

Adherence to Compliance

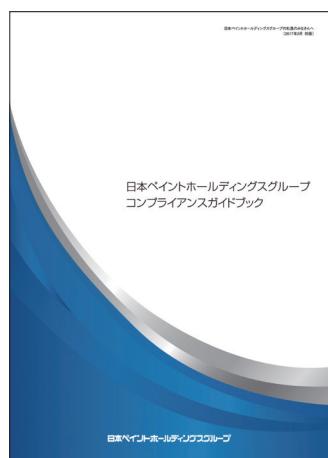
All officers and employees in the Nippon Paint Holdings Group act in pursuit of the state that the Group should become based on the compliance book, which is action guidelines for the companies.

Action Guidelines

Nippon Paint Holdings has prepared a compliance book that clearly defines action guidelines to ensure compliance and asks all Group employees to become familiar with the content and act in line with the book. From the perspective of compliance as well, we act based on the new management philosophy established in January 2018 and in pursuit of the state that the Group should become.

Positioning of Compliance and Establishment of the Structure

Based on the idea that compliance is a precondition for enterprise continuity, Nippon Paint Holdings Group has set up Compliance Committee chaired by the director in charge of the Division of Human Resources & Corporate Administration under the CSR Committee chaired by President. Composed of the heads of our functional departments and the representatives of our main subsidiaries in Japan, the Compliance Committee specifies the compliance-related issues to be tackled by the whole Group, implements relevant initiatives, manages the progress, verifies the effect, and implements the PDCA of monitoring while also sharing information on the compliance activities performed independently by domestic subsidiaries and giving support, advice, etc. to them. For our principal overseas subsidiaries in Asia, the Americas, and Europe, we promote collaboration between their compliance departments to improve our compliance outside Japan.



Compliance guidebook revised in 2017

Compliance Training

We organize a CSR Committee meeting annually at the end of each fiscal year and a Compliance Committee meeting quarterly. In those meetings, we set subjects to be tackled by the whole Group and conduct improvement activities to reduce risks. In the previous term, we managed working hours in a proper manner, organized harassment workshops for all Group employees, ensured the dissemination of the compliance book, and conducted a test to check the understanding of the book for Group employees. We also published five issues of a compliance e-mail newsletter with focus on information-related subjects for Group employees while considering its connection with the compliance book.

In Nippon Paint Holdings, in addition to compliance training for all employees, training activities for specific departments are implemented according to their duties in order to ensure compliance.

We have organized a seminar on compliance and other subjects for the officers of our Group every year since 2008 and expanded it to also target general managers in our Group companies in 2018 to ensure that the top management and other management staff members who support it are aware of compliance.

In fiscal 2018, we organized the following compliance-themed training programs:

1. Departmental training on the compliance book for Group employees
2. Compliance seminar for officers in our Group (a presentation of an external lecturer on the mechanism that causes dishonestacts peculiar to Japan)
3. Workshops on the Subcontracting Act for the heads of color-mixing sites
4. Group training for new employees, mid-level employees, and employees newly appointed in key positions (compliance, information management, and basics of contracts)
5. e-Learning on GDPR and other subjects related to global issues

Prevention of Corruption

We recognize the prevention of corruption as an important subject and continuously provide e-Learning programs on the prevention of bribery for those who are newly assigned to compliance promotion work and jobs related to overseas issues in Group companies.

Establishment of a System That Can Respond to Risks and Crises

We have unified risk management, which prevents risks, and crisis management, which addresses risks that have occurred, in each Group company to improve the quality of our risk management activities.

Internal Reporting System

Nippon Paint Holdings has established internal contacts and external contacts (law firms) for internal reporting that guarantee anonymity, as well as a system to allow direct reporting to audit & supervisory board members, to have in place a system that enables officers and employees of our Group to report any non-compliance, such as corruption, violation of the competition law, and infringement of human rights, or its possibility within the Group without suffering any disadvantage while also working to familiarize employees with the system. When a report is received, we investigate it while making maximum efforts to avoid the whistleblower to be identified. If any problem is found as a result of the investigation, we promptly take corrective actions. The number of reports made under our internal reporting system in Japan during this term is as mentioned below:

Breakdown of the internal reports	
● Harassment	7
● Dishonest business practices and violation of rules	2
● Unfair treatment	1
● Other (complaints about the work environment)	3
Total: 13	

Commitment to Risk Management

In our Group, the Group companies separately conduct risk management in accordance with the features of their businesses, their organizational structure and culture, and changes in the internal and external environment as a general rule. For the risks related to the whole Group, we have a structure to take measures to address them based on discussions on an as-needed basis under the initiative of our directors and department heads.

We are also committed to crisis management especially in consideration of the high possibility of large-scale earthquakes in Japan, possible damage to companies and residents in the neighborhood in case of an accident or disaster due to the hazardous materials handled by many of our Group companies on a daily basis, our responsibility for supplying products to car manufacturers and other industrial product manufacturers, etc.

As part of the efforts, we drastically revised the regulations and procedures concerning crisis management in fiscal 2018. In addition, we are working to develop crisis management systems in our overseas subsidiaries to ensure that they can cooperate with us and take effective actions to address any crisis that has occurred on them.

Assumed risks on our businesses

		Examples of the risks
Risks regarding business development	(1) Risks of fluctuations in the market environment	Sluggish demand due to fluctuations in the market environment
	(2) Risks regarding the sales price trend	Fluctuations in sales prices
	(3) Risks regarding overseas activities	
	a. Exchange rate fluctuation risk	Exchange loss due to fluctuations in the foreign exchange market
	b. Risks associated with changes in political and economic conditions	Rapid changes in political and economic conditions
	(4) Risks regarding the trends of raw materials	
	a. Raw material procurement risks	Interruption of the supply of raw materials due to the suspension of the production by the suppliers and other reasons
	b. Risks of fluctuations in the prices of raw materials	Changes in the prices of raw materials such as petroleum and naphtha
Risks regarding laws and regulations	(1) Risks regarding product quality assurance and product liability	Defects and quality problems of products
	(2) Risks regarding intellectual property rights	Infringement/leakage of intellectual property rights, disputes with third parties regarding intellectual properties
	(3) Risks regarding response to environment-related laws	Tightening of laws and regulations concerning chemical substances, health and safety, etc. that exceeds expectation
Risks of natural disasters and accidents		Suspension of production due to large-scale natural disasters, fire, unforeseen accidents, etc.