

Sustainability as the Prerequisite for MSV

Sustainability linked to materiality

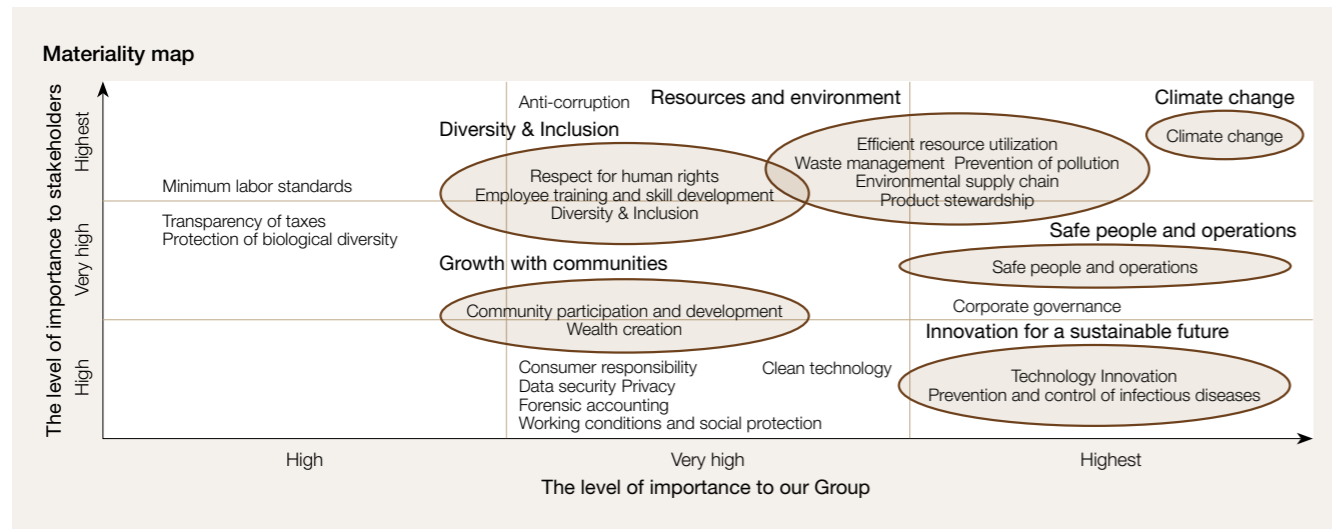
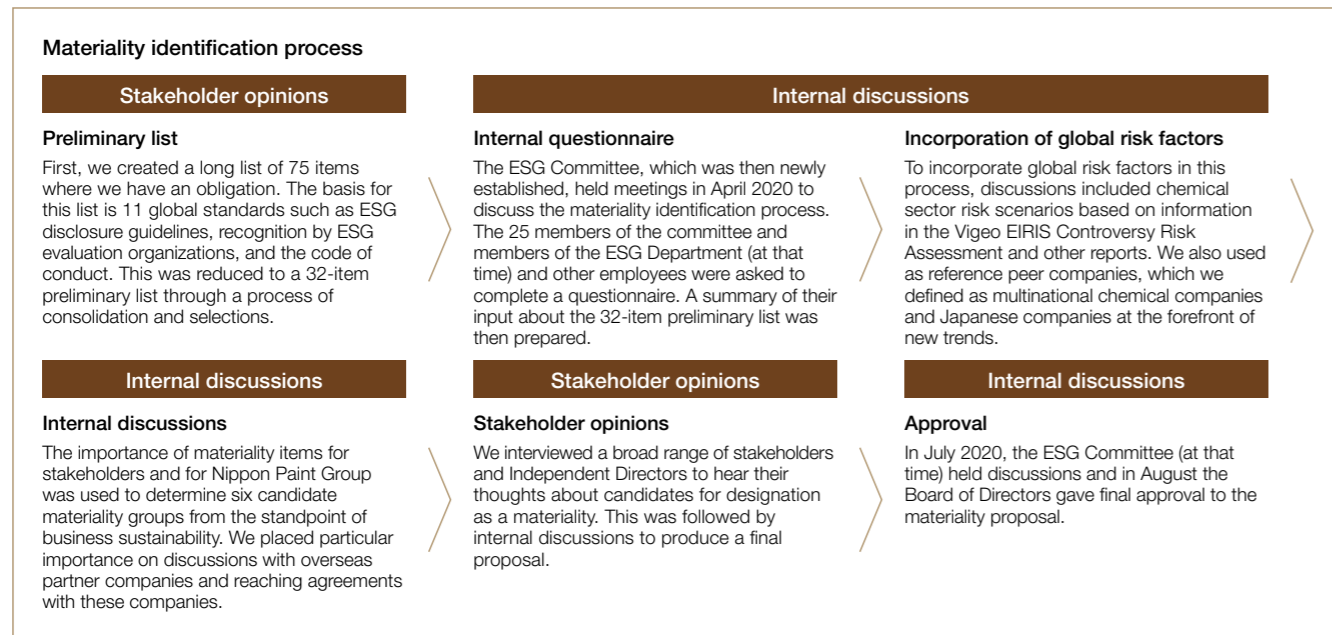
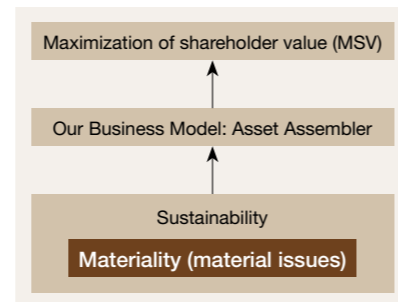
We believe that fulfilling our obligations to customers, suppliers, employees, society and other stakeholders is the premise for all initiatives for the maximization of EPS and PER.

