

# Report on Corporate Governance

## ASIAN PAINTS' PHILOSOPHY ON CORPORATE GOVERNANCE

The end of the year under review saw challenging times for the Company as well as for the world at large due to the impending COVID-19 pandemic. The situation continues to be exceptional and dynamic. The regulators including Ministry of Corporate Affairs (MCA) and the Securities Exchange Board of India (SEBI) promptly announced many relaxations with respect to the compliance requirements for India Inc. to facilitate companies to conduct smooth operations and cope with the challenging times. The Company appreciates and acknowledges the relaxations and dispensations granted by the MCA and SEBI, *inter alia*, for conduct of Annual General Meeting through electronic mode and dispatch of Annual Report electronically to shareholders who have registered their email addresses. These relaxations are noteworthy and were the need of the hour.

Asian Paints has always adopted a robust governance framework which played a critical role in ensuring that we remain true to our culture and values. The highest standard of corporate governance is the cornerstone of our long termism and continued success. It reflects in our business functions and in the manner with which we support the journey of our stakeholders.

During the year, employees of the Company co – created and adopted a Charter for the organisation which sets out the purpose for the organisation and adopts the values for which the organisation stands for, today and will continue to stand for in future. Strategic outcomes which emanate from the Charter have been identified to bring about infinite celebrations for its consumers and enable the Company to enrich the experience of its stakeholders.

Our undeterred adherence to the ideals of trust, respect, integrity and openness is what holds us steady amid challenging business contexts and landscapes. Our value system made up of integrity, customer passion and creative zeal is the platform that enables ours as well as our stakeholders' successes. The sound governance systems and processes in place are empowering co-creation and partnerships while an unwavering focus on sustainability and safety is what makes us a truly responsible enterprise.

Asian Paints not only adheres to the prescribed Corporate Governance practices as per the Listing Regulations but is also committed to sound Corporate Governance principles and practices. It constantly strives to adopt emerging best practices being followed worldwide.

In recognition of its governance practices, the Company was conferred upon the 'Golden Peacock Award for Excellence in Corporate Governance - 2019', by the Institute of Directors and the 'Excellence in Corporate Governance' Awards 2018 – 19, by the Indian Legal Era Journal of Law.

This report is prepared in accordance with the provisions of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (Listing Regulations) and the report contains the details of Corporate Governance systems and processes at Asian Paints Limited.

## GOVERNANCE STRUCTURE AND DEFINED ROLE AND RESPONSIBILITIES

Asian Paints' governance structure comprises of Board of Directors, Committees of the Board and the Management.

### BOARD

The Board of Directors have the ultimate responsibility of ensuring effective management, long term business strategy, general affairs, performance and monitoring the effectiveness of the Company's corporate governance practices. The Managing Director & CEO reports to the Board and is in charge of the management of the affairs of the Company, executing business strategy in consultation with the Board and achieving annual long term business targets. The Managing Director & CEO acts as a link between the Board and the management. During the year, the Board of Directors, on the recommendations of the Nomination & Remuneration Committee, appointed Mr. Amit Syngle as an Additional Director / Managing Director & CEO of the Company w.e.f. 1<sup>st</sup> April, 2020 for a period of three (3) years upto 31<sup>st</sup> March, 2023, subject to approval of the shareholders, in place of Mr. KBS Anand who retired from the services of the Company w.e.f. 31<sup>st</sup> March, 2020.

During the year, the Board of Directors, based on the recommendations of the Nomination & Remuneration Committee, approved the appointment of Mr. R J Jeyamurugan as the CFO & Company Secretary of the Company with effect from 27<sup>th</sup> November, 2019.

In line with the Company's aspiration on Home Décor and taking the Asian Paints brand to the next level, a new senior management structure was introduced and implemented.

The One Link group comprising of General Managers, Associate Vice Presidents and Vice Presidents, led by the Managing Director and CEO was created for developing and creating leaders in the organization. The futuristic and Innovation projects across functions and businesses are handled by the One Link group.

The forum combines a methodology of working through futuristic but relevant projects to involve, galvanize and develop the top management teams.

This new structure was designed and conceptualized to enable the Managing Director & CEO to function and discharge his role effectively.

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The new organisation structure was reviewed by the Nomination and Remuneration Committee and the Board of Directors of the Company.

### Composition of the Board

The Company believes in a well-balanced Board which enriches Board discussions and enables effective decision making. The Board has an optimal mix of Executive and Non-Executive Directors who have considerable expertise in their respective fields including competencies required in context of Company's businesses.

The composition and size of the Board is reviewed periodically to ensure an optimum mix of Directors with complementary skillsets and varied perspectives for constructive debates facilitating more effective decision making. The Company understands that sound succession planning for the members of the Board and Senior Management is essential for sustained growth of the Company. As a part of the succession planning exercise, Mr. Amit Syngle was identified as the successor to the Managing Director & CEO of the Company and was groomed and mentored for the role by Mr. KBS Anand for over a period of two years. Before being appointed as the Managing Director & CEO, Mr. Amit Syngle held the position of Chief Operating Officer of the Company.

As on the date of this Report, the Board comprised of 14 (fourteen) members, 7 (seven) of which are Independent Directors constituting half of the Board strength, 6 (six) are Non- Executive/ Promoter Directors and 1 (one) Additional Director/ Managing Director & CEO.











The composition of the Board is in conformity with the requirements of Regulation 17 of the Listing Regulations as well as the Companies Act, 2013 read with the Rules issued thereunder.

### Board Procedures and flow of information

The Board / Committee meetings are pre-scheduled, and a tentative annual calendar of the Board and Committee meetings is circulated to the Directors well in advance to facilitate them to plan their schedule and to ensure meaningful participation in the meetings. However, in case of a special and urgent business need, the Board's approval is taken by passing resolutions by circulation, as permitted by law, which are noted and confirmed in the subsequent Board Meeting. The Company also provides video conferencing facility to its Directors to enable them to participate in the discussions held at the meetings when it may not be possible for them to be physically present for the meeting. In view of the nationwide lockdown, meetings of the Board and its Committees were held through video conferencing mode in accordance with the provisions of law.

The Board has adopted a 'safety-first' approach for all its discussions and deliberations. All meetings of the Board begin with an elaborate discussion on the Health and Safety initiatives of the Company which are then followed by review of the performance of the Company, review of financial results, industrial relations, Board succession planning, Strategic planning, governance and regulatory matters, declaration of dividend and such other matters as required under the Companies Act, 2013, Listing Regulations and other applicable legislations.

The details of attendance of Directors at Board Meetings either in person or through video conference during the financial year 2019-20 and at the Annual General Meeting (AGM) of the Company are as reproduced below:

Name of the Director(s) & Director Identification Number (DIN)	1 9 <sup>th</sup> May, 2019	2 24 <sup>th</sup> July, 2019	3 25 <sup>th</sup> September, 2019	4 22 <sup>nd</sup> October, 2019	5 22 <sup>nd</sup> January, 2020	6 25 <sup>th</sup> February, 2020	7 28 <sup>th</sup> March, 2020	% of meeting attended during the year
Ashwin Dani (00009126)	✓	✓	✓	✓	✓	✓		100
Manish Choksi (00026496)	✓	✓	✓	✓	✓	✓		100
Abhay Vakil (00009151)	✓	✓	✓	✓	✓	✓		100
KBS Anand (03518282)	✓	✓	✓	✓	✓	✓		100
Malav Dani (01184336)	✓	✓	✓	✓	✓	✓		100
Amrita Vakil (00170725)	✓	✓	✓	✓	✓	✓		100
Jigish Choksi (08093304)	✓	✓	✓	✓	✓			100
Deepak Satwalekar (00009627)	✓	✓	✓	✓	✓	✓		100
S. Sivaram (00009900)	✓	✓	x	✓	✓	x		71*

