

# Environmental Strategy

How Shareholder Value Is Maximized ▶ See page 5.

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

PCG	current targets		2022 progress & 2023 plans
	GHG emissions (Scope 1 and 2) reduction	Energy consumption	
NIPSEA Group	2025: 15% reduction 2060: Net zero	2025: 8% reduction of energy consumption	<ul style="list-style-type: none"> <li>Individual sites continued to progress with initiatives to achieve the 2025 targets, including solar installations at 8 factories in China and a further 13 factories planned in 2023.</li> <li>Scope 3 footprint to be calculated in 2023.</li> </ul>
DuluxGroup (Pacific)	2030: 50% reduction 2050: Net zero	2030: 50% renewable electricity consumption	<ul style="list-style-type: none"> <li>Developed action plans to achieve 2030 targets and commenced implementation, which will continue in 2023, including site energy efficiency plans, solar installations, preparation for renewable power purchase, and preparation for fleet electric vehicle transition.</li> <li>Climate risks and opportunities analysis completed, together with ongoing development of business continuity plans for critical supply chains.</li> <li>Scope 3 footprint calculated for fourth year, with reduction analysis to be completed and potential reduction target determined in 2023.</li> </ul>
DuluxGroup (Europe)	-	-	<ul style="list-style-type: none"> <li>Cromology commenced 100% renewable power purchase in all European countries.</li> <li>JUB commenced large solar installation at Serbia plant, with planned completion in 2023.</li> <li>Carbon and energy reporting to be implemented and potential targets developed in 2023.</li> </ul>
Japan Group	2030: 37% reduction 2050: Net zero	-	<ul style="list-style-type: none"> <li>Renewable power purchase commenced, with levels to be increased in coming years.</li> <li>Scope 3 footprint calculated for third year.</li> </ul>
Dunn-Edwards	-	-	<ul style="list-style-type: none"> <li>Scope 1 and 2 reporting to be implemented in 2023 and reduction targets to be considered in the future.</li> </ul>

### Climate-related scenario analysis

	Risks	Opportunities
1.5°C	Regulatory changes and impacts, such as carbon pricing and greenhouse gas emission reduction targets. *1	Market growth for sustainable products (e.g. low-carbon, improved performance). *2
	Increased supplier costs from climate adaptation and decarbonization actions.	Development of new products and services to capture climate-related business opportunities.
	Changes in customer and consumer expectations and behavior during the transition to a low-carbon future.	-
4°C	Increased extreme weather events (e.g. floods) and climate impacts (e.g. water stress) impacting operations and supply chain.	Market growth for sustainable products (e.g. low-carbon, improved performance in temperature extremes).
	Product claims and brand damage due to performance deterioration (e.g. temperature extremes).	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).)  
Our Group plans to avoid this impact through emission reductions and other initiatives.

\*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.

Environmental Strategy

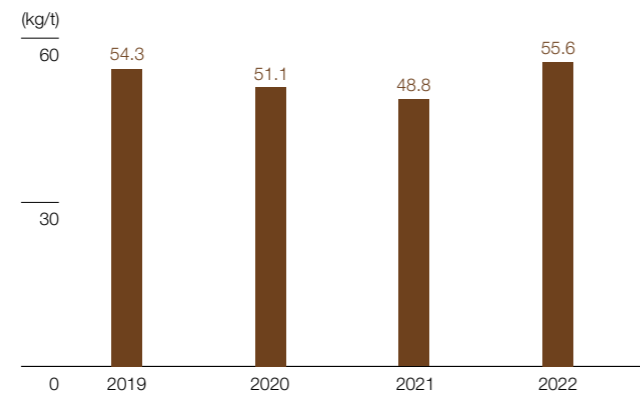
Performance

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.

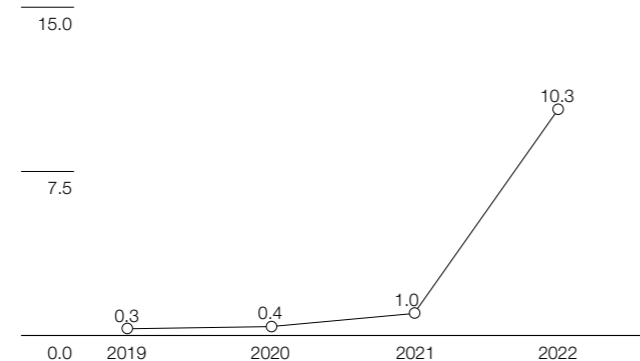
Greenhouse gas emissions — Scope 1 and 2



\* The scope of coverage: Japan Group, NIPSEA Group, DuluxGroup (including Cromology beginning in FY2022 and excluding JUB)

Renewable electricity consumption

○ Percentage to total electricity consumption (%)



\* The scope of coverage: Japan Group, NIPSEA Group, DuluxGroup (including Cromology and JUB beginning in FY2022)

Greenhouse gas emissions — Scope 3 by category (t-CO<sub>2</sub>)

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
	<b>Total</b>	<b>2,229,660</b>

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)

PCG	Carbon	Energy			Key performance drivers
	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)	
NIPSEA Group	48 (+17%)	0.32 (+28%)	1.6% (+0.9 pp)	2.8% (+1.6 pp)	· 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) <sup>1</sup>	30 <sup>2</sup>	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%)	-	-	-

<sup>1</sup> Businesses were acquired in 2022, hence no prior year comparison is available for performance metrics.  
<sup>2</sup> 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.

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.

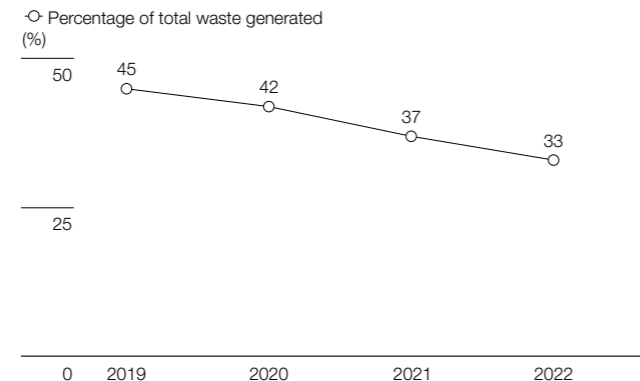
Total waste generated increased 43% to 15.9 kilograms per tonne (kg/t), while the hazardous waste proportion decreased 4 percentage points (pp) to 33%. Waste recovered (recycled, reused) increased 43% to 6.3 kilograms per tonne (kg/t), which is equivalent to 42% of the total waste generated, an increase 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

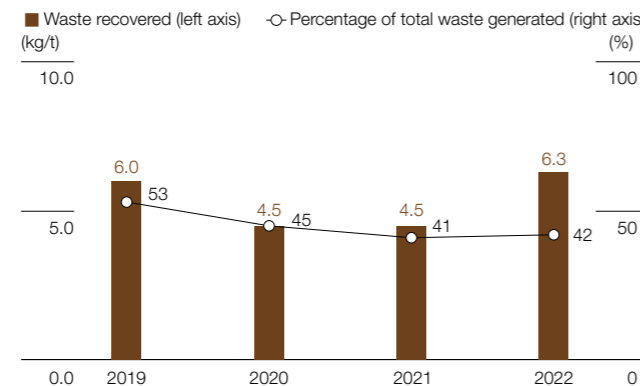
water consumed increased 8% to 0.39 kL/t. These performance changes were primarily driven by the Cromology and JUB acquisitions, changes in production mix for NIPSEA Group, and increased consumption in DuluxGroup Pacific due to clean-up activities following the major flooding event at the Dulux Rocklea plant.

