Our Medium to Long-Term Management Strategy for Achieving MSV

Environmental Strategy

MSV - Our Sole Mission

Addressing Nippon Paint Group's most material sustainability impacts is a key imperative and priority for the organization to ensure Maximization of Shareholder Value (MSV). Within the sustainability aspect of the environment, the identified priority material impacts for the business are climate change and resources and environment, especially waste and water.

Our approach to achieving MSV

During 2022 each Partner Company Group (PCG: PC group by region/ business) has continued to make progress on their individual ambitions, targets, and priorities within each of these material impact areas. This has been supported by a newly established Environment and Safety working group comprising senior environment and safety leaders from each PCG, that has focused on benchmarking, sharing best practice, and agreeing common metrics to improve understanding of consolidated performance progress for material environmental impacts. Full implementation of these metrics across all PCGs will take some time, but good progress has been made during the year, including new metrics for renewable energy, renewable electricity, and water consumption. Future metrics will include Scope 3 carbon for additional PCGs, water withdrawal and consumption in regions of high water stress, and VOC emissions. The work on metrics during the year has also included improved accuracy of collected data, leading to some revisions for prior year reported performance. Supporting and enabling improved management and understanding of the impacts, risks, and opportunities for both climate change and resources and the environment, will be the primary focus of the working group in the coming year.





In September 2021, Nippon Paint Group expressed its support for the final report of the Task Force on Climate-related Financial Disclosures (TCFD) recommendations. For Maximization of Shareholder Value (MSV), we are working to enhance climate change-related measures and information disclosure.

Reports based on TCFD recommendations				
Governance	Sustainability as the Prerequisite for MSV ▶ page 41 Discussions by the Board of Directors ▶ page 108			
Strategies	Environmental Strategy -Climate-related scenario analysis ▶page 66 Research and development strategy ▶page 77			
Risk management	Sustainability as the Prerequisite for MSV ▶page 41 Risk Management ▶page 121			
Metrics and targets	Environmental Strategy -Ambition & improvement ▶ page 66 -Performance ▶ page 67			

Climate Change

Group policy

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.

Risks & opportunities

The key risks and opportunities associated with climate change are summarized in the table of the materiality page (Sustainability as the Prerequisite for MSV P41). There is some variation across individual PCGs, including in the associated identification of priority actions as part of their sustainability strategies and action plans. Here we show the risks and opportunities for each scenario.

Ambition & improvement

Each PCG has continued to develop their individual goals and improvement plans for climate-related impacts, risks, and opportunities during the year. The current targets and plan progress for each PCG are summarized in the following table.

Targets by Partner Company Group

	current		
PCG	GHG emissions (Scope 1 and 2) reduction	Energy consumption	
NIPSEA Group	2025: 15% reduction 2060: Net zero	2025: 8% reduction of energy consumption	 Individual sites cor solar installations a Scope 3 footprint to
DuluxGroup (Pacific)	2030: 50% reduction 2050: Net zero	2030: 50% renewable electricity consumption	 Developed action p will continue in 202 for renewable pow Climate risks and o of business contin Scope 3 footprint of potential reduction
DuluxGroup (Europe)	-	-	Cromology comme JUB commenced la Carbon and energy
Japan Group	2030: 37% reduction 2050: Net zero	-	Renewable power Scope 3 footprint c
Dunn- Edwards	-	-	· Scope 1 and 2 repo in the future.

Climate-related scenario analysis Regulatory chang carbon pricing an emission reduction Increased supplie 1.5°C adaptation and de Changes in custo expectations and transition to a low Increased extrem floods) and climat stress) impacting chain 4°C Product claims ar performance dete ture extremes).

Our Group plans to avoid this impact through emission reductions and other initiatives

Risks	Opportunities
ges and impacts, such as ad greenhouse gas on targets. *1	Market growth for sustainable products (e.g. low-carbon, improved performance). *2
er costs from climate ecarbonization actions.	Development of new products and services to capture climate-related business opportunities.
mer and consumer behavior during the v-carbon future.	-
e weather events (e.g. te impacts (e.g. water operations and supply	Market growth for sustainable products (e.g. low-carbon, improved performance in temperature extremes).
nd brand damage due to prioration (e.g. tempera-	Development of new products and services to capture climate-related business opportunities.

*1 Based on the net zero scenario (IEA), the carbon price (impact on our Group) is estimated to be JPY4.3 billion in 2030 and JPY7.4 billion in 2040 (Assumptions: carbon price of USD130 for Advanced economies and USD90 for Selected emerging market and developing economies in 2030; and USD205 for Advanced economies and USD160 for Selected emerging market and developing economies in 2040. The exchange rate is the actual rate for FY2022 (USD/JPY =132.1).)