Name of the Director(s) & Director Identification Number (DIN)	1 9 <sup>th</sup> May, 2019	2 24 <sup>th</sup> July, 2019	3 25 <sup>th</sup> September, 2019	4 22 <sup>nd</sup> October, 2019	5 22 <sup>nd</sup> January, 2020	6 25 <sup>th</sup> February, 2020	7 28 <sup>th</sup> March, 2020	% of meeting attended during the year
M K Sharma (00327684)	✓	✓	✓	✓	✓	✓		100
Vibha Paul Rishi (05180796)	✓	✓	✓	✓	✓	✓		100
R Seshasayee (00047985)	✓	✓		✓	✓	x		86*
Suresh Narayanan (07246738)	✓	✓	✓	✓	✓	x		86*
Pallavi Shroff (00013580)	✓	✓	x		x			71*

✓ Present      x Absent      Present through video-conference

\*Rounded off to the nearest whole digit

#### Notes:

1. Shri KBS Anand retired as the Managing Director & CEO of the Company w.e.f. 31<sup>st</sup> March, 2020.
2. Shri Amit Syngle was appointed as the Managing Director & CEO (Additional Director) effective from 1<sup>st</sup> April, 2020, subject to approval of the Shareholders at the ensuing Annual General Meeting.
3. The last AGM held on 27<sup>th</sup> June, 2019, was attended by all members of the Board except, Mrs. Pallavi Shroff, Independent Director.

### Flow of information to the Board

The Board has complete access to all Company-related information. The Company Secretary is responsible for collation, review and distribution of all papers submitted to the Board and Committees thereof for consideration. The Chairman of the Board and the Company Secretary in consensus determine the Agenda for every meeting along with explanatory notes in consultation with the Managing Director & CEO. The Agenda for the meetings is circulated well in advance to the Directors to ensure that sufficient time is provided to Directors to prepare for the meeting.

With a view to ensure high standards of confidentiality of Agenda and other Board papers and reduce paper consumption, the Company circulates to its Directors, notes for Board/Committee meetings through a web – based application which can be accessed by the Directors through their hand – held devices, browsers and iPads. This application meets high standards of security that are required for storage and transmission of Board / Committee Agenda papers.

All material information is circulated to the Directors before the meeting, including minimum information required to be made available to the Board as prescribed under Part A of Schedule II of the Listing Regulations. The management makes concerted efforts to continuously upgrade the information available to the Board for decision making and the Board members are updated on all key developments relating to the Company.

With the unanimous consent of the Board, all information which is in the nature of Unpublished Price Sensitive Information (UPSI), is circulated to the Board and its

Committees at a shorter notice before the commencement of the respective meetings on a secure platform.

The Company Secretary attends all the meetings of the Board and its Committees and is, *inter alia*, responsible for recording the minutes of such meetings. The draft minutes of the Board and its Committees are sent to the members for their comments in accordance with the Secretarial Standards. Thereafter, the minutes are entered in the minutes book within 30 (thirty) days of conclusion of the meetings, subsequent to incorporation of the comments, if any, received from the Directors.

The Company adheres to the provisions of the Companies Act, 2013 read with the Rules issued thereunder, Secretarial Standards and Listing Regulations with respect to convening and holding the meetings of the Board of Directors, its Committees and the General Meetings of the shareholders of the Company.

The meetings of the Board of Directors are generally held in Mumbai and, if necessary, in locations, where the Company operates. The maximum interval between any 2 (two) consecutive Board Meetings was well within the maximum allowed gap of 120 (one hundred and twenty) days. The necessary quorum was present for all the meetings.

### Meeting of Independent Directors

Schedule IV of the Companies Act, 2013, Listing Regulations and Secretarial Standard - 1 on Meetings of the Board of Directors mandates that the Independent Directors of the Company hold at least one meeting in a year, without the attendance of non – Independent Directors.

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During the financial year 2019-20, a separate meeting of the Independent Directors which was scheduled to be held on 27<sup>th</sup> March, 2020 could not be convened on account of the nationwide lockdown and accordingly the meeting was postponed and then held on 8<sup>th</sup> June, 2020.

The Independent Directors, *inter alia*, discussed and reviewed performance of Non-Independent Directors, the Board as a whole, Chairman of the Company and assessed the quality, quantity and timeliness of flow of information between the Company's management and the Board that is necessary for the Board to effectively and reasonably perform their duties.

In addition to formal meetings, frequent interactions outside the Board Meetings also take place between the Chairman and Independent Directors.

### Non-Executive Directors with materially significant, pecuniary or business relationship with the Company

Except for the sitting fees and commission payable to the Non-Executive Directors annually in accordance with the applicable laws and with the approval of the shareholders, there is no pecuniary or business relationship between the Non-Executive Directors and the Company.

Mrs. Pallavi Shroff, Independent Director of the Company, is the joint – Managing Partner of M/s. Shardul Amarchand Mangaldas & Co., Solicitors & Advocates, which renders professional services to the Company. The quantum of fees paid to M/s. Shardul Amarchand Mangaldas & Co., is an insignificant portion of their total revenue, thus, M/s. Shardul Amarchand Mangaldas & Co.,

is not to be construed to have any material association with the Company.

### Board membership

The Company believes that a diverse skill set is required to avoid groupthinking and to arrive at balanced decisions. The Nomination & Remuneration Committee is primarily responsible for formulating the criteria for determining qualifications, positive attributes and independence of a Director. It identifies the persons as potential candidates who are qualified to be appointed as Directors and recommend to the Board their appointment and removal. The Board has sufficient breadth of skills in areas of finance, legal, consulting, operations, IT, marketing, general management, supply chain, technology, etc.

The Nomination & Remuneration Committee also recommends to the Board on matters relating to extension or continuation of the term of appointment of Independent Directors on the basis of the report of performance evaluation of Directors.

### Key Board qualifications, expertise and attributes

The Company's core business(es) include manufacturing, distribution and sale of paints & coatings, both architectural and industrial coatings, water-proofing, adhesives, wallpapers, etc., in India and abroad. The Company's Home Improvement Business includes modular kitchens and kitchen accessories, bath fittings, sanitary-ware and other home décor products and accessories. The Company has also launched its foray into the hand sanitisers and surface disinfectants category as an extension to its health & hygiene portfolio.

The following is the list of core skills/expertise/competencies identified by the Board of Directors, based on recommendations of the Nomination & Remuneration Committee, as required in the context of the Company's aforesaid business(es) for it to function effectively along with the names of Directors who have such skills/ expertise/ competence:

Sr. No.	Names of Director(s)	Skill/ Expertise/ competency				
		Sales & Marketing: Experience in sales and marketing management based on understanding of the consumer & consumer goods industry	International Business experience: Experience in leading businesses in different geographies/ markets around the world	General management/ Governance: Strategic thinking, decision making and protect interest of all stakeholders	Financial skills: Understanding the financial statements, financial controls, risk management, mergers and acquisition, etc.	Technical, professional skills and knowledge including legal and regulatory aspects
1.	Ashwin Dani	✓	✓	✓	✓	✓
2.	Abhay Vakil	✓	x	✓	✓	x
3.	Manish Choksi	✓	✓	✓	✓	✓
4.	Amit Syngle	✓	x	✓	✓	✓
5.	Malav Dani	✓	✓	✓	✓	x
6.	Amrita Vakil	✓	x	✓	✓	x



Sr. No.	Names of Director(s)	Skill/ Expertise/ competency				
		Sales & Marketing: Experience in sales and marketing management based on understanding of the consumer & consumer goods industry	International Business experience: Experience in leading businesses in different geographies/ markets around the world	General management/ Governance: Strategic thinking, decision making and protect interest of all stakeholders	Financial skills: Understanding the financial statements, financial controls, risk management, mergers and acquisition, etc.	Technical, professional skills and knowledge including legal and regulatory aspects
7.	Jigish Choksi	✓	x	✓	x	x
8.	Deepak Satwalekar	✓	x	✓	✓	x
9.	S. Sivaram	x	x	✓	x	✓
10.	M. K. Sharma	✓	✓	✓	✓	✓
11.	Vibha Paul Rishi	✓	✓	✓	✓	x
12.	R Seshasayee	x	✓	✓	✓	x
13.	Suresh Narayanan	✓	✓	✓	✓	x
14.	Pallavi Shroff	✓	✓	✓	✓	✓

## Declarations

The Company has received declarations from the Independent Directors that they meet the criteria of Independence laid down under the Companies Act, 2013 and the Listing Regulations. The Independent Directors have also confirmed that they have registered themselves for including their name in the databank of persons offering to become Independent Directors.