To fulfill these obligations, we have a broad range of activities involving key themes (materiality) that we established in 2020 by using a global perspective. Linking these initiatives directly with business operations, such as for identifying business opportunities and entering new markets, is the primary

goal. By complying with future laws and regulations and responding ahead of competitors to changes in the demands of society, we expect to avoid significant increases in expenses and reduce vulnerability to business risk itself.

We use a medium to long-term perspective for monitoring a broad range of risks and opportunities involving materiality. At the same time, we are working to turn these risks and opportunities to creating innovations that support growth strategies based on our Asset Assembler model while watching for changes in materiality. By taking these

actions, we aim to achieve MSV by increasing earnings and investors' expectations of Nippon Paint Group (maximization of EPS and PER).

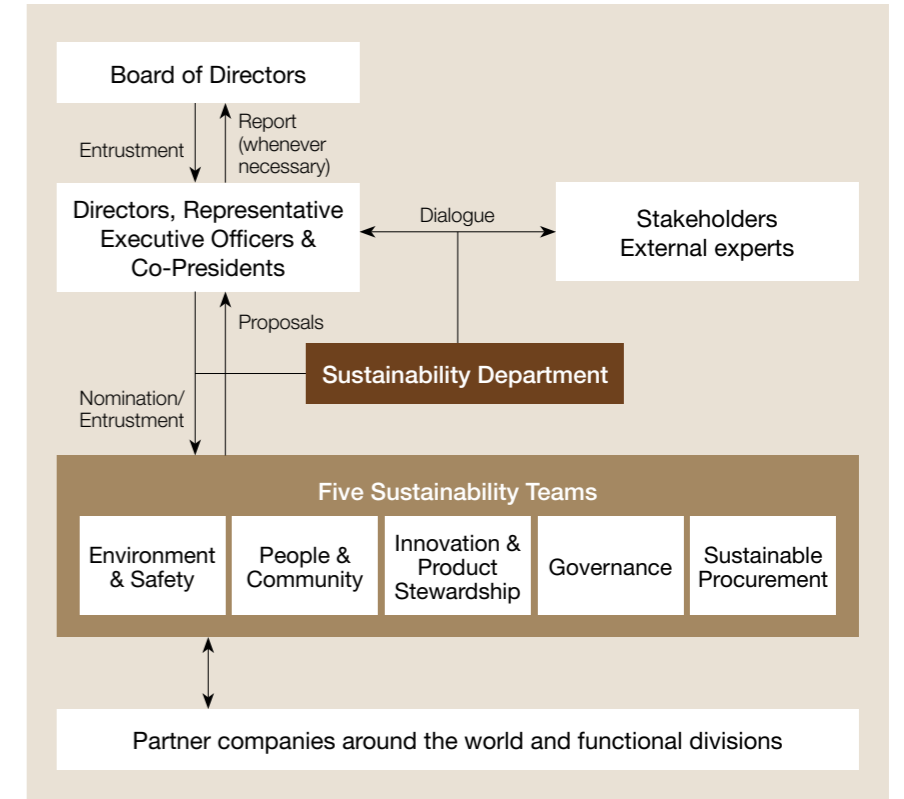


Autonomous sustainability structure

Under the leadership of Co-Presidents, five sustainability teams were established. Three teams are Environment & Safety, People & Community, and Innovation & Product Stewardship. For themes with a broader scope, there are also teams for Governance and for Sustainable Procurement. Based on autonomous and decentralized management that emphasizes the autonomy of all partner companies, the five teams are conducting global activities primarily led by business leaders with considerable expertise involving the areas of responsibility of each team.