*2 In the automotive coatings business of Japan Group, we expect sales of low-carbon products, including low-temperature baking products, to increase about threefold from 2023 to 2025.

2022 progress & 2023 plans

ntinued to progress with initiatives to achieve the 2025 targets, including at 8 factories in China and a further 13 factories planned in 2023. to be calculated in 2023.

plans to achieve 2030 targets and commenced implementation, which 23, including site energy efficiency plans, solar installations, preparation ver purchase, and preparation for fleet electric vehicle transition. opportunities analysis completed, together with ongoing development nuity plans for critical supply chains.

calculated for fourth year, with reduction analysis to be completed and n target determined in 2023.

enced 100% renewable power purchase in all European countries. large solar installation at Serbia plant, with planned completion in 2023. reporting to be implemented and potential targets developed in 2023.

r purchase commenced, with levels to be increased in coming years. calculated for third year.

orting to be implemented in 2023 and reduction targets to be considered

Our Medium to Long-Terr Strategy for Achiev

| Performance

Total greenhouse gas emissions (Scope 1 and 2) and total energy consumption increased during the year, as did the consumption of renewable energy and electricity. Significant contributors to these performance changes were the European acquisitions of Cromology and JUB within DuluxGroup, while other individual factors within each PCG also contributed.

Greenhouse gas emissions (Scope 1 and 2) increased 14% to 55.6 kilograms per tonne (kg/t). The overall increase was driven by the Cromology acquisition, inclusion of previously unreported sites in NIPSEA Group, reduced production in DuluxGroup Pacific due to a major flooding event at the Dulux Rocklea plant, together with changes in production mix across different business units.

Total energy consumption increased 27% to 0.51 kilograms per tonne (kg/t), renewable energy consumption increased 4.1 pp to 4.6% of total energy consumption and renewable electricity consumption increased 9.3 pp to 10.3% of total electricity consumption. The increase in total energy consumption was driven by the same factors that impacted Scope 1 and 2 emissions performance, while the increase in renewables was driven by renewable power purchase in Cromology and Japan Group, together with solar installations in NIPSEA China, DuluxGroup Australia, and JUB Serbia.

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Renewable electricity consumption



and JUB beginning in FY2022

Greenhouse gas emissions - Scope 3 by category (t-CO2)

	DuluxGroup (Pacific) + Japan Group	2022
1	Purchased goods and services	1,742,146
2	Capital goods	129,501
3	Fuel-and-energy-related activities	45,755
4	Upstream transportation and distribution	55,717
5	Waste generated in operations	21,824
6	Business travel	4,083
7	Employee commuting	18,258
8	Upstream leased assets	0
9	Downstream transportation and distribution	115,722
10	Processing of sold products	0
11	Use of sold products	8,706
12	End-of-life treatment of sold products	60,763
13	Downstream leased assets	9,487
14	Franchises	0
15	Investments	16,313
	Other	1,385
	Total	2,229,660

2022 performance and changes versus the prior year for individual PCGs are summarized in the following table, together with the key performance drivers for the changes.

Performance by Partner Company Group (PCG)

	Carbon	Energy				
PCG	GHG emissions (Scope 1 and 2) (kg/t)	Total energy consumption (GJ/t)	Renewable energy consumption (% of total energy consumption)	Renewable energy consumption (% of total electricity consumption)	Key performance drivers	
NIPSEA Group	48 (+17%)	0.32 (+28%)	1.6% (+0.9 pp)	2.8% (+1.6 pp)	\cdot Inclusion of solar installation at 8 factories in China.	
DuluxGroup (Pacific)	146 (+4%)	0.99 (+11%)	1.6% (+0.7 pp)	3.0% (+1.4 pp)	 Reduced production at Dulux Rocklea plant due to major flood event. Solar installation completed at Cabot's Dandenong plant and installations commenced at multiple Dulux Trade Centers. Changes in production mix across different business units. 	
DuluxGroup (Europe) ⁻¹	30 [.] 2	0.80	31.6%	66.2%	 Cromology renewable power purchase in all European countries. Solar installation commenced at JUB Serbia. 	
Japan Group	153 (-7%)	3.31 (-2%)	1.9% (+1.9 pp)	7.3% (+7.3 pp)	Commenced purchase of renewable power. Changed from oil to gas at Okayama plant.	
Dunn- Edwards	-	0.19 (-5%)	-	-	-	

*1 Businesses were acquired in 2022, hence no prior year comparison is available for performance metrics. *2 Excludes JUB