The Board of Directors, based on the declaration(s) received from the Independent Directors, have verified the veracity of such disclosures and confirm that the Independent Directors fulfill the conditions of independence specified in the Listing Regulations and the Companies Act, 2013 and are independent of the management of the Company.

The Company had also issued formal appointment letters to all the Independent Directors at the time of their appointment in the manner provided under the Companies Act, 2013 read with the Rules issued thereunder. A sample letter of appointment/ re-appointment containing the terms and conditions, issued to the Independent Directors, is posted on the Company's website at the following link:

<https://www.asianpaints.com/about-us.html>

Based on intimations/disclosures received from the Directors periodically, none of the Directors of the Company hold memberships/Chairmanships more than the prescribed limits.

## Directorship and Membership of Committees and Shareholding of Directors

The details of Directorships, relationship *inter-se*, shareholding in the Company, number of Directorships and Committee Chairmanships/ Memberships held by the Directors of the Company in other public companies as on 31<sup>st</sup> March, 2020 are as under:

Name of Director(s)	Nature of Directorship	Relationship with each other	Directorship held in other Listed entities along with Category	Directorship in other companies*	Membership and Chairmanship of the Committees of the Board of other companies**		No. of shares held in the Company along with % to the paid up share capital of the Company***
					Chairman	Member	
Ashwin Dani	Non-Executive Chairman/ Promoter	Father of Malav Dani	Non-Executive – Non- Independent Director of Hitech Corporation Limited	3	1	2	11,24,870 (0.12%)
Manish Choksi	Non-Executive Vice Chairman/ Promoter	Cousin of Jigish Choksi	Independent Director of NRB Industrial Bearings Limited	5	1	3	23,81,040 (0.25%)
Abhay Vakil	Non-Executive Director/ Promoter	Uncle of Amrita Vakil	-	4	1	1	2,32,88,200 (2.43%)
KBS Anand^	Managing Director & CEO	\$	Independent Director of Tata Chemicals Limited	2	0	0	270 (0%)
Malav Dani	Non-Executive Director/ Promoter	Son of Ashwin Dani	Managing Director of Hitech Corporation Limited	2	0	1	33,05,510 (0.34%)

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Name of Director(s)	Nature of Directorship	Relationship with each other	Directorship held in other Listed entities along with Category	Directorship in other companies*	Membership and Chairmanship of the Committees of the Board of other companies**		No. of shares held in the Company along with % to the paid up share capital of the Company***
					Chairman	Member	
Amrita Vakil	Non-Executive Director/ Promoter	Niece of Abhay Vakil	Non-Executive – Non – Independent Director of Elcid Investments Limited	3	0	0	25,66,680 (0.27%)
Jigish Choksi	Non-Executive Director/ Promoter	Cousin of Manish Choksi	-	1	0	0	19,95,180 (0.21%)
Deepak Satwalekar	Non-Executive Director/ Independent	\$	Independent Director of Piramal Enterprises Limited	3	1	1	Nil
S. Sivaram	Non-Executive Director/ Independent	\$	Independent Director of GMM Pfaudler Limited, Deepak Nitrite Limited, Apcotex Industries Limited and Supreme Petrochem Limited	6	2	2	Nil
M K Sharma	Non-Executive Director/ Independent	\$	Independent Director of Wipro Limited, United Spirits Limited, and Vedanta Limited Non-Executive-Non- Independent Director in Ambuja Cement Limited	6	3	5	Nil
Vibha Paul Rishi	Non-Executive Director/ Independent	\$	Independent Director of Escorts Limited, Tata Chemicals Limited, The Indian Hotels Company Limited and ICICI Prudential Life Insurance Company Limited	7	2	9	Nil
R. Seshasayee	Non-Executive Director/ Independent	\$	-	1	0	1	1496 (0%)
Suresh Narayanan	Non-Executive Director/ Independent	\$	Managing Director of Nestle India Limited	1	0	0	Nil
Pallavi Shroff	Non-Executive Director/ Independent	\$	Independent Director of Apollo Tyres Limited, Trident Limited, InterGlobe Aviation Limited and PVR Limited	5	0	3	Nil

^ Mr. KBS Anand retired as Managing Director & CEO w.e.f. 31<sup>st</sup> March, 2020. Mr. Amit Syngle was appointed as the Additional Director/ Managing Director & CEO w.e.f. 1<sup>st</sup> April, 2020.

\* Excludes directorship in Asian Paints Limited. Also excludes directorship in private companies, foreign companies, companies incorporated under Section 8 of the Companies Act, 2013 and alternate directorships.

\*\* For the purpose of considering the limit of Committee memberships and chairmanships of a Director, membership and chairmanship of Audit Committee and Stakeholders Relationship Committee of public companies have been considered. Also excludes the memberships & chairmanships in Asian Paints Limited.

\$ No *inter-se* relationship with any of the Directors of the Company.

\*\*\* As per the declarations made to the Company by the Directors as to the shares held in their own name or held jointly as the first holder or held on beneficial basis as the first holder.

### FAMILIARIZATION PROGRAMME

The Board familiarization program consists of detailed induction for all new Independent Directors when they join the Board of Directors of the Company and ongoing immersion sessions on business strategic, operational and functional matters.

The exhaustive induction for Independent Directors enables them to be familiarized with the Company, its history, values and purpose. The Managing Director & CEO also makes presentations in order to facilitate clear understanding of the business of the Company and the environment in which the Company operates.

In Board meetings, immersion sessions on business strategy, operational and functional matters provide good

insights on the businesses carried on by the Company to the Independent Directors. These sessions also involve interactions with multiple levels of management. To make these sessions more productive, all the documents required and/or sought by them to have a good understanding of Company's operations, businesses and the industry as a whole are provided in advance. Further, they are periodically updated on material changes in regulatory framework and its impact on the Company.

The Company also arranges for visits to the Company's Plants to enable them to get firsthand understanding of the processes.

Further, an information pack is handed over to the new Director(s) on the Board, which includes, Company profile,

Company's Codes and Policies, Strategy documents and such other operational information which will enable them to discharge their duties in a better way.

The details of such familiarization programmes for Independent Director(s) are put up on the website of the Company and can be accessed through the following link:

<https://www.asianpaints.com/more/investors/policies-programs.html>

### COMMITTEES OF THE BOARD

The Board Committees play a crucial role in the governance structure of the Company and have been constituted to deal with specific areas / activities as mandated by applicable regulations, which concern the Company and need a closer review. The Chairman of the respective Committee(s) brief the Board about the summary of the discussions held in

the Committee Meetings. The minutes of the meetings of all Committees are placed before the Board for review. The Board Committees can request special invitees to join the meeting, as and when appropriate.

During the year, all recommendations of the Committees of the Board which were mandatorily required have been accepted by the Board.

The terms of reference of the Committees are in line with the provisions of the Listing Regulations, Companies Act, 2013 and the Rules issued thereunder.

The Company currently has 6 (six) Committees of the Board, namely, Audit Committee, Stakeholders Relationship Committee, Nomination and Remuneration Committee, Corporate Social Responsibility Committee, Risk Management Committee and Shareholders Committee.

