**Relevant SDGs** 

## Applying our strengths to items of materiality to solve social issues and create business opportunities

Accompanying the expansion of our overseas operations, we reviewed our materiality in August 2020 based on our policy of integrating SDGs and ESG initiatives into our corporate management.

We identified items of materiality by creating a list of material issues which society requires us to address and by referencing international guidelines such as the Global Reporting Initiative (GRI), Sustainability Accounting Standards Board (SASB) as well as items required by ESG research organizations. We then performed quantitative evaluations of each issue and verified their significance in terms of the degree of importance to stakeholders and the degree of importance to our businesses. We engaged external experts to gain objective viewpoints on the issues and held discussions with our partner companies around the world to identify material issues associated with our business model and the business environment. The issues were then designated as our items of materiality.

Cross-functional teams under the ESG Committee were assigned to each materiality to discuss and develop materiality initiatives (See "ESG management system" on page 78). We have started gathering information on important topics and sharing the latest issues and ideas with our Group's partner companies worldwide.

We are applying our Group's technological strengths and actively collaborating with external partners to address social issues. We are also contributing to achieving the Sustainable Development Goals (SDGs) adopted by the United Nations in 2015.

- \* Please visit our website for information about our CSR Goals through FY2020 and
- Pthe progress and achievements in FY2020 at:

https://www.nipponpaint-holdings.com/en/sustainability/ about/materiality/











17 PARTNERSHIP

8

future

Materiality

## **Explanation of Materiality**

Climate change is beginning to have a serious impact on our lives every year. To mitigate the impact of climate change, we will work to reduce greenhouse gas (GHG) emissions and minimize business risks caused by climate change.

Effective use of resources such as water, energy, and raw materials, and prevention of environmental pollution are important matters for sustainable business. We will advance these efforts throughout life cycle of products.

Respect for the people around us and active acceptance of diverse values are important for our sustainable growth. We place great importance on the diversity of employees and other people involved in the business and respect human rights.

As a chemical manufacturer, we still believe that accidents and health damage caused by handling chemical substances are major risks. We will ensure the safety of employees and everyone involved in our business, and will make investments and education to minimize risks.

We will invest in communities through our value chain and to achieve sustainable business growth based on market growth, brand strengthening and good relationships with local communities.

In today's society, problems that are difficult to solve with past methods are becoming more and more apparent. We will strengthen our innovation output with active utilization of partnerships.

Materiality (Relevant SDGs)		Risks	Opportunities	ESG Agenda	ESG Action Examples
Climate change	7 ATERBARE AN LICH HARFT VICE AND	<ul> <li>Enforcement/change of policies and legal regulations such as introduction of a carbon tax</li> <li>Impact on production and shipment from extreme weather, such as typhoons and heavy rainfalls, that are becoming increasingly common in recent years</li> <li>Changes in customer behavior toward transition to a decarbonized society</li> </ul>	<ul> <li>Expansion of the market for environmental products, such as products contributing to decarbonization</li> <li>Development of new businesses through research and development</li> </ul>	<ul> <li>Reduction of greenhouse gas (GHG) emissions</li> <li>Identification of risks and opportunities</li> </ul>	<ul> <li>CO2 emissions reduction (Scope 1&amp;2)</li> <li>Started to calculate global Scope 3 emissions</li> <li>Started TCFD scenario analysis (identifying risks and opportunities, etc.)</li> </ul>
Resources and environment	3 GOOD HEALTH → ↓ ↓ ↓ ↓ ↓ ↓ ↓ ↓ ↓ ↓ ↓ ↓ ↓ ↓ ↓ ↓ ↓ ↓ ↓	<ul> <li>Impact on business activities from depletion of energy and water resources</li> <li>Tightening of regulations on wastes and increase of waste disposal cost</li> <li>Changes in customer needs related to raw materials</li> </ul>	<ul> <li>Expansion of the market for environmental products</li> <li>Enhanced competitiveness by advancing recycling technologies, improving resource efficiency, and utilizing diverse raw materials</li> </ul>	• Waste/energy consumption (efficient consumption)/water resource consumption/ pollution management, product stewardship	
Diversity & Inclusion	4 OWLFY WILLIN 10 NEQUEDIN 10 NEQUENI 10	<ul> <li>Difficulty of securing human resources that satisfy diversity requirements with a decrease in the university graduated population</li> <li>Slowing of business activities that reflect diversity in customer needs</li> </ul>	<ul> <li>Securing diverse and competent human resource talent as a global company</li> <li>Creating wealth for companies, workers, and local communities by creating diverse and inclusive organizations</li> </ul>	<ul> <li>Increase the percentage of women in management posts</li> <li>Improvement of employee engagement</li> </ul>	<ul> <li>Promoting gender diversification on Board/management team</li> <li>Percentage of women (2020)</li> </ul>
Safe people and operations	3 COOD HEALTH AND WELL-BBNC ADD WE	<ul> <li>Significant impact on operations if a major accident occurs at a production site</li> <li>Impact on safety assurance due to changes in manufacturing processes accompanying substantial increases in production</li> </ul>	<ul> <li>Improving worksite safety and hygiene by sharing best practices and education plans from around the world</li> <li>Improving employee motivation and Company competitiveness for acquiring human resource talent</li> </ul>	<ul> <li>Disaster (fire accident) prevention and process safety</li> <li>Fatality and injury prevention</li> </ul>	The Board of Directors (NPHD): 12.5% Employees (global): 24.0% Management posts (global): 23.8%
Growth with communities	1 werry Werry WARKAN 8 reconduct convert Warry 1 werry 1 wer	<ul> <li>Significant damage to the corporate brand if the company is not perceived as a corporate citizen by local communities</li> <li>Damage to the public image of the paint industry caused by inadequate activities oriented toward the local community</li> </ul>	<ul> <li>Improving public awareness of the corporate brand through value chain investment in communities</li> <li>Promoting the sound growth of communities through social contribution activities to increase the positive public view of our Group</li> </ul>	<ul> <li>Policy development for the company's social contribution</li> <li>Strategic implementation of social contribution activities</li> </ul>	<ul> <li>Establishment of the NIPPON PAINT Group Global Outreach Program</li> <li>Enhancement of Education/ Empowerment/ Engagement, and data collection</li> </ul>
Innovation for a sustainable future	3 COUNTIALING ADVINIALING AD	<ul> <li>Significant hindering to future corporate earnings owing to inability to generate innovation due to slow response to new markets</li> </ul>	<ul> <li>Expansion of market for products that contribute to controlling and adapting to climate change</li> <li>Products and services that address social issues contribute significantly to society and help boost corporate earnings in the long term</li> </ul>	<ul> <li>Promotion of cross-industrial collaboration</li> <li>Development of products that benefit society</li> </ul>	<ul> <li>Development of anti-viral products and marine-environment- friendly products</li> <li>Expansion of the lineup of products with social benefits</li> </ul>

## Progress in FY2020-2021

