

# Governance

## ESG Management

The Group is pursuing maximization of shareholder value by creating wealth through solving social issues, with the SDGs and ESG at the core of management.

To achieve this, we established the ESG Promotion Department in January 2020 and the ESG Committee in April 2020 as efforts to accelerate ESG management.

### Our approach to ESG management

NPHD issued its ESG Statement in August 2020 to reinforce the Group's ESG management. The purpose of the ESG Statement is to implement ESG management strategies worldwide.

#### —ESG Statement (established in August 2020)—

At Nippon Paint Holdings Group we aim to conduct our business activities to support and enable sustainable development everywhere we operate. We aim to include the three elements – economic, social and environmental – in a balanced and integrated manner.

Creating paints and coatings to add color, comfort, and safety to people everywhere has been our mission since the company was founded.

Finding solutions to global sustainability challenges is our responsibility to future generations and is a driving force for our continued growth and success. To achieve this, we will:

- Pursue technologies across the value chain to create sustainability benefits through innovative products and services, and new business opportunities.
- Engage and work with our stakeholders to meet their expectations and together deliver on our shared sustainability commitments, responsibilities, and challenges.
- Establish effective governance frameworks to ensure the transparency, objectivity, and fairness of the management of our company and earn society's trust everywhere we operate.
- Respect, support, and enable our diverse employees and company associates to achieve their full potential and create innovative, sustainable value for all.
- Support the 2030 Agenda for Sustainable Development (SDGs) through delivery of sustainability improvement plans that create new business opportunities and maximize shareholder value. (MSV\*)

\* MSV is predicated on fulfillment of our duties to customers, employees, suppliers and society, setting us apart from the concept of "shareholder primacy."

### The Group's CSR Goals and Progress in FY2019

Aspect	Ideal state / Issues	Achievements in 2019	Targets for FY2020 (Current progress)
<b>Governance</b>	<p><b>[Ideal state]</b> World-class governance system</p> <p><b>[Issues]</b></p> <ul style="list-style-type: none"> <li>● Sharing a new management philosophy</li> <li>● Establishing a global governance system*</li> </ul>	<ol style="list-style-type: none"> <li>(1) Conducted surveys and held management philosophy workshops for a total of 150 times with a total of 2,558 participants</li> <li>(2) Held deliberations by the CSR/ESG Management Promotion Working Group. Established the ESG Promotion Department and the ESG Committee in 2020</li> <li>(3) Made preparations to shift to a Company with Three Committees Structure and to establish an audit system in order to reinforce the global governance system. Also, prepared for the establishment of the spider web management structure for solving social issues</li> </ol>	<ol style="list-style-type: none"> <li>(1) Establish activities for disseminating the management philosophy</li> <li>(2) Establish the CSR promotion system</li> <li>(3) Achieve the overall harmony of global governance*</li> </ol>
<b>Environment</b>	<p><b>[Ideal state]</b> Business and earnings expansion driven by value creation through environmentally-friendly approaches</p> <p><b>[Issues]</b></p> <ul style="list-style-type: none"> <li>● Create and spread eco-friendly products</li> <li>● Proper management of chemical substances</li> </ul>	<ol style="list-style-type: none"> <li>(1) Identified eco-friendly products and set their sales targets</li> <li>(2) Achieved most targets by promoting and implementing our efforts in the Responsible Care Committee</li> </ol>	<p>On a global basis</p> <ol style="list-style-type: none"> <li>(1) Promote the development and spread of eco-friendly products</li> <li>(2) Appropriately manage and reduce emitted chemical substances</li> </ol>
<b>Diversity</b>	<p><b>[Ideal state]</b> "Diverse knowledge" through a group of diverse personnel</p> <p><b>[Issues]</b></p> <ul style="list-style-type: none"> <li>● Collaboration among diverse personnel</li> <li>● Decisions made by a diverse group of personnel</li> <li>● Safe and secure workplace</li> </ul>	<ol style="list-style-type: none"> <li>(1) Implemented a system that ensures our employees a minimum amount of rest between working days, on a trial basis</li> <li>(2) Increased the number of mid-career hires, provided female leader training and cross-industrial association program for female employees</li> <li>(3) Provided a selection-based program to train junior staff on management skills</li> <li>(4) There was one serious accident involving the loss of part on an employee's left thumb</li> </ol>	<p>On a global basis</p> <ol style="list-style-type: none"> <li>(1) Establish an integrated personnel system</li> <li>(2) Establish successful and diverse ways of working and human resources.</li> <li>(3) Secure human resources that have active roles worldwide</li> <li>(4) No serious occupational accidents</li> </ol>

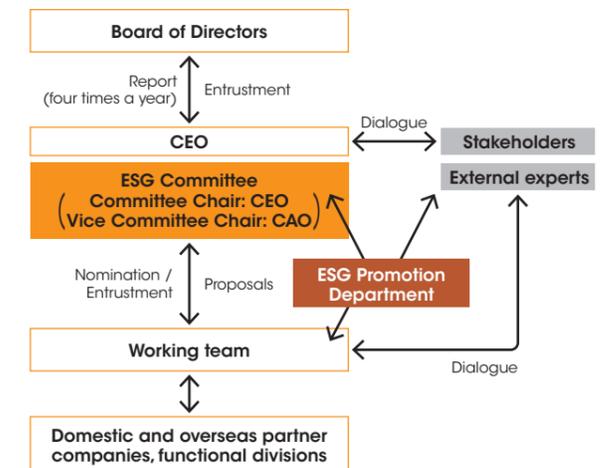
\* We modified our conventional regional headquarters (RHQ) system and unique management model "NN model" and decided to use "spider web management" to solve social issues and maximize shareholder value.

### ESG promotion system

Placing ESG at the core of management, NPHD established the ESG Committee in 2020 to have cross-Group discussions on creating and improving sustainable corporate value, as well as accelerating ESG promotion activities.

Chaired by the CEO, the ESG Committee formulates strategies, policies and action plans regarding the Group's "ideal state" and ESG, alongside conducting and promoting ESG activities.

### ESG management system chart (as of August 2020)



### Message from an outside director

In FY2020, NPHD shifted to a Company with Three Committees structure. We have since been striving to further ensure transparency of management and create value through technology innovations with ESG and the SDGs at the core of management. The year 2020 is a period of major transformation for NPHD with the reform of the corporate organizational structure and various new initiatives being under way. As an outside director of the Company, I am confident that NPHD will be capable of capturing growing markets in the global paint industry, mainly China and other Asian regions. I also believe that the Company will achieve the global top position in the long run by executing unparalleled strategies for creating value and leveraging initiatives such as ESGs and SDGs.

Masataka Mitsuhashi Independent Director of the Board



### Dialogue with stakeholders

NPHD organizes lectures by outside experts whenever the need arises, and invited Mr. Norihiro Takahashi, the former President of the Government Pension Investment Fund (GPIF), as a guest speaker in August 2020. During this online seminar that was live-streamed to the Group's top management and all employees in key positions in about 440 locations in Japan, Mr. Takahashi gave a lecture entitled "Long-term and sustainable corporate growth and ESG" where he answered questions and actively exchanged information with the participants.



August 2020: Lecture by former GPIF President Norihiro Takahashi