### AUDIT COMMITTEE

The Audit Committee met 4 (four) times during the financial year 2019-20. The composition of the Audit Committee of the Board of Directors of the Company along with the details of the meetings held and attended during the financial year 2019-20 are detailed below:

Name of Director(s)	Nature of membership	Meeting date(s)			
		1	2	3	4
		8 <sup>th</sup> May, 2019	23 <sup>rd</sup> July, 2019	22 <sup>nd</sup> October, 2019	21 <sup>st</sup> January, 2020
M K Sharma	Chairman	✓	✓	✓	✓
R Seshasayee	Member	✓	✓	✓	✓
Abhay Vakil	Member	✓	✓	✓	✓
Suresh Narayanan	Member	✓	✓	✓	✓

✓ Present

Mr. R J Jeyamurugan acts as Secretary to the Committee.

The Audit Committee meets the Statutory Auditors and the Chief Internal Auditor independently without the presence of any members of the management at least once in a year. The members of the Audit Committee are financially literate and have relevant experience in financial management.

In addition to the quarterly meetings for consideration of financial results, the Committee meets twice a year to exclusively review the related party transactions and the key internal audit observations. The meetings of the Audit Committee are also attended by the Managing Director & CEO, Statutory and Internal Auditors and CFO & Company Secretary.

The terms of reference of the Audit Committee are formulated in accordance with the regulatory requirements mandated by the Companies Act and Listing Regulations.

The Audit Committee is, *inter alia*, entrusted with the following responsibilities by the Board of Directors of the Company:



1. Overseeing the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statements are correct, sufficient and credible;
2. Reviewing with the management quarterly, half-yearly, nine-months and annual financial statements, standalone as well as consolidated, before submission to the Board for approval;
3. Reviewing the Management Discussion and Analysis of the financial condition and results of operations;
4. Reviewing, with the management, the annual financial statements and auditor's report thereon before submission to the Board for approval;

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5. Recommending the appointment, remuneration, terms of appointment and scope of Statutory Auditors of the Company and approval for payment towards any other service;
6. Reviewing and monitoring the auditor's independence and performance and effectiveness of audit process;
7. Reviewing the adequacy of internal audit function and discussing with the internal auditors on the significant findings and further course adopted;
8. Reviewing, approving or subsequent modifying transactions of the Company with related parties; and
9. Review compliance with provisions of Securities Exchange Board of India (Prevention of Insider Trading) Regulation, 2015 (including any amendment or modification from time to time) at least once in a financial year and shall verify that the systems for internal controls for ensuring compliance to these Regulations, are adequate and are operating effectively.

### NOMINATION AND REMUNERATION COMMITTEE

The Nomination and Remuneration Committee of the Board of Directors of the Company met 4 times during the financial year 2019-20 to discuss and deliberate on various matters. The composition of the Nomination and Remuneration Committee along with the details of the meetings held and attended by the members of the Committee during the financial year 2019- 20 is detailed below:

Name of Director(s)	Nature of membership	Meeting date(s)			
		1	2	3	4
		26 <sup>th</sup> April, 2019	10 <sup>th</sup> October, 2019	21 <sup>st</sup> January, 2020	24 <sup>th</sup> March, 2020
Deepak Satwalekar	Chairman	✓	✓	✓	
M. K. Sharma	Member	✓	✗	✓	✗
Manish Choksi	Member	✓	✓	✓	

✓ Present      ✗ Absent       Present through video-conference

Mr. R J Jeyamurugan acts as secretary to the Committee.

The Nomination and Remuneration Committee is, inter alia, entrusted with the following responsibility by the Board of Directors of the Company:

1. Formulate a criterion for determining qualifications, positive attributes and independence of a director;
2. Recommend to the Board a policy, relating to the remuneration of the Directors, Key Managerial Personnel and other employees;
3. Devise a policy on Board Diversity;
4. Identify persons who are qualified to become directors and who may be appointed in senior management in accordance with the criteria laid down and recommend to the Board their appointment and removal;
5. Specify methodology for effective evaluation of performance of Board/committees of the Board and review the terms of appointment of Independent Directors on the basis of the report of performance evaluation of the Independent Directors;
6. Reviewing and recommending to the Board, the remuneration, payable to Directors of the Company;
7. Recommend to the Board all remuneration, in whatever form, payable to senior management; and
8. Undertake any other matters as the Board may decide from time to time.

### SUCCESSION PLANNING

The Company believes that sound succession plans for the Board members and senior leadership are very important for creating a robust future for the Company. The Nomination and Remuneration Committee and the Board, as part of the succession planning exercise, periodically review the composition of the Board to ensure that the same is closely aligned with the strategy and long-term needs of the Company. The Nomination & Remuneration Committee plays a pivotal role in identifying successors to the members of the Senior Management.

As mentioned earlier in the Report, in addition to identifying Mr. Amit Syngle as the successor to Mr. KBS Anand as the Managing Director & CEO, the Nomination & Remuneration Committee played a pivotal role in identifying the successor to the CFO & Company Secretary of the Company.

Mr. Jayesh Merchant retired as the CFO & Company Secretary, President – Industrial JVs of the Company. Mr. R J Jeyamurugan, then Vice President – Finance & Compliance Officer, was identified as his successor.

## NOMINATION AND REMUNERATION POLICY

The Nomination & Remuneration Policy of the Company, *inter alia*, provides that the Nomination and Remuneration Committee shall formulate the criteria for appointment of Directors on the Board of the Company and persons holding Senior Management positions in the Company, including their remuneration and other matters as provided under Section 178 of the Companies Act, 2013 and Listing Regulations. As required under the Listing Regulations effective 1<sup>st</sup> April, 2019, the Nomination and Remuneration Committee will recommend to the Board the payment of remuneration to the senior management.

In accordance with the Policy, the responsibilities of Nomination and Remuneration Committee, *inter alia*, include:

- a. Formulation of criteria and its review on an ongoing basis, for determining qualifications, skills, expertise, qualities, positive attributes required to be a Director, based on the qualities, including independence for Independent Directors, and such expertise which may be beneficial for the Company and essential for it to operate in changing business environment. Identification of persons as potential candidates, who are qualified to be appointed as Directors and recommend their re – appointment, if any, to the Board after taking into consideration the performance of a Director.
- b. The Nomination & Remuneration Committee, *inter alia*, has been entrusted with the responsibility of evaluating the performance of every Director, Committees of the Board and the Board. The Committee also evaluates the performance of Managing Director against the Key Performance Indicators set at the beginning of the financial year.
- c. Remuneration of Directors, Senior Management and other employees:
  - i. Compensation to Managing Director or Executive Director: The Committee shall approve compensation package of the Managing Director or Executive Director(s). The Committee ensures that the compensation packages are in accordance with applicable law, in line with the Company's objectives, shareholders' interests, with industry standards and have an adequate balance between fixed and variable component, subject to approval of the Board.
  - ii. Compensation to Senior Management: The Nomination & Remuneration Committee shall review performance of the senior management of the Company (which includes Key Managerial

Personnel), as presented by the Managing Director & CEO. The Committee shall ensure that the remuneration to the Senior Management involves a balance between fixed and incentive pay reflecting short and long term performance objectives appropriate to the working of the Company and its goals.

- iii. Remuneration to Non-Executive Directors: The Nomination & Remuneration Committee shall recommend to the Board for its approval, commission payable to the Non-Executive Directors, including Independent Directors, after reviewing payments made by similar sized, successful companies. The Nomination and Remuneration Committee considers and recommends commission payable to Directors after taking into account their contribution to the decision making at meetings of the Board/ Committees, participation and time spent as well as providing strategic inputs and supporting the highest level of Corporate Governance and Board effectiveness.
- iv. Remuneration to other employees: Focus on productivity and pay for performance have been the cornerstone of the Company's overall remuneration policy. The Company regularly benchmarks the compensation levels and employee benefits in the market and makes necessary changes to remain consistent with the industry standards. The Committee shall review the Company's policy on performance management and rewards for employees from time to time. The remuneration structure of employees is designed on principles of fairness, transparency and internal and external parity and involves an optimum balance of fixed and variable components.

