Meeting Expectations for Our Company and Delivering New Values to Society - CSR Management

To supply new values through the practice of "mutual prosperity,” which is mentioned in the Group’s management philosophy, we have selected materialities (crucial issues) for the realization of the sustainable growth of society and set CSR targets for fiscal 2020.

## Concept of CSR management

In recent years, the three perspectives of Environment (E), Society (S), and Governance (G) have attracted attention as necessary elements for companies to grow sustainably over the long term.

Nippon Paint Holdings Group recognizes these ESG perspectives as management issues to be tackled preferentially and actively, promoting measures on each aspect.

Specifically, on the “S” (social) aspect, as a manufacturer of paints used in all aspects of social life, we will mitigate the environmental impact of those products throughout the processes from production to painting, as well as in the aspects of various painted items such as buildings and cars, which are actually used, and help customers solve the environmental problems they face.

Meanwhile, on the “E” (environmental) aspect, we focus on the fact that our Group is a global company having a wide range of human resources with different genders, nationalities, cultures, and living habits and will work to develop an organization where these human resources are mutually respected and can demonstrate their abilities.

Furthermore, on the “G” (governance) aspect, while developing the “NHN model,” in which we can make effective use of the uniqueness of each region of the Group companies that similarly have diverse backgrounds, we will be committed to the establishment of a robust governance system centered on the global headquarters and regional headquarters (RHQ).

Considering that these initiatives are keys to creating new values for stakeholders and winning a leading position, Nippon Paint Holdings Group identified crucial issues (materialities) for the company from each of the perspectives and set the targets to be achieved by 2020 in January 2018. Our activities to achieve them are currently under way.

## Organizational structure

Our Group has set up CSR Committee, which is chaired by President, in Nippon Paint Holdings to discuss issues concerning governance and social fields. Under the committee, Responsible Care Committee (in charge of the safe environment) and Compliance Committee, which are both composed of the heads of our functional departments and the representatives of our main subsidiaries in Japan, have been founded to promote CSR activities in a cross-sectoral manner across the Group.

In fiscal 2018, we also set up Corporate Reforming Steering Committee as a measure to reform the culture and established CSR/ESG Management Promotion Working Group, Work Style Reform Promotion Working Group, and Management Philosophy Dissemination Working Group under the committee to promote new initiatives from the perspective of reforming the culture. 

See F29 and F30 for details.

## CSR targets for our Group and progress in achieving them

The targets for fiscal 2020 specified based on the set materialities, as well as progress in achieving them in fiscal 2018, are presented below.

### Materiality (crucial issue) selection process

1. Identified the expectations of main stakeholders on our company as social demand.
   - Analyzed medium- and long-term management issues for our company and grasped crucial issues for the businesses.
   - Analyzed and classified (1) and (2) according to GRI Guidelines (G4) and grasped the crucial issues to be addressed by our Group in response to social demand.
   - Evaluated the crucial issues grasped in STEP 1 comprehensively from the two aspects of “importance for stakeholders” and “importance for our Group” and prioritized them.

2. Sorted out the results of STEP 2 and selected the crucial issues that our Group should preferentially tackle (materialities).

3. Deliberated at Operating Committee of Nippon Paint Holdings, confirmed the adequacy of the materialities, and set CSR targets to be achieved by 2020.

### Results of our efforts in 2018

- Developed new business and business models beyond the existing business, resulting in a new business model confirmed by the Shareholders Meeting.
- New business activities are being actively conducted.
- Established the “Adaptability and Relevance” system to improve the organization for the future.
- Developed new and improved products and services in response to market demands.
- Increased the number of environmentally friendly products.
- Increased the number of recyclable and recyclable products.
- Increased the number of eco-friendly products.
- Increased the number of new business activities.
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- Increased the number of new business activities.
- Increased the number of products and services.

### Targets for fiscal 2020 state where they are achieved

- Established the activities to disseminate the new management philosophy.
- Consolidated the CSR promotion system.
- Consolidated the life model and achieve the overall harmony of global governance.
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### Materiality matrix in Nippon Paint Holdings

- Importance for NHN
- Importance for our Group

### Identified materials

- Governance
  - Mitigation of environmental impact with products and services
  - Health and safety of customers
  - Product liability
  - Compliance management
  - Diversity and equal opportunity

- Employment
  - Training and education
  - Occupational health and safety

- Environment
  - Creation of a healthy workplace
  - Creation and spread of eco-friendly products
  - Proper management of chemical substances

- Diversity
  - "Diversity knowledge" by gathering diverse personnel
  - Collaboration among diverse personnel
  - Implementation of diversity management policies
  - Safe and secure workplace

- Compliance Committee

- Responsible Care Committee

<table>
<thead>
<tr>
<th>Aspect</th>
<th>State that we would like to be</th>
<th>Issue</th>
</tr>
</thead>
<tbody>
<tr>
<td>Governance</td>
<td>Governance system capable</td>
<td>Share the new management philosophy</td>
</tr>
<tr>
<td></td>
<td>enough to compete globally</td>
<td>Establish RHM system</td>
</tr>
<tr>
<td>Environment</td>
<td>Create value by dealing with</td>
<td>Create and spread eco-friendly products</td>
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<td>businesses and earnings</td>
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Organizational structure

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> See F29 and P30 for details

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<th>Selection of materialities Setting of CSR targets</th>
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<tr>
<td><strong>1</strong></td>
<td>Identification and arrangement of crucial issues</td>
</tr>
<tr>
<td><strong>2</strong></td>
<td>Prioritization</td>
</tr>
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Materiality matrix in Nippon Paint Holdings

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CSR targets for our Group and progress in achieving them

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Results of our efforts in 2018

- Made progress in the dissemination of the management philosophy.
- Established the business management system.
- Established the CSR promotion system.
- Strengthened the management system in the Americas.
- Overcame the challenges for the establishment of a CSR promotion system.
- Extended the definition of eco-friendly products (see P18).
- Promoted and implemented the efforts in Responsible Care Committee and mostly achieved the targets.
- Implemented the teleworking system and the system for employees to take annual paid holidays for the four on a trial basis.
- Conducted training for selected female leaders and cross-sectional training for the researcher.
- Launched a program to foster the next generation of managerial talents.
- Reduced serious occupational accidents.

Targets for fiscal 2020 state where they are achieved

- Establish the activities to disseminate the new management philosophy.
- Consolidate the CSR promotion system.
- Strengthen the management system in the Americas.
- Identify materialities and set CSR targets for fiscal 2020.
- Build a safe workforce system.
- Establish diverse work styles and obtain diverse and highly-skilled personnel.
- Secure personnel that can actively work on production levels.
- Zero serious occupational accidents.