#### Hazardous waste generated



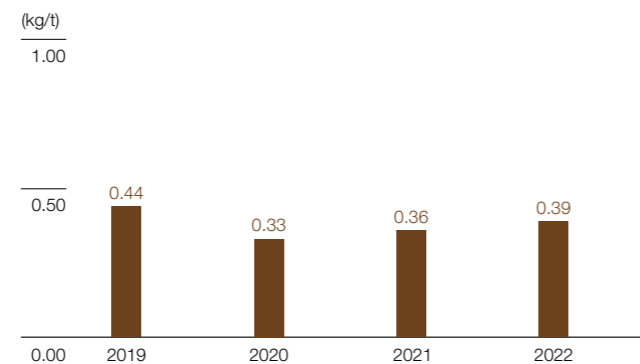
\* The scope of coverage: Japan Group, NIPSEA Group, DuluxGroup (including Cromology and JUB beginning in FY2022), Dunn-Edwards (beginning in FY2020)

#### Waste recovered (recycled, reused)



\* The scope of coverage: Japan Group, NIPSEA Group, DuluxGroup (excluding Cromology and including JUB beginning in FY2022), Dunn-Edwards (beginning in FY2020)

#### Water consumed



\* The scope of coverage: Japan Group, NIPSEA Group, DuluxGroup (including Cromology and JUB beginning in FY2022), Dunn-Edwards (beginning in FY2020)

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)

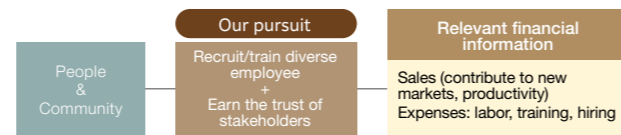
PCG	Waste			Water		2022 improvement drivers & priorities
	Total waste generated (kg/t)	Hazardous waste generated (% of total waste generated)	Waste recovered (% of total waste generated)	Water withdrawal (kL/t)	Water consumed (kL/t)	
NIPSEA Group	10.5 (+46%)	43.2% (-1.7 pp)	23.9% (0 pp)	0.52 (+6%)	0.38 (+8%)	<ul style="list-style-type: none"> <li>Target: 8% water intensity reduction by 2025.</li> <li>Increased waste due to China reporting non-hazardous waste data for the first time as part of comprehensive 2022-2023 plan.</li> <li>Betek Boya implemented waste-water recycling, rainwater recovery, and polymer recovery from waste water.</li> <li>China Jinshan implemented thermal oxidizer to treat volatile organic compounds (VOCs) emissions.</li> </ul>
DuluxGroup (Pacific)	65.6 (+10%)	32.1% (-3.3 pp)	51.4% (+1.8 pp)	0.41 (+14%)	0.23 (+64%)	<ul style="list-style-type: none"> <li>Target: 50% landfill waste reduction by 2030.</li> <li>Waste and water increased due to Dulux Rocklea site flood clean-up activities.</li> <li>Developed action plan for 2030 waste to landfill reduction target and commenced implementation.</li> <li>Commenced bulk bag recycling at Yates Wyee and improved waste segregation and recovery across Dulux Trade Centers.</li> </ul>
DuluxGroup (Europe)*	33.5	15.9%	-	0.75	0.47	<ul style="list-style-type: none"> <li>Waste water treatment plant installation at three Cromology factories (France, Italy).</li> </ul>
Japan Group	50.1 (-12%)	14.3% (-3.6 pp)	96.5% (+17.1 pp)	1.62 (-7%)	0.61 (-24%)	<ul style="list-style-type: none"> <li>Wastewater treatment plant sludge reduction.</li> <li>Improved waste segregation.</li> <li>Increased recycling of wash water.</li> </ul>
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.



# Human Resource Strategy

How Shareholder Value Is Maximized ▶ See page 5.



As a Japan-origin global corporate group operating in 45 countries and regions worldwide, including in China and other parts of Asia, Nippon Paint Group is committed to contributing to Maximization of Shareholder Value (MSV) by leveraging the diversity and strengths of its human capital, as well as fulfilling its obligations to stakeholders, which is the premise of MSV.

## Our approach to achieving MSV

Our primary approach in our human resource strategy to achieve MSV is to build a strong and diverse organization with excellent human capital. This will enable us to consistently achieve strong growth.

People play a vital role in an organization as they are the driving force behind business growth. In successful partner companies, powerful teams consisting of diverse individuals, along with excellent leadership teams, act as the driving force. It's important to recognize that achieving goals cannot be done alone.

Given that the market undergoes long-term changes, we need a human resource base that can not only adapt to these changes but also capitalize on them with agility. People can embrace change and seize opportunities, even if they encounter failures while taking risks to pursue their objectives, as long as they accept and learn from those failures. To attain MSV, it is crucial to foster a dynamic and open corporate culture, as well as a pleasant and rewarding work environment that encourages every employee to take on challenges and fully showcase their unique qualities and abilities in

generating new value and businesses.

We will make appropriate investments in human capital to establish an organization that can grow sustainably. From a technological standpoint, this means investing in human capital with a long-term perspective towards developing innovative and productive technologies, while also implementing tailored personnel systems.

The People & Community Team conducts activities around two categories of Materiality: Diversity & Inclusion as well as Growth with Communities. Our activities are conducted in each country and region with focus on the three pillars of (1) Increasing the ratio of women in managerial positions, (2) Celebrating diversity, and (3) Building and enabling local communities

▶ See "Growth with Communities on page 82.

Our goal is to achieve sustainable EPS growth through productivity improvement enabled by maintaining employee motivation and increasing employee engagement, as well as reducing expenses for employee recruitment and retention. We are also committed to fully fulfilling our obligations to employees.

The key initiatives for building strong teams include enhancing the training programs by using the amount of training hours and education investments as KPIs as detailed in the following pages and implementing various actions such as promoting women's empowerment based on the ratio of women in managerial positions as KPI with the goal of raising the ratio to 35% by 2025 at NIPSEA Group and to 10% in 2025 in Japan.

However, achieving these KPIs is not the objective of our initiatives. Rather, these initiatives are aimed at increasing the Group's social recognition as an organization that embraces diverse thinking and is willing to transform. We believe this will attract more excellent talent regardless of age, gender, nationality, ethnicity, religion and other factors, who will be the driving force for further transformation of the Group, creating synergies. What we see as crucial is to create an environment that allows our excellent talent to play greater roles and add value. We believe such an environment will have a positive impact on the top line and bottom line by improving work efficiency and bringing about transformation, and in turn may contribute to MSV.

## Human resource development measures essential for achieving MSV

For Nippon Paint Group to grow in a sustainable manner, it is essential that we secure skilled human resources and offer a corporate culture and working environment in which it is pleasant and rewarding to work, thus allowing people to leverage their individuality and capabilities to the fullest.