The Nomination and Remuneration Policy of the Company has been uploaded on the Company's website and can be accessed at:

<https://www.asianpaints.com/more/investors/policies-programs.html>

### Details of remuneration paid to Directors during the financial year 2019-20:

The shareholders of the Company at their Annual General Meeting held on 26<sup>th</sup> June, 2014, approved a sum of not exceeding 1% of the net profits of the Company, per annum calculated in accordance with Section 198 of Companies Act, 2013, to be paid to Non – Executive Directors in a manner as decided by the Board.



## Report on Corporate Governance (Contd.)

All the Non-Executive Directors of the Company are paid ₹ 50,000 (Rupees fifty thousand only) as sittings fees for attending meetings of the Board/Audit Committee and ₹ 30,000 (Rupees thirty thousand only) for attending meetings of other Committees except Shareholders Committee for which no sitting fees is paid. Independent Directors are paid ₹ 30,000 (Rupees thirty thousand only) for the separate meeting of Independent Directors.

Given the current COVID-19 situation, resultant impact on the business operations and considering the nominal increase in remuneration payable to all employees of the Company, the Board of Directors being concerned and empathetic about the situation, at their meeting held on 23<sup>rd</sup> June, 2020, decided to take a cut of 10% in the commission payable to the Non-Executive Directors for the FY 2019-20 vis-a-vis the base commission considered for the FY 2018-19.

Details of the remuneration of the Directors of the Company for the financial year 2019-20 are as follows:

Name of the Director(s)	Basic Salary	Perquisites	Sitting Fees	Commission	Amount in ₹
					Total
Ashwin Dani	-	7,35,000#	3,50,000	32,40,000	43,25,000
Manish Choksi	-	-	4,70,000	28,80,000	33,50,000
Abhay Vakil	-	7,20,000#	5,50,000	25,20,000	37,90,000
KBS Anand*	3,32,29,356	10,65,90,874^	-	6,79,00,000	20,77,20,230
Malav Dani	-	-	3,80,000	27,00,000	30,80,000
Amrita Vakil	-	-	4,10,000	25,20,000	29,30,000
Jigish Choksi	-	-	3,80,000	25,20,000	29,00,000
Deepak Satwalekar	-	-	4,70,000	28,80,000	33,50,000
S. Sivaram	-	-	3,10,000	27,00,000	30,10,000
M K Sharma	-	-	6,10,000	30,60,000	36,70,000
Vibha Paul Rishi	-	-	3,80,000	25,20,000	29,00,000
R Seshasayee	-	-	5,30,000	27,00,000	32,30,000
Suresh Narayanan	-	-	5,00,000	25,20,000	30,20,000
Pallavi Shroff	-	-	2,80,000	25,20,000	28,00,000

### Notes:

The Company has not granted stock options to any of its Directors.

\* Mr. KBS Anand retired as the Managing Director & CEO of the Company w.e.f. 31<sup>st</sup> March, 2020.

# Represents retiral benefits like pension and medical reimbursement as per their contracts entered with the Company in their erstwhile capacity as Executive Directors which ended on 31<sup>st</sup> March, 2009.

^ Represents retiral benefits like gratuity and leave encashment as per the agreement entered in his capacity as an Executive Director which ended on 31<sup>st</sup> March, 2020.

### PERFORMANCE EVALUATION

In terms of the requirement of the Companies Act, 2013 and the Listing Regulations, an annual performance evaluation of the Board is undertaken where the Board formally assesses its own performance with the aim to improve the effectiveness of the Board and the Committees.

The Company has a structured assessment process for evaluation of performance of the Board, Committees of the Board and individual performance of each Director including the Chairman.

The Independent Directors at their separate meeting reviewed the performance of: Non-Independent Directors and the Board as a whole, Chairperson of the Company after taking into account the views of Executive Directors and Non-Executive Directors, the quality, quantity and timeliness of flow of information between the Company

management and the Board that is necessary for the Board to effectively and reasonably perform their duties.

During the year under review, surveys were undertaken for evaluation of performance of Directors, Board as a whole and Committees of the Board. Based on the inputs received from the Directors, an action plan is being drawn up in consultation with the Chairman of the NRC and a separate meeting of the Board would be held to discuss and draw up a plan of action.

### Board and Individual Directors

The parameters for performance evaluation of Board includes composition of Board, process for appointment to the Board, succession planning, handling critical and dissenting suggestions, attention to Company's long term strategy, evaluation of the governance levels of the Company, quality of discussions at the meeting, etc.

The parameters of the performance evaluation process for Directors, *inter alia*, includes, effective participation in meetings of the Board, understanding of the roles and responsibilities, domain knowledge, attendance of Director(s), etc. Independent Directors were evaluated by the entire Board with respect to fulfillment of independence criteria as specified in the Listing Regulations and Companies Act, 2013 and their Independence from the Management. Additional criteria for evaluation of Chairman of the Board includes ability to co-ordinate Board discussions, steering the meeting effectively, seeking views and dealing with dissent, etc.

The outcome of surveys and feedback from Directors was discussed at the respective meetings of Board and Committees of Board.

### Managing Director & CEO

The Nomination & Remuneration Committee evaluates the performance of the Managing Director & CEO by setting his Key Performance Objectives at the beginning of each financial year. The Committee ensures that his Key Performance Objectives are aligned with the immediate and long-term goals of the Company. The performance of Managing Director vis-à-vis the Performance Objectives/Parameters set at the beginning of the financial year are also reviewed by the Committee during the year.

### Committees of the Board

The performance evaluation of committee's included aspects like degree of fulfillment of key responsibilities as outlined by the charter, adequacy of committee composition, effectiveness of discussions at the Committee meetings, quality of deliberations at the meetings and information provided to the Committee's.

The overall performance evaluation exercise was completed to the satisfaction of the Board. The Board of Directors deliberated on the outcome and agreed to take necessary steps going forward.

### STAKEHOLDERS RELATIONSHIP COMMITTEE

The composition of the Stakeholders Relationship Committee of the Board of Directors of the Company along with the details of the meetings held and attended by the members of the Committee during the financial year 2019-20 is detailed below:

Name of Director(s)	Nature of membership	Meeting date 21st October, 2019
R Seshasayee	Chairman	✓
K.B.S Anand	Member	✓
Amrita Vakil	Member	✓
Jigish Choksi	Member	✓
Amit Syngle*	Member	NA

✓ Present

Mr. R J Jeyamurugan acts as secretary to the Committee.

\* Consequent to the retirement of Mr. KBS Anand as the Managing Director and CEO of the Company effective from 31<sup>st</sup> March, 2020, Mr. Amit Syngle has been inducted as a member of the Committee effective from 1<sup>st</sup> April, 2020.

Mr. R. J. Jeyamurugan, CFO & Company Secretary, is the Compliance Officer in accordance with Regulation 6 of Listing Regulations. Mr. Jeyamurugan is a qualified Company Secretary & Chartered Accountant.

The terms of reference of the Stakeholders Relationship Committee, as approved by the Board and amended from time to time, includes the following:

1. Resolving the grievances of the security holders of the listed entity including complaints related to transfer/ transmission of shares, non-receipt of annual report, non-receipt of declared dividends, issue of new/ duplicate certificates, general meetings etc.;
2. Review of measures taken for effective exercise of voting rights by shareholders;
3. Review of adherence to the service standards adopted by the listed entity in respect of various services being rendered by the Registrar & Share Transfer Agent; and
4. Review of the various measures and initiatives taken by the listed entity for reducing the quantum of unclaimed dividends and ensuring timely receipt of dividend warrants/ annual reports/statutory notices by the shareholders of the Company.