DuluxGroup - greenhouse gas emissions reduction -

DuluxGroup established targets in 2021 for the Pacific businesses (Australia, New Zealand, Papua New Guinea) to achieve a reduction in greenhouse gas emissions (Scope 1 and 2) of 50% by 2030 and net zero by 2050, together with 50% renewable electricity consumption by 2030. Significant planning to achieve these targets was undertaken during 2022 and



identified the required actions and timing to ensure achievement, including site energy efficiency improvements, solar installations, renewable power purchase, and electric vehicle fleet adoption. Implementation of these actions commenced late in 2022, including installation of a 250 kW solar panel system at the Cabot's, Fosroc, and Dulux Protective Coatings factory in Dandenong South, Melbourne, Australia. Further solar installations are planned for completion at multiple DuluxGroup sites in 2023.



Photo shows solar installation on roof of DuluxGroup Dandenong South factory.

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MSV - Our Sole Mission

water consumed increased 8% to 0.39

kL/t. These performance changes were

primarily driven by the Cromology and

production mix for NIPSEA Group,

DuluxGroup Pacific due to clean-up

event at the Dulux Rocklea plant.

activities following the major flooding

JUB acquisitions, changes in

and increased consumption in

Environmental Strategy

Resources and **Environment**

Group policy

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.

Risks & opportunities

The key risks and opportunities associated with resources and environment are summarized in the table of materiality page (Sustainability as the Prerequisite for MSV P41). While these are largely common across the consolidated group, individual PCGs do have some different focus areas and action priorities that reflect the local maturity of their improvement journeys.

| Improvement & performance

Waste generated, waste recovered, water withdrawn, and water consumed all increased during the year. A significant contributor to these performance changes were the European acquisitions of Cromology and JUB within DuluxGroup, while other significant individual factors within each PCG also contributed.

Total waste generated increased 43% to 15.9 kilograms per tonne (kg/t), while the hazardous waste proportion decreased 4 percentage points (pp) to 33%. Waste recovered (recycled, reused) increased 43% to 6.3 kilograms per tonne (kg/t), which is equivalent to 42% of the total waste generated, an increase of 1 pp. The waste recovered performance excludes Cromology, where data is not currently available. Overall, these waste performance changes were primarily driven by the

Cromology and JUB acquisitions, inclusion of previously unreported non-hazardous waste for NIPSEA China, and increased waste in DuluxGroup Pacific due to clean-up from the major flooding event at the Dulux Rocklea plant.

Water withdrawal increased 7% to 0.58 kiloliters per tonne (kL/t), while

Hazardous waste generated





Waste recovered (recycled, reused)



Water consumed



2022 performance and changes versus the prior year for individual PCGs are summarized in the following table, together with the key improvement priorities for the year.

Performance by Partner Company Group (PCG)

	Waste			Water		
PCG	Total waste generated (kg/t)	Hazardous waste generated (% of total waste generated)	Waste recovered (% of total waste generated)	Water withdrawal (kL/t)	Water consumed (kL/t)	2022 improvement drivers & priorities
NIPSEA Group	10.5 (+46%)	43.2% (-1.7 рр)	23.9% (0 pp)	0.52 (+6%)	0.38 (+8%)	 Target: 8% water intensity reduction by 2025. Increased waste due to China reporting non-hazardous waste data for the first time as part of comprehensive 2022-2023 plan. Betek Boya implemented waste-water recycling, rainwater recovery, and polymer recovery from waste water. China Jinshan implemented thermal oxidizer to treat volatile organic compounds (VOCs) emissions.
DuluxGroup (Pacific)	65.6 (+10%)	32.1% (-3.3 pp)	51.4% (+1.8 pp)	0.41 (+14%)	0.23 (+64%)	 Target: 50% landfill waste reduction by 2030. Waste and water increased due to Dulux Rocklea site flood clean-up activities. Developed action plan for 2030 waste to landfill reduction target and commenced implementation. Commenced bulk bag recycling at Yates Wyee and improved waste segregation and recovery across Dulux Trade Centers.
DuluxGroup (Europe)*	33.5	15.9%	-	0.75	0.47	 Waste water treatment plant installation at three Cromology factories (France, Italy).
Japan Group	50.1 (-12%)	14.3% (-3.6 pp)	96.5% (+17.1 pp)	1.62 (-7%)	0.61 (-24%)	Wastewater treatment plant sludge reduction. Improved waste segregation. Increased recycling of wash water.
Dunn- Edwards	11.1 (+1000%)	0% (0 pp)	10.3% (-44 pp)	0.57 (-17%)	0.52 (-23%)	-

* Businesses were acquired in 2022, hence no prior year comparison is available for performance metrics.