We focus on developing talent and capability of employees and attract talent and skilled individuals by promoting opportunities for professional growth and advancement, rewarding employee performance.

The Group promoted the enhancement of human resources by investing in human capital through the intensification of training programs developed autonomously by each partner company according to the challenges faced.

We believe expanding training programs will have a direct benefit of enhancing employees' skills, as well as other benefits such as maintaining employee motivation and engagement, improving competitive advantage in hiring new college graduates and mid-career people and reducing the turnover ratio. Accordingly, it is a key initiative for enhancing the human resource portfolio.

### DuluxGroup

At DuluxGroup, we know that a motivated, skilled and diverse workforce is the key to our continued success. We have a culture of development, where our leaders are focused on continuously developing their people. This is supported by formal learning programs specific to the relevant business, geography and role.

DuluxGroup Pacific offers a comprehensive learning program covering leadership, professional skills,

functional skills and product training, including residential programs, external programs, virtual programs, livestreams and podcasts. Each year we run a "Learning Festival" – three days of learning on a broad range of topics, including well-being, future skills and deeper insight into our business – available to all of our employees. We encourage our employees to "Own your Growth" and take advantage of the formal and informal learning opportunities.

Similarly, Cromology and JUB offer relevant learning programs to support the business and professional skills of their employees. This includes employee induction; compulsory training to meet legislative and internal regulations; professional skills training and leadership skills.

### NIPSEA Group

NIPSEA Group recognizes the importance of training and development in the overall growth and success of the organization. To ensure the holistic development of our employees, our learning and development plans are designed at country level to meet the specific needs of the local workforce. Through the annual Training Needs Analysis exercise, we are able to create a more effective learning experience that focuses on upskilling their capabilities and competencies required at different job levels.

To further enhance the learning capabilities of its employees, NIPSEA Group has progressively introduced a Learning Management System in FY2021/2022. This system interface supports multiple languages, which enables countries to customize their learning needs accordingly.

Our programs cover topics including, but not limited to, NIPSEA Leadership Competencies (AGILE), functional training, health safety & environment, information technology,

and physical & mental wellness.

In FY2022, NIPSEA Group clocked a total of 1,626,370 hours on employee training.

### Dunn-Edwards

At Dunn-Edwards, our training objective is to continuously develop and deliver programs that not only provide our team members with the skills and knowledge necessary to be successful in their current roles, but also those that will aid them in long-term professional development. In this process, we leverage both technology (learning management systems, interactive programs, etc.) and current training techniques (micro learning, hands-on sessions, etc.) to ensure our team members are provided a wide variety of tools and resources to build successful careers in an ever-evolving workplace.

Internal training programs include New-hire Orientations customized by department, position-specific programs in Sales, Product Performance, Retail and Business Management, Labor Law, Harassment Prevention, Risk Management, Safety, Hazardous Materials (HAZMAT), Diversity and Inclusion and more.

We also offer a generous Tuition Assistance Program, that is available to all employees (both full-time and part-time) and provides access to not only degree programs from accredited institutions, but also professional certification programs, vocational programs, and educational seminars.

### Japan Group

Japan Group offers training for all employees, such as training by job level according to the expected roles and career stages of individual employees (new employee orientation training for new grads and mid-careers, follow-up training, new manager training, and annual training). As a new program started in FY2022, leadership training

## Key indicators related to human capital (FY2022)

	NIPSEA	DuluxGroup	Dunn-Edwards	Japan Group
Ratio of female employees	25.0%	32.7%	30.0%	22.5%
Ratio of women in managerial positions	25.2%	31.5%	34.5%	5.4%
Employee satisfaction levels	75%	80% (FY2021)	—	81%

Human Resource Strategy

was provided targeting some team leaders. In addition, the HR department conducted a communication program (1-on-1 meeting, feedback, coaching). We also offered English skill training programs for selected employees who often communicate with people from overseas partner companies and business partners.

In FY2022, the total amount of training hours in Japan Group was 28,000 hours.

**Building up human capital with diversity**

Building up human capital with diversity serves as one of the most critical cornerstones of our Asset Assembler model.

We know that our diverse, skilled and engaged workforce is critical to achieve MSV. To this end, we foster the promotion of human resources with a diverse background and the promotion of education and awareness of diversity, equity, and inclusion; eliminate the discrimination, harassment, and violence based on race, gender, religion, and any other form of diversity in the workplace; and create a more welcoming work environment where everyone feels

welcomed and respected.

Each of our PCs are building up human capital by taking actions that are suitable for the countries and regions where they conduct business activities.

The Global Code of Conduct, which was established in January 2022, articulates our focus on diversity and respect for human rights. In addition, our PCs around the world carry out human resource management activities designed to secure and increase diversity. Moreover, our Corporate Governance Policy stipulates that the Group values ensuring diversity.

**DuluxGroup**

At DuluxGroup, we believe that diverse perspectives and experiences drive innovation and enhance performance. Our leaders, at all levels, are focused on creating an environment where everyone feels they belong and can do their best work.

We are committed to gender equality. Through a focused effort in our recruiting strategies, our internal talent management processes and development of our people, we have increased female representation at all levels of the organization, particularly in leadership, where we have more than doubled the percentage of women in our Top 200 in the last 10 years.

By actively promoting career development opportunities and a compelling employee value proposition, including flexible work arrangements, we aim to not only attract and retain talented women, but also break down gender stereotypes in our industry.

**Dunn-Edwards**

At Dunn-Edwards, we're proud to have built an organization that reflects the diverse melting pot that is the North American market, and we're committed to fostering an inclusive and diverse environment, where all employees feel welcomed and valued, and where everyone has equal access to opportunities, guidance, and support.

Based on this guiding principle, in 2020, we established our Diversity, Equity, and Inclusion (DE&I) Committee to steer our efforts in this area. In the time since, all activities and initiatives undertaken have been developed based on company-wide survey data, gauging the sentiment of our workforce around the company's current state of and efforts toward DE&I.

To date, we've expanded resources for career development and career pathing, launched a DE&I training curriculum for team members at all levels, and launched a new Intranet and

communication strategy to improve transparency across the organization. As we go forward, we'll continue to use a data-driven approach to shape future activities to ensure a welcoming and supportive environment.

**NIPSEA Group**

NIPSEA Group takes pride in fostering a diverse and inclusive workforce that embraces people of different genders, generations, nationalities, and expertise. We recognize the importance of having a diverse team in producing better business outcomes for its customers and the communities it operates in. As part of its commitment to Diversity & Inclusion ("D&I"), we have formed a dedicated committee that champions initiatives around "People and Community." This committee plays a vital role in ensuring that the company's D&I policies and programs align with its overall commitment and approach to D&I.

NIPSEA Group is working towards the goal of achieving 35% female representation in both management and emerging leader categories.

To achieve this goal, we have created a supportive work environment that aims to attract, retain, and develop female talents across the organization. These initiatives include mentorship programs, coaching, and leadership development opportunities.