Details relating to the number of complaints received and redressed during the financial year 2019-20 as on 31<sup>st</sup> March, 2020 are as under:

Nature of Complaints	Number of complaints received	Number of complaints redressed	Number of pending complaints
Non-Receipt of Dividend	8	8	0
Non-Receipt of Annual Report	1	1	0
Dematerialization of securities	1	1	0
Others	20	19	1
<b>Total</b>	<b>30</b>	<b>29</b>	<b>1</b>

Note:

Nature of complaints in the category "Others" includes updation of change in signature and address, transfer of shares, non-receipt of split shares, transmission of shares and issue of duplicate shares.

M/s. TSR Darashaw Consultants Private Limited (TSR), is the Registrar & Transfer Agent of the Company. The management on an on-going basis engages with TSR in order to address the requests received from the shareholders, resolving their grievances, etc.

## Report on Corporate Governance (Contd.)

### CORPORATE SOCIAL RESPONSIBILITY (CSR) COMMITTEE

The composition of the CSR Committee of the Board of Directors of the Company along with the details of the meetings held and attended by the members of the Committee during the financial year 2019-20 is detailed below:

Name of Director(s)	Nature of membership	Meeting date
		2 <sup>nd</sup> August, 2019
Malav Dani	Chairman	✓
K.B.S Anand	Member	✓
Vibha Paul Rishi	Member	✓
Amrita Vakil	Member	✓
Amit Syngle*	Member	NA

✓ Present

Mr. R J Jeyamurugan acts as secretary to the Committee.

\* Consequent to retirement of Mr. KBS Anand as Managing Director and CEO of the Company effective from 31<sup>st</sup> March, 2020, Mr. Amit Syngle has been inducted as a member of the Committee effective from 1<sup>st</sup> April, 2020.

The meetings of the CSR Committee are also attended by members of the CSR Council of the Company as invitees.

The terms of reference of CSR Committee as approved by the Board and amended from time to time, includes the following:

1. Recommend the amount of expenditure to be incurred on the activities;
2. Monitor implementation and adherence to the CSR Policy of the Company from time to time;
3. Prepare a transparent monitoring mechanism for ensuring implementation of the projects/programmes/activities proposed to be undertaken by the Company; and
4. Such other activities as the Board of Directors may determine from time to time.

The details of the CSR initiatives as per the CSR Policy of the Company forms part of the CSR Section in the Annual Report. The CSR Policy of the Company has been uploaded on the Company's website and can be accessed at: <https://www.asianpaints.com/more/about-us.html>

### SHAREHOLDERS COMMITTEE

The composition of the Shareholders Committee of the Company along with the details of the meetings held and attended by the Members of the Committee during the financial year 2019-20 is detailed below:

Name of Director(s)	Nature of membership	Meeting details	
		Held	Attended
Abhay Vakil	Chairman	12	11
Ashwin Dani	Member	12	12
Manish Choksi	Member	12	11
K. B. S. Anand	Member	12	12
Jayesh Merchant*	Member	12	8
R J Jeyamurugan*	Member	12	2
Amit Syngle#	Member	NA	NA

Mr. R J Jeyamurugan also acts as a Secretary to the Committee.

\* Mr. Jayesh Merchant ceased to be a member of the Committee on 26<sup>th</sup> November, 2019 consequent to his retirement as the CFO and Company Secretary of the Company. Mr. R J Jeyamurugan was inducted as a member in the Committee effective from 27<sup>th</sup> November, 2019.

# Consequent to retirement of Mr. KBS Anand as Managing Director and CEO of the Company effective from 31<sup>st</sup> March, 2020, Mr. Amit Syngle has been inducted as a member of the Committee effective from 1<sup>st</sup> April, 2020.

The terms of reference of the Shareholders Committee, as approved by the Board and amended from time to time, includes the following:


1. To issue share certificates pursuant to duplicate/ remat/ renewal requests as and when received by the Company;
2. To approve the register of members as on the record date(s) and/or book closure date(s) for receiving dividends and other corporate benefits;
3. To review correspondence with the shareholders vis-à-vis legal cases and take appropriate decisions in that regard;
4. To authorise affixing of the Common seal of the Company from time to time on any deed or other instrument requiring authentication by or on behalf of the Company, and
5. Such other activities as the Board of Directors may determine from time to time.

Further, the Board of Directors of the Company have delegated the authority to approve the transfer, transmission, dematerialization of shares etc., to any two members, jointly, of the Shareholders Committee including the Company Secretary.

### RISK MANAGEMENT COMMITTEE

The composition of the Risk Management Committee of the Board of Directors of the Company along with the details of the meetings held and attended by the members

of the Committee during the financial year 2019-20 is detailed below:

Name of Director(s)	Nature of membership	Meeting date(s)	
		1	2
		28 <sup>th</sup> August, 2019	14 <sup>th</sup> February, 2020
Dr. S. Sivaram	Chairman	✓	✓
K B S Anand*	Member	✓	✓
Pallavi Shroff	Member	✗	
Amit Syngle*	Member	✓	✗
Amit Kumar Baveja	Member	✓	NA
P. Sriram	Member	NA	✓

✓ Present ✗ Absent  Present through video conferencing

Mr. R J Jeyamurugan acts as secretary to the Committee.

\* Consequent to retirement of Mr. K B S Anand as the Managing Director & CEO of the Company effective from 31<sup>st</sup> March, 2020, he ceased to be a member of the Committee. Mr. Amit Syngle would continue as a Member of the Risk Management Committee in the capacity of Managing Director & CEO.

Mr. P Sriram was appointed as a member of the Committee on 22<sup>nd</sup> January, 2020 in place of Mr. Amit Kumar Baveja.

The Risk Management Committee is responsible for oversight on overall risk management processes of the Company and to ensure that key strategic and business risks are identified and addressed by the management.

The terms of reference of the Risk Management Committee, as approved by the Board and amended from time to time, includes the following:

1. framing a risk management policy;
2. identify Company's risk appetite set for various elements of risk;

### GENERAL BODY MEETINGS

Details of last three AGM and the summary of Special Resolutions passed therein, if any, are as under:

Financial year(s)	Date	Time	Location	No. of Special resolutions set out at the AGM
2018-19	27 <sup>th</sup> June, 2019	11.00 a.m.	Patkar Hall, Nathibai Thackersay Road, New Marine Lines, Mumbai - 400020	Nil
2017-18	26 <sup>th</sup> June, 2018	11.00 a.m.	Yashwantrao Chavan Pratisthan Auditorium, Y.B. Chavan Centre, General Jagannath Bhosle Marg, Next to Sachivalaya Gymkhana, Mumbai- 400 021	
2016-17	27 <sup>th</sup> June, 2017	11.00 a.m.	Patkar Hall, Nathibai Thackersey Road, New Marine Lines, Mumbai - 400 020	

No Special Resolution was passed through Postal Ballot during financial year 2019-20. Further, no Special Resolution is proposed to be passed through Postal Ballot as on the date of this Report.

3. review the risk management practices and structures and recommend changes to ensure their adequacy including but not limited to cyber security and related risks;
4. approve and review the risk treatment plans put in place by management; and
5. ensure adequacy of risk management practices in the Company.

The Risk Management Policy formulated by the Risk Management Committee, articulates the Company's approach to address uncertainties in its endeavors to achieve its stated and implicit objectives. It prescribes the roles and responsibilities of various stakeholders within the Company, the structure for managing risks and framework with respect to Risk Management and the Internal Financial Controls comprehensively address the key strategic/business risks, information technology, financial, cyber security risks and operational risks respectively.