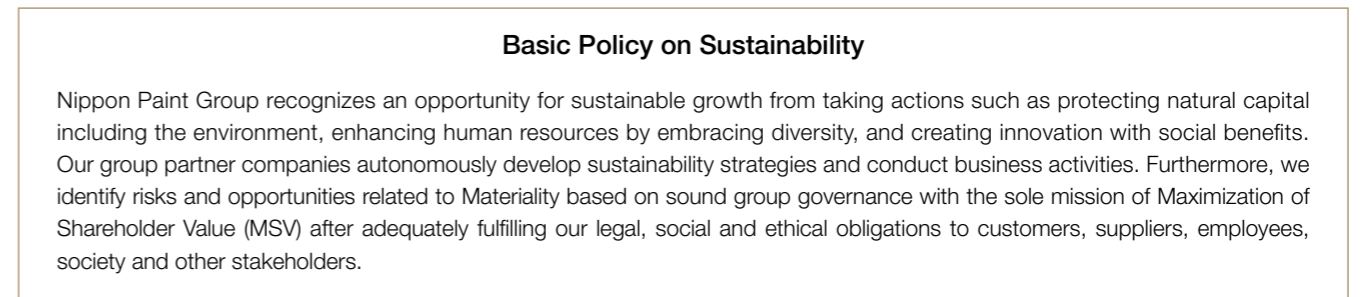
Team leaders submit reports about progress and ideas for new activities directly to Co-Presidents about once every quarter. Co-Presidents pass on this information to the Board of Directors to enable the Directors to supervise sustainability activities.

▶ See "Discussions by the Board of Directors" on page 108.



Basic Policy on Sustainability

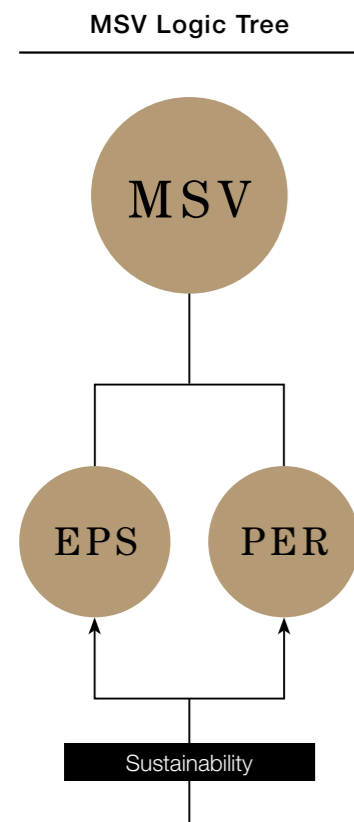
In March 2023, the Board of Directors approved the Basic Policy on Sustainability, which was subsequently made public. The policy states that Nippon Paint Group, with MSV as the goal, will implement sustainability initiatives as part of autonomous and decentralized management that emphasizes the autonomy of partner companies. Sustainability at Nippon Paint Group is based on the premise of the pursuit of MSV based on our Asset Assembler model.



Key points

	ESG Statement (August 2020 - February 2023)	Basic Policy on Sustainability (March 2023-)
Positioning of MSV	The policy states that progress with a sustainability improvement plan will create new business opportunities and help achieve MSV.	The policy states that MSV is the goal of sustainability.
Business model	The sustainability policy was created for the paint and coatings business and articulates actions for accomplishing goals.	Formulated to align with our Asset Assembler model and autonomous and decentralized management
Procedure for establishment of the Basic Policy on Sustainability	Discussions about a sustainability policy took place mainly at the ESG Committee (at that time) and the results of these discussions were reported to the Board of Directors. (August 2020)	The proposed Basic Policy on Sustainability was discussed by the Directors and approved. (March 2023)

Sustainability as the Prerequisite for MSV



* For more information, see "How Shareholder Value Is Maximized" on page 5.

