Akzo Nobel India Limited

Annual Report 2010-2011

Adding Colour to People's Lives

AkzoNobel

Tomorrow's Answers Today

Focusing on our customers' future first

We believe in...

Focusing on our customers' future first.
Embracing entrepreneurial thinking.
Developing the talents of our people.
The courage and curiosity to question.
Integrity and responsibility in our actions.

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Tomorrow's Answers Today

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Adding Colour to People's Lives

At home, at the workplace or in the public space, we, at Akzo Nobel India Limited, recognise the remarkable contribution that colour makes. Colour has the power to transform, to invigorate and to energise. Colour is the very essence of our visual surroundings.

At Akzo Nobel India Limited, it is this power of colour that drives us. Through our brands and innovative products, we add colour to people's lives in as easy, enjoyable and sustainable way as possible. For us, adding colour to people's lives is a commitment that stands on three pillars:

Leadership

Being the clear industry leader in terms of anticipating, understanding and shaping colour trends and building awareness among people, especially professionals, of the effects and benefits of using colour

Sustainability

Delivering inspiring and smart product and service innovations and solutions

Engagement

Engaging consumers in new and compelling ways and inspiring them to paint and add colour, both to their lives and to the lives of others, through community programmes and other activities

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Message from the Managing Director

Dear Stakeholders,

As we close another financial year, the mood here at Akzo Nobel India is optimistic. The previous two years have been those of consolidation and realignment of strategy. As a consequence, in 2010-11, your company saw a definite upward trajectory for the business since we decisively invested for growth.

Thanks to the Indian industry's construction and automobile related growth, the paints market in India is undoubtedly growing rapidly, both, in the decorative as well as the automotive segments. However, on a note of concern, the paints industry in India is also in the throes of unprecedented raw material inflation. Furthermore, with many international players entering the Indian market, there is intense competition. As a company, such competitive intensity in the marketplace not only drives us to do better but also puts us in the forefront to lead market development.

We are seeing customers move from the mid-tier to luxury/premium segment and from the low to the mid-tier segment. Your company has well-accepted products in the luxury/premium and mid-tier segments and is now ready for the next level of growth where we will be fortifying the mid-market portfolio. The increasing competition and expansion of our own distribution network means that we need to constantly strive to be top-of-mind for our consumers. You would have noticed our efforts in brand promotion for new product launches under the Dulux umbrella. Higher preference for our brands is a result of targeted promotions as well as product innovations; based on evolving consumer preferences. This is exemplified by the Economic Times-ACETECH Award given to our innovative heat-reflecting exterior paint – WeatherShield SunReflect.

To support growth, we need to expand our range and build our distribution reach. We have innovated on our product portfolio to deliver more sustainable solutions for our consumers and have expanded the number of colour solution dealers so that the consumer has a ready range of colours to make informed choices of painting homes with ease and with a focus on quality. The increasing network of our Dulux Decorator Centres is an initiative for our business partners, namely, dealers, contractors and specifiers; demonstrating to them how they can achieve superior profitability by dealing in our products.

At Akzo Nobel India, sustainability is not just a buzzword, but at the very core of our operations. Our sustainability philosophy revolves around ‘Responsible Care’ towards the products we manufacture, towards employees and communities and towards the planet. We work diligently to minimise the impact we have on the environment. All

our manufacturing facilities endeavour to minimise the consumption of energy and water and also reduce waste. In fact, all our factories have zero discharge of effluents.

Aside from the environmental impact, we are also extremely aware of our responsibility as corporate citizens. Whether it is the people who work for us or the communities around where we are located, we take direct onus of their development. We engage with these communities to empower them to be healthier, safer and more self-reliant. Our company's organisational development initiative, 'Ignite the Spirit' started out by touching the lives of many employees and focused on creating a collaborative culture, through experiential learning; to make our employees understand how each of them can work more productively and achieve the collective goals of Akzo Nobel India.

If 2010-11 was a year of building on our foundation, the coming years will be those of sustainable growth. Given the support and commitment we have from our employees, I have no doubt we will achieve this and much more.

Wishing you the best.

Amit Jain

Responsible care today for a better tomorrow

TOMORROW'S ANSWERS TODAY

At Akzo Nobel India Limited, our commitment towards sustainability is unequivocal and unwavering. For us, sustainability is an agenda that comes both from the heart and the mind. We have a strong sustainability platform that runs across all businesses within Akzo Nobel India. With this platform, we are focused on creating value for each of our stakeholders, including customers, employees, shareholders, and the community at large.

Let's understand some of the key areas of focus:

PRODUCTS

Clearly defined business and sustainability needs dictate the focus of our product innovation. This definitely gives us a competitive edge even as it furthers our commitment to a sustainable future. Tomorrow's Answers Today.