### CEO/CFO CERTIFICATION

As required under Regulation 17 of the Listing Regulations, the CEO/CFO certificate for the financial year 2019-20 signed by Mr. Amit Syngle, Managing Director & CEO and Mr. R J Jeyamurugan, CFO & Company Secretary, was placed before the Board of Directors of the Company at their meeting held on 23<sup>rd</sup> June, 2020 and is annexed to this Report as Annexure 'B'.

### COMPLIANCE CERTIFICATE ON CORPORATE GOVERNANCE

As required by Schedule V of the Listing Regulations, the Auditors Certificate on Corporate Governance is annexed to this Report as Annexure 'C'.

### OTHER DISCLOSURES

1. The Company has complied with the requirements specified in Regulation 17 to 27 and Clauses (b) to (i) of sub – regulation (2) of Regulation 46 of the Listing Regulations.

## Report on Corporate Governance (Contd.)

### 2. Related Party Transactions

All transaction entered into by the Company with related parties, during the financial year 2019 – 20, were in ordinary course of business and on arm's length basis. The details of the Related Party Transactions are set out in the Notes to Financial Statements forming part of this Annual Report.

Also, the Related Party Transactions undertaken by the Company were in compliance with the provisions set out in the Companies Act, 2013 read with the Rules issued thereunder and relevant provisions of Listing Regulations.

The Company has formulated a framework for Related Party Transactions which is followed for identifying, entering into and monitoring related party transactions. The deviations, if any, to the said process have been brought to the attention of Audit Committee suitably.

The Audit Committee reviews at least on a quarterly basis, the details of related party transactions entered into by the Company pursuant to each of the omnibus approval granted.

The Audit Committee, during the financial year 2019-20, has approved Related Party Transactions along with granting omnibus approval in line with the Policy on dealing with and materiality of Related Party Transactions and the applicable provisions of the Companies Act, 2013 read with the Rules issued thereunder and the Listing Regulations (including any statutory modification(s) or re-enactment(s) thereof for the time being in force).

The policy on dealing with and materiality of Related Party Transactions has been placed on the Company's website and can be accessed at the following link:

<https://www.asianpaints.com/more/investors/policies-programs.html>

There are no materially significant Related Party Transactions of the Company which have potential conflict with the interests of the Company at large.

The details of remuneration paid to the employees of the Company, who are relatives of directors, as on 31<sup>st</sup> March, 2020 is as under:

Name of the employee	Nature of relationship with Director(s)	Remuneration (₹)
Varun Vakil	Relative of Amrita Vakil	54,03,921.96

In terms, of Section 177 and other applicable provisions, if any, of the Companies Act, 2013 read with the Rules issued thereunder and the Listing Regulations, the appointment and remuneration payable to the aforesaid is approved by the Audit Committee and noted by the Board of Directors of the Company and is at arm's length and in ordinary course of business of the Company.

### 3. Vigil Mechanism and Whistle Blower Policy:

The Company is committed to highest standards of ethical, moral and legal business conduct. Accordingly, the Company has adopted a Whistle Blower Policy and an effective Vigil Mechanism system to provide a formal mechanism to its Directors, Employees and Business Associates to voice concerns in a responsible and effective manner regarding suspected unethical matters involving serious malpractice, abuse or wrongdoing within the organization and also safeguards against victimization of Directors/ Employees and Business Associates who avail of the mechanism.

The scope of the vigil mechanism enables employees, Directors and other stakeholders to report on any cases of leakage of unpublished price sensitive information and consequent non-compliance with SEBI (Prohibition of Insider Trading Regulations) Regulations, 2015 ('Prohibition of Insider Trading Regulations'). In accordance with the Policy, an Ethics Committee has been constituted comprising of the Managing Director & CEO, the CFO & Company Secretary and the Vice President – Human Resources for receiving and investigating all complaints and Protected Disclosures under this policy. Employees of the Company or business associates can make Protected Disclosures to the Ethics Committee through the Asian Paints Ethics Hotline (toll free number/ web reporting facility) and/or any other written or oral means of communication. The Employees/Directors and Business Associates may, in exceptional cases, approach directly the Chairperson of the Audit Committee of the Board of Directors of the Company for registering complaints.

Any incidents that are reported are investigated and suitable action is taken in line with the Whistle Blower Policy.

No personnel were denied access to the Audit Committee of the Company with regards to the above.

### 4. In accordance with the provisions of Regulation 26 (6) of the Listing Regulations, the Key Managerial Personnel, Director(s), Promoter(s) and Employees



including Senior Management Personnel of the Company have affirmed that they have not entered into any agreement for themselves or on behalf of any other person, with any shareholder or any other third party with regard to compensation or profit sharing in connection with dealings in the securities of the Company.

5. The Company has complied with all the requirements of the Stock Exchange(s) and SEBI on matters relating to Capital Markets. There were no penalties imposed or strictures passed against the Company by SEBI, stock exchange(s) on which the shares of the Company are listed or any statutory authority in this regard, during the last 3 (three) years.
6. Details of compliance with mandatory requirements and adoption of the non-mandatory requirements:

The Company has complied with all the mandatory requirements of the Listing Regulations relating to Corporate Governance.

#### Non-Mandatory Requirements

- (i) The Non-Executive Chairman of the Company has been provided with a Chairman's Office at the Registered Office of the Company.
- (ii) The Chairman of the Board is a Non-Executive Director and his position is separate from that of the Managing Director & CEO.
- (iii) Half-yearly financial results of the Company including summary of the significant events for the period ended 30<sup>th</sup> September, are sent to all shareholders of the Company. The soft copy of quarterly results is also sent to the shareholders who have registered their email addresses with the Company. The Company discusses with the Institutional Investors and Equity Analysts on the Company's performance on a periodic basis and presentations, if any, made during such meetings and calls are also available on the website of the Company.
- (iv) During the year under review, there is no audit qualification on the Company's financial statements. The Company continues to adopt best practices to ensure regime of unmodified audit opinion.
- (v) The Chief Internal Auditor reports to the Audit Committee of the Company. He participates in the meetings of the Audit Committee of the Board of Directors of the Company and

presents his internal audit observations to the Audit Committee.

#### 7. Subsidiary Companies:

The Company does not have any material non-listed subsidiary Company in terms of Regulation 16 of the Listing Regulations. The synopsis of the minutes of the Board meetings of the subsidiary companies are placed at the Board meeting of the Company on quarterly basis. The Audit Committee reviews the financial statements including investments by the unlisted subsidiaries of the Company.

The Management of the unlisted subsidiary periodically brings to the notice of the Board of Directors of the Company, a statement of all significant transactions and arrangements entered into by unlisted subsidiary, if any.

The Policy for determining material subsidiaries has been uploaded and can be accessed on the Company's website at the following link:

<https://www.asianpaints.com/more/investors/policies-programs.html>

#### 8. Website

The Company ensures dissemination of applicable information under Regulation 46(2) of the Listing Regulations on the Company's website (<https://www.asianpaints.com>). There is a separate section on 'Investors' on the website of the Company containing details relating to the financial results declared by the Company, annual reports, presentations made by the Company to investors, press releases, shareholding patterns and such other material information which is relevant to shareholders.

#### 9. Details of preferential allotment or qualified institutional placement as specified under Regulation 32 (7A) of the Listing Regulations

The Company has not raised funds through preferential allotment or Qualified Institutional Placement.

#### 10. Secretarial Compliance Report

SEBI vide its Circular No. CIR/CFD/CMD1/27/2019 dated 8<sup>th</sup> February, 2019 read with Regulation 24(A) of the Listing Regulations, directed listed entities to conduct Annual Secretarial compliance audit from a Practicing Company Secretary of all applicable SEBI Regulations and circulars/guidelines issued

## Report on Corporate Governance (Contd.)

thereunder. The said Secretarial Compliance report is in addition to the Secretarial Audit Report by Practicing Company Secretaries under Form MR – 3 and is required to be submitted to Stock Exchanges within 60 days of the end of the financial year.