**Japan Group**

Japan Group has taken the following actions to achieve the goal of increasing the ratio of women in managerial positions to 10% by 2025: development of next-generation female leadership candidates, implementing various actions to help with career visioning, and mindset reform in employees for promotion to managerial positions. Specifically, we are working on the development of next-generation female leadership candidates as part of

activities of the D&I Committee Japan launched in July 2022. Through this activity, we provide all supports and development opportunities necessary to encourage ordinary female employees to set their career goals in a more proactive manner. In addition, our employees will declare their career goals once a year and have one-on-one meetings with their supervisors to continuously support their career goal achievements. This opportunity has allowed all employees including female employees to become aware of the importance of building their careers by themselves, thereby contributing to mindset reform. Female candidates will not be given preferential treatment in our annual appointment of managerial positions. Both management and supervisors make sure to promote the right person regardless of gender, ensuring that talented female employees are not overlooked in promotion decisions.

**Roadmap**

	2022	2023	~2025
NIPSEA	<ul style="list-style-type: none"> <li>· Kicked off D&amp;I Week to raise employee awareness</li> <li>· Implemented Global CSR Framework</li> </ul>	<ul style="list-style-type: none"> <li>· Launching D&amp;I Policy</li> <li>· Encourage countries to own the roadmap towards achieving 35% female representation in both management &amp; emerging leader category</li> <li>· Weave D&amp;I into Employee Engagement campaigns</li> </ul>	<ul style="list-style-type: none"> <li>· Initiated the NIPSEA Female Mentorship Program</li> <li>· Implementation of roadmap towards the goal of achieving 35% female representation in both management &amp; emerging leader category</li> <li>· Monitor progress towards the goal</li> </ul>
DuluxGroup	<ul style="list-style-type: none"> <li>· Revised draft D&amp;I framework and strategy, encompassing dimensions beyond gender (indigenous reconciliation; disability; cultural diversity)</li> <li>· Regular reporting to the CEO and the Executive Team on our progress against our diversity ambition</li> </ul>	<ul style="list-style-type: none"> <li>· Promote our Employee Value Proposition to all employees, but particularly to women in Supply Chain and Sales</li> <li>· Engage each of our Strategic Business Units to develop their own Diversity, Inclusion and Belonging strategy and actions</li> </ul>	<ul style="list-style-type: none"> <li>· Meaningful actions to sustain our momentum toward gender balance, particularly in leadership</li> <li>· Meaningful internal programs to foster inclusion</li> </ul>
Dunn-Edwards	<ul style="list-style-type: none"> <li>· Launched DEI Training</li> </ul>	<ul style="list-style-type: none"> <li>· Launched phase 2 of DEI curriculum for all employees</li> <li>· Share DEI curriculum with NPHD People and Community DEI Committee</li> <li>· DEI committee building company-wide interactive activity for April's celebration of diversity, highlighting the diversity that exists within Dunn-Edwards</li> </ul>	<ul style="list-style-type: none"> <li>· Continuously review and adapt company policies to ensure that all charter objectives are met</li> </ul>
Japan Group	<ul style="list-style-type: none"> <li>· Kicked off D&amp;I Committee Japan. Launched activities to support the skill development and active participation of women employees, revitalize the organization and accelerate business growth</li> </ul>	<ul style="list-style-type: none"> <li>· Developed action plans towards 2025</li> <li>· Act on Promotion of Women's Participation &amp; Career Advancement in the Workplace</li> </ul>	<ul style="list-style-type: none"> <li>· Increase the ratio of women in managerial positions to 10%</li> <li>· Selects and trains the next generation of women leaders from non-managerial positions for their skills and career building</li> </ul>

Human Resource Strategy

**Benefits expected from improving employee satisfaction levels**

Increasing employee engagement will lead to creating an environment where excellent human resources can consistently perform to their fullest potential. We regularly monitor and survey employee satisfaction levels of partner companies that join the Group under our Asset Assembler model.

The survey results of each partner company will be compared and analyzed using benchmarks, such as the peer average in the same region, and historical data to examine actions necessary to improve employee satisfaction levels.

NIPSEA Group scored an overall engagement score of 75% in FY2022. It was 5 pp higher than in FY2019 and higher than the APAC average score.

DuluxGroup's engagement score reached 80% in 2021, 8 pp higher than the 72% achieved before joining Nippon Paint Group. DuluxGroup uses a number of other methods to track employee engagement, including pulse surveys in different business areas and exit interviews with departing employees. At DuluxGroup, we believe that our leaders are key to driving high employee engagement. Leadership teams at DuluxGroup regularly reflect on the engagement of their teams and drive high levels of engagement through regular feedback and development conversations with their teams.

Dunn-Edwards utilizes interviews with former employees in place of the employee satisfaction survey. The analysis of data obtained through interviews of former employees has shown that the two-year period from

joining the company is most important for building connections with the company and factors that are important for employee retention include the compensation and retirement benefit system (401 (k)) and leadership of people in managerial positions. To provide an attractive and competitive system in this area, Dunn-Edwards has established its compensation and retirement benefit policy and developed and enhanced training programs designed for career advancement for employees at all career stages.

In Japan Group, for instance, the result of our employee engagement survey, conducted regularly by Nippon Paint Labor Union, is shared with the management team.

▶ See page 95 for more information.

**Japan Group's approach to human capital to achieving MSV**

The goal of the human resource strategy in Japan Group is to improve EPS through business expansion and profitability improvement.

Toward achieving this goal, we have designated D&I indicators, such as the ratio of women in managerial positions, and the engagement indicator, such as employee satisfaction level, which are indicators that will be the focus of our human resource strategy.

We are taking actions, such as human capital investment including aggressive recruitment of new college graduates and mid-career workers as an ambitious initiative to build a strong human resource base that can contribute to sustainable growth. Our goal is to transform our human resources and organizations to

ones that embody our J-LFG action guidelines which promote the active participation of diverse human resources and create the culture that encourages people to take on challenges.

We are currently providing various supports and training opportunities to enable our female general employees to more proactively plan their career goals as an initiative to develop candidates for next-generation female leaders. Specifically, we provide an opportunity once a year for all employees to declare their career goals, which we continuously support through 1-on-1 meetings with their supervisors. This has allowed not just female employees but all employees to become aware of the importance of building their career by themselves and changes in mindset.

In addition, when we hold briefing

meetings on promotion to managerial positions, we explain to leaders of business divisions the gap between the current status and the target for FY2025 in the ratio of women in managerial positions to urge them to keep the KPIs in mind.

Japan Group is paying attention to the impact on its employees from the structural reform for profitability improvement that is currently underway.

As measures to improve employee satisfaction levels, we are enhancing communication with employees.

▶ See page 95 for more information.

**Gender pay gap for Japan Group**

At every PC in Japan Group, wages are determined based on roles played and significance of job tasks. We have gender pay parity in like-for-like roles and job tasks.

Based on our analysis, the primary cause of the gender pay gap is the lower ratio of women in managerial positions than men. Japan Group is taking actions, such as providing skill development programs for female employees and their supervisors with the goal of achieving the numerical target of increasing the ratio of women in managerial positions to 10% by 2025. We believe that the gender pay gap will decrease with the increase in the ratio of women in managerial positions.