Our innovative products are aimed towards:

- Serving the needs of the consumers
- Bringing environment-friendly paints
- Saving consumers time and effort

Here are some of our products that demonstrate our commitment to a sustainable future:

Dulux **WeatherShield SunReflect** is a revolutionary product in the exterior paints category. It reflects up to two times the heat-causing (Infrared) IR rays of the sun, thereby keeping homes cooler by up to five degrees. Hence, this paint provides substantial savings in energy consumption.

Dulux Promise is an exterior paint that epitomises the Dulux quality and sustainability guarantee for the mid-tier consumer. Besides a superb finish, this paint has non-fading properties. It is the lowest VOC product in the mid-tier category.

Dulux All is a tough paint which resists interior scratches as well as covers hairline cracks. The product has near-zero VOC and very low odour, making it an ideal healthy paint for the family. This paint has a durability of 5-10 years and is endowed with anti-fungal and anti-bacterial properties.

PLANET

Green is not just a checklist on our agenda. We work towards ensuring that the activities we engage in have a minimal impact on the well-being of our planet.
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At Akzo Nobel India, our sustainability efforts are centred around conservation of water, greening of areas in and around our factory sites, controlling waste and reducing the consumption of energy.

Water conservation and reuse

Reducing consumption: Water is a precious resource and as a manufacturing company, we continuously strive to reduce our consumption of fresh water. We have strong initiatives at each of our factory sites for reducing the use of fresh water by controlling waste on one hand and recycling and reusing water on the other. While at the manufacturing sites, we have been able to bring down water consumption by 15-20%, at our Thane R&D site we have been able to bring it down by almost 40%. As per our HSES initiatives, we measure water consumption against global as well as locally set targets.

Rainwater harvesting
Factory sites: Even as we reduce water consumption, our effort towards becoming water positive compels us to take on water-saving initiatives like rainwater harvesting. At our factory sites, we have systems in place for collecting rainwater, treating it and then subsequently reusing it in greening efforts.

Community initiatives: It is just as important for us spread awareness on water conservation in the community as it is for us to do it for ourselves. In Badlapur, 60 km from Thane, our employees have engaged with the community to create rainwater harvesting facilities that will provide water for crop farming.

Greening efforts

We realise that adding to the green cover not only increases our green footprint, it also makes for pleasant surroundings. With this in mind, we plant trees and other vegetation, not just in our premises but also in the communities where we operate. And if greening efforts lead to better livelihood in the community, it just makes for a winning initiative. Our employees are encouraged to get out into the community and plant fruit-bearing trees as well as vegetables.

Waste management

Following our stringent processes, we have ensured that there is no effluent discharge from any of our manufacturing sites. Even as effluent waste from the factories is taken care of, there is also wastage of food (from canteens) and dry leaves (from gardens) that need to be cleared. To dispose of such waste, we have come up with a novel idea! Three years ago, in our Thane R&D facility, we started Vermiculture. The compost created by the Vermiculture process not just used by us in our greening efforts but we also distribute the rest out to the community, at no cost. Although we have pioneered this process at the Thane factory, we will also aim at replicating this at other factory sites.

PEOPLE

As conscientious corporate citizens, we are aware of our responsibility towards the communities where we are present. That is why we give back to the society through not just financial contributions but also participative engagement, to help build self-reliant, self-supporting communities.
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At Akzo Nobel India, We use our expertise and strengths to help neighbouring communities develop and improve their standards of living and working.

Safety awareness and training

Safety is a deeply ingrained philosophy for us. As a company dealing in chemicals, our safety systems are extremely stringent and adherence to these is imbibed in our work ethos. Endeavouring to share this expertise, we train students in technical institutions on appropriate safety measures and safe practices of working in chemical labs. We conduct these safety trainings very regularly and have reached out to many technical institutions.

Community engagement

We strive to make a lasting positive impact on the communities where we are present, and for this, we are actively involved in supporting the community via various initiatives, such as taking up the cause of teaching less-privileged children, conducting painting workshops to provide employment to people and arranging medical check-ups and educational tours for kids.

Here are some of our community initiatives that have helped us to 'Add Colour to People's Lives':

Mahatma Gandhi Vidyalaya at Uran: We have engaged with underprivileged children and undertaken various activities. We have painted classrooms and corridors, doors and windows, helped install drinking water and sanitation facilities and lay the foundation for the new wing of the school. We have also conducted an HSES awareness session, held a free medical camp for students and teachers, donated furniture and conducted poster competitions.

Mohali: The initiative at Mohali is close to our heart. Here we have tried to help add colour to the lives of differently-abled children by making their school more colourful and creating an overall vibrant environment conducive for their hygiene, growth and overall well-being.

THE NEXT STEPS

A continuous cycle of - Engage, Measure, Improve - will go a long way in helping us take forward our sustainability initiatives. As long as we keep ourselves focused on 'responsible care', we will continue to take great strides in the direction of sustainable and healthy living.

We are fully geared to provide Tomorrow's Answers Today.