The Company has engaged the services of Dr. K R Chandratre (CP No. 5144), Practicing Company Secretary and Secretarial Auditor of the Company for providing this certification.

The Company is publishing the said Secretarial Compliance Report, on voluntary basis and the same has been annexed as Annexure (C-2) to the Board's Report forming part of this Annual Report.

### 11. Certificate from Practicing Company Secretary

Certificate as required under Part C of Schedule V of Listing Regulations, received from Mr. Makarand Joshi, (CP No. 3662) and Ms. Kumudini Bhalerao, (CP No. 6690), Partners of M/s. Makarand M. Joshi & Co., Practicing Company Secretaries, that none of the Directors on the Board of the Company have been debarred or disqualified from being appointed or continuing as directors of the Company by the Securities and Exchange Board of India/ Ministry of Corporate Affairs or any such statutory authority was placed before the Board of Directors at their meeting held on 23<sup>rd</sup> June, 2020 and is set out as Annexure 'A' to this Report.

### 12. Total fees paid to Statutory Auditors of the Company

Total fees of ₹ 3,63,77,262 (Rupees three crores sixty three lakhs seventy seven thousand two hundred and sixty two) for financial year 2019-20, for all services, was paid by the Company and its subsidiaries, on a consolidated basis, to the statutory auditor and all entities in the network firm/network entity of which the statutory auditor is a part.

### 13. Disclosure relating to Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013

The Company is committed to ensuring that all employees work in an environment that not only promotes diversity and equality but also mutual trust, equal opportunity and respect for human rights. The Company has formulated a Policy on prevention of Sexual Harassment in accordance with the provisions of the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 and the Rules made thereunder which is

aimed at providing every woman at the workplace a safe, secure and dignified work environment.

The Company has in place an effective mechanism for dealing with complaints relating to sexual harassment at workplace. The details relating to the number of complaints received and disposed of during the financial year 2019-20 are as under:

- a. Number of complaints filed during the financial year: 2
- b. Number of complaints disposed of during the financial year: 2
- c. Number of complaints pending as on end of the financial year: Nil

### 14. Code of Conduct

The Company has adopted a Code of Conduct for all employees and for members of the Board and Senior Management Personnel. The Company through its Code of Conduct provides guiding principles of conduct to promote ethical conduct of business, confirms to equitable treatment of all stakeholders, and to avoid practices like bribery, corruption and anti – competitive practices. Employees are mandated to undergo video based training modules and case studies embodying real – life examples upon joining the organization as a part of their induction and annually as a part of periodic refresher trainings for all employees.

All members of the Board and Senior Management Personnel have affirmed compliance with the Code of Conduct for Board and Senior Management for the financial year 2019-20. The declaration to this effect signed by Mr. Amit Syngle, Managing Director & CEO of the Company is annexed to this report as Annexure 'B'.

The Code of Conduct for employees and the Board and Senior Management has clear policy and guidelines for avoiding and disclosing actual or potential conflict of interest with the Company, if any.

### 15. Code of Conduct to Regulate, Monitor and Report Trading by Designated Persons

The Company has adopted a Code of Conduct to Regulate, Monitor and Report trading by Designated Persons (Prevention of Insider Trading Code) under Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015 (SEBI Insider

Trading Regulations). In accordance with the SEBI Insider Trading Regulations, the Company has established systems and procedures to prohibit insider trading activity.

The Prevention of Insider Trading Code was suitably amended to incorporate the amendments carried out by SEBI to SEBI Insider Trading Regulations.

The declarations and disclosures to be received from the designated persons (except Directors, Promoter(s) and Promoter(s) group) are automated. The Company has a portal under which disclosure/ declarations/ undertakings are given by designated persons as required under Insider Trading Code. The digital database as required under SEBI Insider Trading Regulations is also maintained on the said portal.

The Compliance Officer and the management conducted several trainings and workshops with the Designated Person(s) to create awareness on various aspects of the Prevention of Insider Trading Code and the SEBI Insider Trading Regulations and to ensure that the internal controls are adequate and effective to ensure compliance. A digital campaign was also conducted during the year which aimed at sensitizing the Designated Persons on the various aspects of the Prevention of Insider Trading Code through relatable, conversational and pictorial graphics & videos.

These initiatives have created substantial awareness amongst the Designated Persons.

The Audit Committee reviews cases of non-compliances, if any, and makes necessary recommendations to the Board w.r.t. action taken against such defaulters. The said non-compliances are promptly intimated to SEBI in the prescribed format.

The Board have also formulated a Policy for determination of 'legitimate purposes' as a part of the Code of Fair Disclosure and Conduct as per the requirements of the SEBI Insider Trading Regulations.

The Prevention of Insider Trading Code and Code of Fair Disclosure and Conduct have been uploaded on website of the Company and can be accessed through the following link:

<https://www.asianpaints.com/more/investors/policies-programs.html>

16. None of the Independent Directors of the Company have resigned before the expiry of their tenure. Thus, disclosure of detailed reasons for their resignation

along with their confirmation that there are no material reasons, other than those provided by them is not applicable.

## MEANS OF COMMUNICATION

The Company promptly discloses information on material corporate developments and other events as required under Listing Regulations. Such timely disclosures indicate the good corporate governance practices of the Company. For this purposes, it provides multiple channels of communications through dissemination of information on the on-line portal of the Stock Exchanges, Press Releases, the Annual Reports and by placing relevant information on its website.

### a. Publication of financial results

Quarterly, half-yearly and annual financial results of the Company are published in leading English and Marathi language newspaper, viz., all India editions of Economic Times, Mumbai editions of Free Press Journal and Navshakti newspapers and Maharashtra edition of Maharashtra Times.

### b. Website and News Releases

In compliance with Regulation 46 of the Listing Regulations, a separate dedicated section under 'Investors' on the Company's website gives information on various announcements made by the Company, status of unclaimed dividend, Annual Report, Quarterly/Half yearly/ Nine-months and Annual financial results along with the applicable policies of the Company. The Company's official news releases and presentations made to the institutional investors and analysts are also available on the Company's website (<https://www.asianpaints.com>). Quarterly Compliance Reports and other relevant information of interest to the Investors are also placed under the Investors Section on the Company's website.

### c. Analysts presentations

The presentations on performance of the Company are placed on the Company's website for the benefit of the institutional investors, analysts and other shareholders immediately after the financial results are communicated to the Stock Exchanges.

The Company also conducts calls/meetings with investors immediately after declaration of financial results to brief them on the performance of the Company. These calls are attended by the Managing Director & CEO, CFO & Company Secretary and other members of the management.

## Report on Corporate Governance (Contd.)

### d. Stock Exchange

The Board of Directors has approved a policy for determining materiality of events for the purpose of making disclosure to the stock exchanges. The Managing Director & CEO and the CFO & Company Secretary are empowered to decide on the materiality of information for the purpose of making disclosures to the stock exchanges. The Company makes timely disclosures of necessary information to BSE Limited (BSE) and the National Stock Exchange of India Limited (NSE) in terms of the Listing Regulations and other applicable rules and regulations issued by the SEBI.

### e. NEAPS (NSE Electronic Application Processing System), BSE Corporate Compliance & the Listing Centre

NEAPS is a web-based application designed by NSE for corporates. BSE Listing is a web-based

application designed by BSE for corporates. All periodical compliance filings, *inter alia*, shareholding pattern, Corporate Governance Report, corporate announcements, amongst others, are in accordance with the Listing Regulations filed electronically. Further, in compliance with the provisions of Listing Regulations, the disclosures made to the stock exchanges, to the extent possible, are in a format that allows users to find relevant information easily through a searching tool.

### f. Reminders to Investors

Reminders are, *inter alia*, sent to shareholders for registering their email ids, claiming returned undelivered share certificates and unclaimed dividend and transfer of shares thereto.