**Gender pay gap ratio (FY2022)**

	All workers	Regular employees	Non-regular employees
Nippon Paint Automotive Coatings Co., Ltd. (NPAC)	66.9	75.8	67.3
Nippon Paint Industrial Coatings Co., Ltd. (NPIU)	77.8	79.8	81.4
Nippon Paint Co., Ltd. (NPTU)	73.6	77.2	76.3
Nippon Paint Corporate Solutions Co., Ltd. (NPCS)	77.4	79.6	77.8

\* The survey targets are partner companies with more than 300 employees  
 \* Women's wages relative to men's (indexed to 100)

**(For reference) Pay gap analysis for NPAC**

The larger overall gender pay gap is mainly attributable to the gender pay gap among non-regular employees of 67.3% because NPAC has more non-regular employees than other PCs. Based on our analysis, the gender pay gap among non-regular employees is primarily due to the difference in the composition of workforce (the ratio of employees reemployed after retirement: 64% for men and 2.9% for women).

**Human resource strategy of Japan Group**

EPS improvement	KPI	Human resources and organizations that embody J-LFG (OUTPUT)	Human capital investment (INPUT)
Business expansion	D&I indicators • Ratio of women in managerial positions	Active participation of diverse human resources • Stable supply of young talented human resources • Improve the inequality of human resource distribution among age groups/reduce gaps in age groups	Aggressive recruitment (new college graduate recruitment, mid-career recruitment) • Restart of new college graduate recruitment for FY2025 • Strategic mid-career recruitment
		Create a culture of encouraging employees to take on a challenge • Supporting proactive actions by employees and increase work fulfillment • Improve employees' awareness of management participation	Fair evaluation, compensation, and rewarding systems • Revise the bonus system • Introduce J-LFG Awards, Reward
Profitability improvement	Engagement indicators • Employee satisfaction level	Talent management • Enhance the pipeline of talent • Stable supply of successors to key positions • Utilize the talent management system (visualization of human resources)	Autonomous growth and supporting frameworks • Reinforce OJT program • Reinforce 1-on-1 meetings • Enhance selection-based training/elective training programs
		Increase job satisfaction and work fulfillment • Work styles suited to different life styles • Work styles with high productivity	Create a comfortable work environment • Reinforce healthcare support • Enhance mental health education • Promote the use of paid leave • Prevent working long hours



# R&D Strategy

The world is seeing the emergence of numerous problems that are difficult to solve by using methods of prior years. To help solve these problems, we will use many partnerships to further upgrade our ability to create innovative ideas.

## How Shareholder Value Is Maximized ▶ See page 5.



### Our approach to achieving MSV

Our technology mission is to drive and sustain growth and market share in Japan and globally as a leading technology organization for coatings and adjacent markets. Our innovation strategy has three pillars: 1) build an adaptive organization; 2) develop core enabling technology competency; and 3) expand into adjacent and emerging markets. These are initiatives for Maximizing Shareholder Value (MSV) from a technology perspective. We believe that our technology organization's culture of being customer centric, socially

responsible and collaborative is the key driver to success. Importantly, technology collaboration and intellectual property sharing among our partner companies around the globe are under the principle of our Asset Assembler model, which Nippon Paint Group strategically employs to manage the business of partner companies. The technology teams of partner companies are highly autonomous to effectively address the needs of their respective markets and customers.

We started LSI (Leverage, Share & Integrate) activity aimed at driving technology sharing and capability

leveraging among partner companies to facilitate technology exchange platforms and cross-PC projects. We have established adaptive ways to enhance global technology collaborations for increasing the added value of intellectual property. The technology teams in various fields such as decorative paints or paints for automotive have formed a global technical community to share best practices and leverage research capabilities in joint technology development projects, helping address the needs of local consumers in each country.

### Roadmap

	2022	2023	~2027
Sustainable Products	<ul style="list-style-type: none"> <li>NIPSEA Group: Redefined sustainable products</li> <li>NIPSEA Group, Japan Group: Developed Sustainability Scoreboard</li> <li>DuluxGroup: Established sustainable products targets and developed roadmaps for ANZ<sup>*1</sup> businesses</li> </ul>	<ul style="list-style-type: none"> <li>Life Cycle Assessment (LCA) of selected products can be calculated at each Partner Company</li> <li>DuluxGroup: Develop GHG emissions (Scope 3) reduction roadmap</li> </ul>	<ul style="list-style-type: none"> <li>Manage the performance of Sustainability Scoreboard of each partner company every quarter</li> <li>Promote creation of more innovative sustainable products</li> <li>DuluxGroup: Implement sustainable products and GHG emissions (Scope 3) roadmaps</li> </ul>
Chemicals of Concern	<ul style="list-style-type: none"> <li>Each Partner Company responded to US Environmental Protection Agency (EPA) and REACH</li> <li>DuluxGroup developed position statements for 50% of high concern CoC</li> <li>Dunn-Edwards: Incoming Chemical Management / Selection per Chemicals of Concern</li> </ul>	<ul style="list-style-type: none"> <li>Consider the phase out plan of Chemicals of Concern in each partner company</li> <li>NIPSEA Group: Focus on 4 hazardous heavy metals<sup>*2</sup></li> <li>DuluxGroup: Complete position statements for 75% of CoC and develop a structured program of CoC in Europe</li> </ul>	<ul style="list-style-type: none"> <li>Create sustainable products based on phase out plan</li> </ul>
R&D	<ul style="list-style-type: none"> <li>Developed Green Design Review</li> </ul>	<ul style="list-style-type: none"> <li>R&amp;D activities for sustainable products from Partner Companies beyond Japan and NIPSEA Group, e.g. DuluxGroup, Dunn-Edwards, etc.</li> </ul>	<ul style="list-style-type: none"> <li>Drive innovation towards UN SDGs and carbon neutrality</li> </ul>
Product Stewardship	<ul style="list-style-type: none"> <li>DuluxGroup established packaging recycled content targets and developed roadmaps for ANZ businesses</li> </ul>	<ul style="list-style-type: none"> <li>Identify inquiry items</li> <li>Stakeholder questionnaire</li> <li>NIPSEA Group: Reinforce PS&amp;RA<sup>*3</sup> team</li> <li>DuluxGroup: Implement Product Vision to help with formulation management &amp; regulatory tracking</li> </ul>	<ul style="list-style-type: none"> <li>Implement inquiry management database</li> <li>Inquiry response training</li> <li>Training for customers and business partners</li> <li>DuluxGroup: Implement packaging roadmaps</li> </ul>

\*1 Australia and New Zealand

\*2 Lead, Chromate (Cr6+), Cadmium, and Mercury

\*3 Product Stewardship & Regulatory Affairs

### R&D framework and core technologies

Nippon Paint Group has 3,895 technical staff working worldwide, including 1,141 in Japan. They are the nucleus of our innovation power and core competitiveness for achieving sustainable business growth in the marketplace. We have technology teams at 52 R&D and technical centers to serve our customers and consumers worldwide, including our major R&D centers in Tokyo and Osaka in Japan, Shanghai in China, Singapore, Melbourne in Australia, Los Angeles and Cleveland in the US, and France in Europe. In 2022, R&D expenditures at Nippon Paint Group in Japan was over JPY28.1 bn and there were 169 patent applications. As of the end of 2022, the Group had more than 1,508 patents.