Team	Our pursuit	Materiality
Environment & Safety	Develop low-carbon/eco-friendly products + Ensure safe people and operations	Climate change Climate change is impacting our business, people, and communities. We will work to reduce our greenhouse gas emissions, manage climate-related risks, and capture climate-related opportunities
		Resources and environment Our business and communities depend on the sustainable consumption of natural resources and protection of the environment and biodiversity. We will work to improve the life cycle and circularity impacts of our products and supply chain
		Safe people and operations There are significant safety and health risks in our business that could impact our people, supply chain, and communities. We will work to manage these risks effectively and prevent harm, with a priority focus on high-consequence risks
People & Community	Recruit/train diverse employee + Earn the trust of stakeholders	Diversity & Inclusion Respect for the people around us, respect for human rights and active acceptance of diverse values are important for our sustainable growth. We value diversity of ideas and thinking to foster innovation and growth
		Growth with communities 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
Innovation & Product Stewardship	Develop sustainable products (NPSI) + monitor LCA + Chemicals of concern	Innovation for a sustainable future 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
Corporate Governance	Oversee management + Encourage risk-taking	All Materiality categories*
Sustainable Procurement	Low-cost and sustainable procurement + Reduce environmental and human rights risks	All Materiality categories*

* Focused on activities not only tied to specific Materiality categories but also spanning all Materiality categories.

Relevant SDGs	Risks	Opportunities
	<ul style="list-style-type: none"> Regulatory changes and impacts, such as carbon pricing and greenhouse gas emission reduction targets Increased extreme weather events (e.g. flooding) and climate impacts (e.g. water stress) impacting operations and supply chain Increased supplier costs from climate adaptation and decarbonization actions Changes in customer and consumer expectations and behavior during the transition to a low-carbon future Product claims and brand damage due to performance deterioration (e.g. temperature extremes) 	<ul style="list-style-type: none"> Market growth for sustainable products (e.g. low-carbon, improved performance in temperature extremes) Development of new products and services to capture climate-related business opportunities
	<ul style="list-style-type: none"> Regulatory changes and impacts, such as waste disposal restrictions and increased costs Supply constraints and increased costs associated with resource scarcity Major site incident or contamination (e.g. soil/ groundwater) causing harm to people and community Changes in customer and consumer expectations and behavior during the transition to a circular economy future 	<ul style="list-style-type: none"> Market growth for sustainable products (e.g. renewable content, post-consumer waste recovery) Enhanced competitiveness through development and use of recycling technologies, resource efficiencies, and circular raw materials
	<ul style="list-style-type: none"> Major site incident (e.g. fire) causing asset damage, supply chain disruption, and significant harm to people and community Loss of safety management effectiveness from introduction of significant changes (e.g. new or modified plant/process) 	<ul style="list-style-type: none"> Minimizing risks through adoption and sharing of global best practice, particularly for high-consequence risks Enhancing brand reputation, employee engagement, and attracting talent as a safe employer
	<ul style="list-style-type: none"> To improve employee engagement and create continuous innovation, fostering a diverse and inclusive work environment is essential to increase human resources with diverse backgrounds. Failure to do so risks hindrance of the growth strategy We may face perception risk if diversity initiatives are not properly positioned. Globally, many companies have come under scrutiny for implementing programs or campaigns that are either superficial to appear 'in tune' with popular trends and current topics, or are not well-received by their employees due to unintentionally excluding some groups in order to highlight others 	<ul style="list-style-type: none"> Securing diverse and competent human resource talent as a global company Creating wealth for companies, workers, and local communities by creating diverse and inclusive organizations
	<ul style="list-style-type: none"> Significant damage to the corporate brand if the company is not perceived as a good corporate citizen that is connected to and invests in local communities Damage to the public image of the paint industry caused by inadequate activities oriented toward the local community 	<ul style="list-style-type: none"> Improving public awareness of the corporate brand through value chain investment in communities Promoting the sound growth of communities through social contribution activities to increase the positive public view of our Group
	<ul style="list-style-type: none"> Significant hindrance to future corporate earnings owing to inability to generate innovation due to slow response to new markets 	<ul style="list-style-type: none"> Expansion of market for products that contribute to controlling and adapting to climate change Products and services that address social issues contribute significantly to society and help boost corporate earnings in the long term
	<ul style="list-style-type: none"> If our autonomous and decentralized internal control system aligned with our Asset Assembler model does not work effectively, this will create a risk of damage to our Group 	<ul style="list-style-type: none"> Social requirements regarding corporate governance are becoming increasingly demanding, which provides an opportunity for our Group to increase our significance of existence and strengthen competitiveness by addressing future issues and fulfilling social requirements ahead of time
	<ul style="list-style-type: none"> The risk of raw materials not meeting sustainable criteria now adds to the long list of possible disruption to the raw material supply chain. We will continue to be vigilant and proactive to identify potential risk The failure to ensure responsible sourcing (e.g. conflict minerals and chemicals of concern) will affect company reputation and may lead to legal implications 	<ul style="list-style-type: none"> Our sustainability survey of suppliers allows us the opportunity to identify potential risk in advance. We will work with suppliers who are aligned with our sustainable aspiration towards a more resilient supply chain and to develop sustainable products