.1	21 July 2017
2010-11	8.6	21 July 2018
2011-12	11.6	8 August 2019
2012-13	46.4	7 August 2020
2013-14	45.1	10 August 2021
2014-15	12.8	13 August 2022
2015-16	39.6	25 July 2023

During the year, a sum of H 6.3 million was remitted to the IEPF towards dividend remaining unclaimed in respect of the financial year ended 31 March 2009 within the due date.

As per Investor Education & Protection Fund Authority (Accounting, Audit, Transfer and Refund) Rules, 2016, which have become effective from 28 February 2017, all shares in respect of which dividend has remained unpaid or unclaimed for 7 consecutive years shall be transferred to the IEPF Authority.

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

These shares will be transferred in accordance with the final notification of the Ministry of Corporate Affairs in this regard.

xi. Registrar and Share Transfer Agent

M/s C B Management Services (P) Ltd.
P-22, Bondel Road,
Kolkata 700 019

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 lodgement of complete documents.

xiii. Distribution of shareholding as on 31 March 2017

Range (No. of shares) shareholders	No. of	No. of	% to total
		shares	issued
		(000's)	capital
1-50	29,950	547	1.2
51-500	14,290	2,027	4.3
501-5,000	1,244	1,425	3.1
5,001-50,000	72	890	1.9
50,001-1,000,000	22	6890	14.7
1,000,001 & above	5	34,882	74.8
Total	45,583	46,660	100.0

Shareholding Pattern as on 31 March 2017

Category of shareholders	No. of shares (000's)	%
(A) Promoter and Promoter Group	34,044	73.0
(B) Public shareholding		
(a) Mutual funds	1,872	4.0
(b) Insurance companies	1,945	4.1
(c) Foreign institutional investors	964	2.1
(d) Bodies corporate	3,631	7.8
(e) Individuals/others	4,204	9.0
Total public shareholding	12,616	27.0
Total (A) + (B)	46,660	100.0

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 2017, 73.97% of the Company's equity shares involving 34.51 million shares have been dematerialised (No. of Demat accounts: 26,663). 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
6. Plot No. E-19/20, MIDC Area, Mahad, Raigad, Maharashtra - 402 301

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: rita@cbmsl.com

OR

2. The Company Secretary Akzo Nobel India Limited Epitome,
Building No 5, Tower A,
20th Floor, Cyber City, DLF Phase III,
Gurgaon 122 002

Tel: 0124-2540400

Email: investor.india@akzonobel.com

10. 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-a-vis the Company, which may have a potential conflict with the interests of the Company at large. Mr A Jain and Mr A Ghosh are 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.

11. Compliance

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

12. 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 2017.

Mumbai **Jayakumar Krishnaswamy**
18 May 2017 Managing Director

13. 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.

14. 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	725 shareholders and 24,726 shares
(ii)	Number of shareholders who approached the issuer for transfer of shares from the Unclaimed Suspense Account during the year	1 shareholder and 102 shares
(iii)	Number of shareholders to whom shares were transferred from the Unclaimed Suspense Account during the year	1 shareholder and 102 shares
(iv)	Aggregate number of shareholders and the outstanding shares lying in the Unclaimed Suspense Account at the end of the year	724 shareholders and 24,624 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.