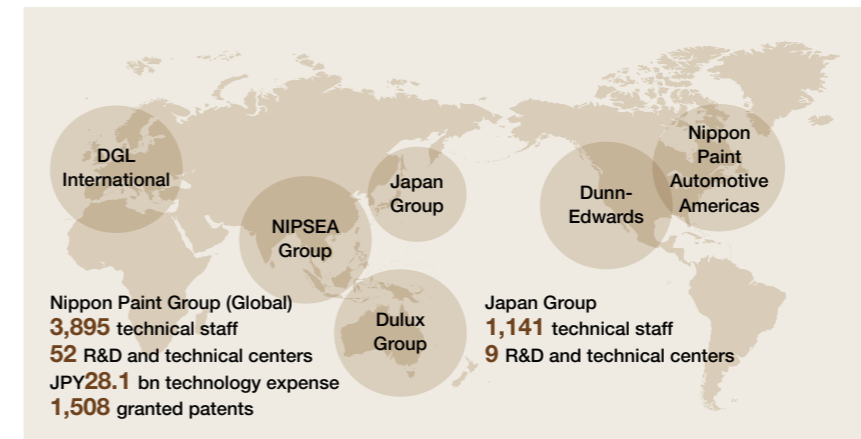
Nippon Paint Group has classified its core technologies involving paint and coatings and manages its intellectual property portfolio in 12 categories: polymer chemistry, color science, formulation, curing technology, dispersion technology, application technology, process technology, rheology, weathering and corrosion, measurement science, AI and sustainability.

Experts in each core technology field are working in core R&D teams in the R&D centers and collaborating with scientists from the global network of technical centers to support product development across the group. Nippon Paint Group possesses a broad open innovation network with universities and academic research institutions worldwide.

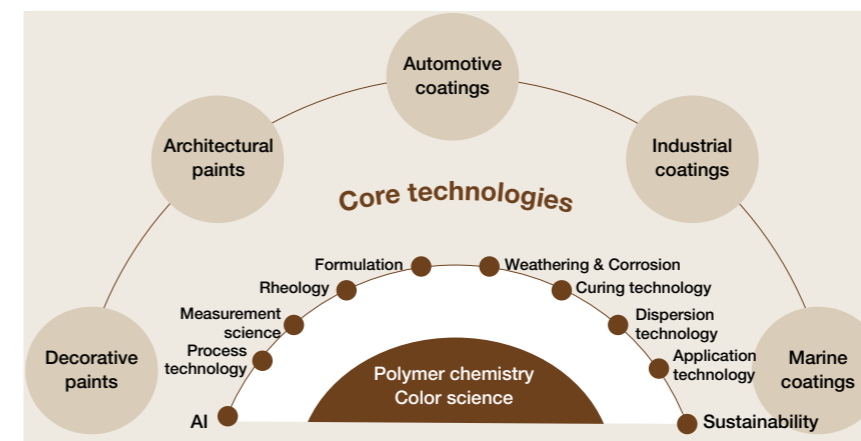
In 2020, Nippon Paint Group entered into a strategic research partnership with The University of Tokyo, resulting in the establishment of the University of Tokyo & Nippon Paint joint laboratory. The partnership aims to create innovative coating technologies in three fields, namely, infectious disease risk reduction, social cost and environment burden control, and contributions to smart society. In Singapore, NIPSEA Group has been collaborating with the research institutes of A\*STAR (Agency for Science, Technology and Research) for decades. Recently, NIPSEA Group has strategically joined hands with A\*STAR to develop disruptive technologies in the fields of smart surface enabling autonomous driving and the use of artificial intelligence in coating research.

Moreover, in 2023, Nippon Paint Group joined the Massachusetts Institute of Technology Industrial Liaison Program (MIT-ILP), which is dedicated to creating and strengthening mutually beneficial relationships between MIT and companies worldwide.

### R&D organization



### Core technologies



### Innovation initiatives and programs

The New Product Sales Index (NPSI) is one of the indicators for measuring technology output. At Nippon Paint, new products are categorized into several categories, ranging from products upgraded through improvements in stages and to new-to-market products with disruptive innovations. NPSI is achieved with the joint efforts of technical teams with business and supply chain operation teams, where strong collaboration brings together our commitment to the MSV. In 2022, Japan Group and NIPSEA Group together have achieved NPSI of 20% and launched 12,000 new products.

## Creation of sustainable products will drive long-term business success

### Sustainability of our products

We believe that sustainable features are essential elements of our products to benefit society and achieve the long-term success of our businesses.

We define sustainable products and technologies based on the principle of product life cycle and according to the framework of the United Nation's Sustainable Development Goals (SDGs). This is a systematic approach, covering the following three main stages of a product's life cycle.

1. Production
2. Use
3. Service

Furthermore, in each stage, the advantages over the mainstream products in the market are assessed by translating the SDGs into the attributes of paint and coatings products. In the production stage, manufacturing efficiency, raw materials, logistic and packaging are the key aspects for

assessments. In the product use stage, the advantages are helping customers and consumers when using products by reducing energy and material consumption, chemical emissions, and chemical hazards. In the service stage, products are assessed in terms of product service life, use in clean technologies, contribution to health and well-being, as well as end-of-life treatment. Under those sustainability principles, the Sustainability Scoreboard for new product assessment has been developed and is implemented in the NPSI systems of partner companies, Japan and NIPSEA China. In 2022, of the new product sales of Japan Group and NIPSEA China together, 52% were from newly developed sustainable products. The Green Design Review has been developed and is used in the R&D project management systems of Japan Group and NIPSEA Group. In the project portfolios of Japan Group and NIPSEA Group, 47% of R&D projects are in the focus areas of creating sustainable benefits according to the Green Design Review principles.

### Sustainable product data

New Product Sales Index (NPSI)



Sustainability product sales ratio of the new product sales



Sustainability product development project ratio in R&D expenses



### Results of sustainability products

#### Dulux enviro<sub>2</sub>™

Dulux enviro<sub>2</sub>™ is a premium low odour, low VOC acrylic paint that delivers superior performance.

In 2022, the Dulux business achieved 50% recycled content in packaging for the enviro<sub>2</sub>™ range.

Dulux enviro<sub>2</sub>™ is also the only major Australian paint brand with a Global GreenTag™ certification.



#### Decorative films

Nippon paint group also developed products for Solar Power system and Lithium-ion Batteries (LIBs) toward realization of sustainable low carbon society.

Toyota Motor Corporation and Nippon Paint Automotive Coatings jointly developed decorative films for photovoltaic modules that provide design and color flexibility to photovoltaic modules.



#### High adhesion primer

Nippon Paint Surf Chemilal developed a high adhesion primer, SURFCOAT NR-Z for pouch-type LIB package. Excellent adhesion after prolonged immersion in electrolyte was achieved.



## Our products comply with the Hazardous Chemical Substance Regulation

### Chemical substance management

In 2021, Japan Group launched the "Green 30" chemicals management system to minimize the impact of chemicals on the environment and public health. The system is designed to manage chemicals of concern based on regulations or treaties such as REACH regulations in EU, TSCA in the USA and CSCL in Japan.

We classify chemical risks in three categories (Rank A, Rank B, Rank C)\* according to the laws and regulations in the countries where we operate. Japan Group started using this system in 2021 and the system is being expanded to our partner companies outside Japan.

Alkylphenol ethoxylates (APEs) are mainly used for surfactants and include the subcategory of nonylphenol ethoxylates (NPEO/NPE). Nonylphenols (NP), raw materials for NPE, are regulated by REACH and TSCA. Nippon Paint Group has been

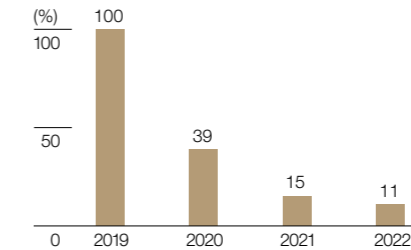
steadily phasing out APEs-containing surfactants.

In addition, we have been replacing UV absorbers such as UV-328 and UV-327 that are considered as persistent organic pollutants (POPs) with other substances. Our next plan is to completely phase them out in all products sold in Europe by the end of 2023. We are also reducing the use of UV-328 in Japan Group.

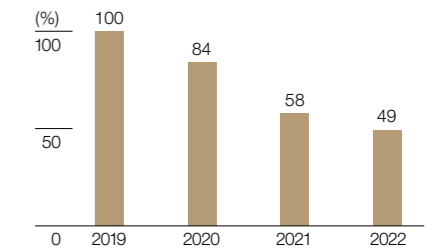
Moreover, we are lowering the use of other POPs such as Medium-chain chlorinated paraffins (MCCP, carbon chain lengths in the range C14-17 and chlorination ratio ≥45% by weight) in Japan.

DuluxGroup has continued its focus on identifying, managing, and addressing chemicals of emerging concern to make safer products available to the market. Some examples of our chemicals of concern initiatives in 2022 include: —Removed APEs from Cabot's Aquadeck and Intergrain Ultradeck ranges and from an additional one million liter of products in our Dulux NZ business. —Launched a safer Selleys paint stripper that is free of DCM (Dichloromethane) and removed toluene, cyclic siloxanes and UV-327 from several Selleys products.

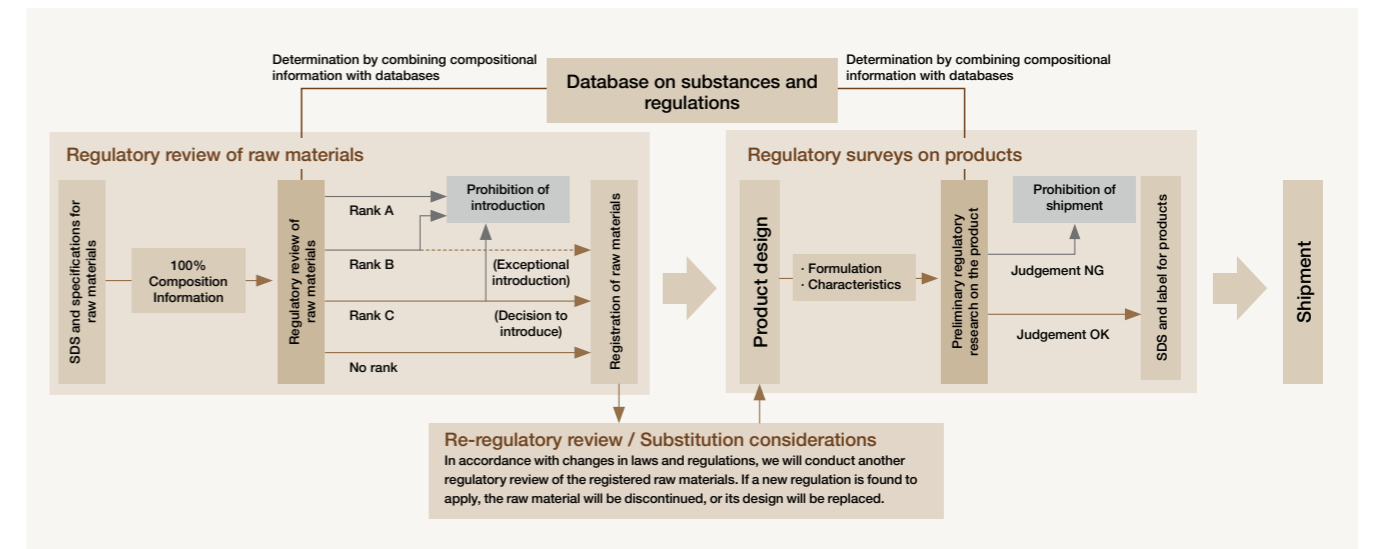
UV-328 usage (2019=100)



MCCP usage (2019=100)



### Chemical substance management flow



\* The definitions of categories

Rank A (Prohibited): Prohibition of introduction

Rank B (Restricted for new introduction): Prohibition of new introduction with some exceptions

Rank C (Avoid new introduction): Decide whether or not to introduce based on regulatory trends, environmental impact, and the business environment

No rank: No impact on raw material introduction



# Safe People and Operations

Managing significant safety and health risks effectively to ensure the protection of our people, operations, and communities is a key imperative and priority for the organization. Given the high-consequence disaster and fatality risks associated with our operating plants in particular, this is a material sustainability impact for Nippon Paint Group and a critical focus to ensure our maximization of shareholder value.

## | Our approach to achieving MSV

During 2022 each PCG has continued to make progress on their individual improvement priorities for safe people and operations, including both high-consequence risks and everyday injury risks. This has been supported by the 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 monitoring of performance progress for significant safety and health risks. Full implementation of these metrics across all PCGs will take some time and they are primarily focused on improved understanding and oversight of high-consequence risk management, including process safety events (e.g. flammable solvent losses of containment) and high potential incidents (e.g. serious near misses involving fatality risks). Improving high-consequence risk management effectiveness will be the primary focus of the working group in the coming year.

## | Group policy

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.

## | Risks & opportunities

The key risks and opportunities associated with safe people and operations 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 different focus areas and action priorities that reflect the local maturity of their safety and health risk management improvement journeys.

## | Improvement & performance

There were no fatalities across the group during the year, which is a pleasing outcome given the

occurrence of two fatality events in NIPSEA Group in the prior year. Three fatalities were previously reported for 2021, but it has since been confirmed that one of these was a non-work related, commuting event.

The recordable case rate for employees and contractors decreased 1% to 0.90 recordable injuries and illnesses per 200,000 hours worked, while the lost workday case rate for employees and contractors increased 31% to 0.50 lost time injuries and illnesses per 200,000 hours worked. These changes were primarily associated with the first-time inclusion of the recently acquired Cromology and JUB businesses within DuluxGroup. Performance across the other PCGs either improved or showed minor variation versus the prior year.

The 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)

PCG	Fatalities	Recordable case rate (per 200,000 hours)	Lost workday case rate (per 200,000 hours)	2022 improvement drivers & priorities
NIPSEA Group	0 (-2)	0.42 (-4%)	0.22 (+5%)	· Key focus on traffic accidents for safety training and improvement activities.
DuluxGroup (Pacific)	0 (0)	1.50 (+3%)	0.80 (0%)	· Completed new Periodic Hazard Studies at three process safety factories and implemented improvement actions.
DuluxGroup (Europe)*	0	2.25	1.70	· Commenced significant risk audits of major sites and implementation of prioritized actions for high consequence disaster and fatality risks.
Japan Group	0 (0)	0.39 (-33%)	0.08 (-50%)	· Risk assessment review and action implementation, with a focus on the priorities of contact with hot/old objects and falling.
Dunn-Edwards	0 (0)	4.60 (-40%)	2.01 (-20%)	· Comprehensive safety assessments of all Dunn-Edwards properties.

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

# Growth with Communities

Based on our CSR framework and long-term community engagement strategy, we will build a better community that includes all stakeholders and achieve sustainable business growth.

## | Our approach to achieving MSV

Since its inception, our Company has been dedicated to creating innovative solutions that bring colors and joy to people's everyday lives. As part of our commitment to sustainable development, the Group strives to support and promote the well-being of communities through our business activities. To achieve this, we have established three priority areas known as the "Three Es" under Nippon Paint Group's global CSR initiative, "Coloring Lives." These areas encompass Education, focusing on nurturing future stakeholders; Empowerment, which involves supporting socially vulnerable individuals through vocational training and identifying talent among younger generations; and Engagement, emphasizing collaboration with local communities and stakeholders. Investing in society presents potential opportunities for the Group, such as increased business prospects in thriving local communities, enhanced employee engagement and commitment to our Group companies, and stronger connections with local communities, all of which contribute to our mission of Maximization of Shareholder Value

(MSV). Conversely, neglecting our obligations to stakeholders poses potential risks. These risks include a loss of trust from local communities, resulting in diminished ability to attract and retain talented employees and reliable business partners, reduced consumer and customer loyalty, and ultimately, a decline in shareholder confidence and the opportunity to fulfill our promise of MSV.

## | Results of social contribution activities

In FY2022, the Group allocated funds exceeding US\$7.75 million for approximately 448 activities that had a positive impact on the lives of around 10.65 million people worldwide. One notable example is NIPSEA Group's AYDA Awards, an esteemed interior design and architectural competition in

Asia that fosters global stakeholder relationships, promotes sustainable design practices, and encourages collaboration among designers.

Additionally, within Japan Group, we have consistently donated pesticide-free vegetables harvested at Nippe Fun Farm, an establishment that employs individuals with disabilities, to children's cafeterias on a monthly basis for approximately three years. This initiative has garnered local recognition for its support of the Social Welfare Council's efforts.

These initiatives demonstrate the Group's dedication to making a meaningful difference in various communities and exemplify our commitment to fostering sustainable development and social well-being.

### Investment in social contribution activities and its results and impacts in FY2022

Country/region	39	
Number of projects	> 448	
Resources input	Money spent on the activities	> USD7.75 million
	Time spent on the activities	> 125,000 hours
	Employees and volunteers who participated in the activities	> 33,000 participants
	Paint used in the activities	> 0.24 million liters
Results and impacts	People impacted	> 10.65 million people

### Pillars of social contribution activities and examples of activities

Pillar	Description	Example of activities
Education	Activities for children and students who are our potential future customers or employees	NIPSEA Group: AYDA Awards (An esteemed annual international competition and awards platform specifically designed to nurture architectural and interior design students; DuluxGroup: Design Institute of Australia (Supporting The Australian Interior Design Awards)
Empowerment	Support activities and vocational training for socially vulnerable people, and activities to find talented individuals	Japan Group: Nippe Fun Farm (Employment support for the physically challenged); Dunn-Edwards: Albuquerque Pride Parade Float (Paint donation for the local Pride Parade)
Engagement	Collaborations with local communities and stakeholders, cooperation with NGOs, and disaster relief	Japan Group: Industry-University Collaboration Activities with the University of Tokyo (Collaboration to create innovations for the future society); DuluxGroup (Cromology); UNICEF (Cash donations to help children and families in Ukraine)

# Sustainable Procurement

How Shareholder Value Is Maximized ▶ See page 5.

Nippon Paint is firmly committed to doing business ethically and responsibly. Sustainable procurement is the integration of Nippon Paint's ESG principles into our procurement processes and decisions while maximizing shareholder value.



## Our approach to achieving MSV

We engage our suppliers to ensure the sustainable procurement of products and services through environmentally, socially and economically responsible processes. Nippon Paint has developed a

Supplier Code of Conduct 2022 to clarify our global expectations for suppliers in the areas of compliance, environment, social and governance. We will conduct survey for existing and new suppliers to understand their commitment to the ESG principles set forth in our Supplier Code of Conduct.

Suppliers are our important partners in our ESG journey, and we encourage them to adopt progressive practices that align with our approach to ESG. A Supplier ESG Assessment for on-site audit is to be developed. This will help to identify areas for improvement in our supply chain.

## Roadmap

	2022	2023	2024	2025
Activities	<ul style="list-style-type: none"> <li>Launched the global team</li> <li>Organize regional teams</li> <li>Developed Supplier Code of Conduct</li> <li>Developed supplier questionnaire</li> </ul>	<ul style="list-style-type: none"> <li>Conduct supplier questionnaire (target top 40% by value)</li> <li>Explore sustainable projects</li> <li>Establish indicators</li> </ul>	<ul style="list-style-type: none"> <li>Conduct supplier questionnaire (target top 75% by value)</li> <li>Define supplier assessment methodology and measurement</li> <li>Define sustainable initiatives and measurements</li> </ul>	<ul style="list-style-type: none"> <li>Conduct supplier questionnaire (target top 90% by value)</li> <li>Conduct supplier assessment (trial)</li> <li>Track sustainable projects and measurements (trial)</li> <li>Refine reporting metrics</li> </ul>

## Key items of the Supplier Code of Conduct

Compliance	Environment	Social	Governance
<ul style="list-style-type: none"> <li>Legal Compliance</li> <li>Subcontractor Compliance</li> <li>Environment, Health and Safety Compliance</li> </ul>	<ul style="list-style-type: none"> <li>Minimize Impact</li> <li>Waste Management</li> </ul>	<ul style="list-style-type: none"> <li>Child Labor</li> <li>Forced Labor</li> <li>Discrimination</li> <li>Working Conditions</li> <li>Conflict Minerals</li> <li>Product Safety and Compliance</li> <li>Safety Training</li> <li>Freedom of Association</li> </ul>	<ul style="list-style-type: none"> <li>Anti-Corruption</li> <li>Gifts and Entertainment</li> <li>Conflict of Interest</li> <li>Confidentiality</li> <li>Record Keeping</li> <li>Fair Competition</li> <li>International Trade</li> <li>Subcontractor ESG Compliance</li> </ul>

## Our approach to greenhouse gas emissions in procurement

Raw materials account for a large percentage of our greenhouse gas emissions (Scope 3). As a result, we regard Greenhouse Gas emissions in procurement as an important issue that needs to be addressed. We will consider using biomass materials and fuels in response to customer requirements.

## Our approach to raw material procurement

Our Group's businesses depend on the supply of a broad range of products and services, such as raw materials, equipment, other materials, and information services. Maintaining a sound relationship of cooperation with suppliers is essential for the sustainable growth of our businesses. We will create new opportunities by building closer communication and stronger trust with suppliers.

## Japan Group

We established the Procurement Guidelines, which are aligned with the Supplier Code of Conduct 2022 and clearly set rules and procedures to be followed by the Group and its suppliers for responsible procurement. From the social perspective, the guidelines are consistent with major international frameworks and standards for social activities, including frameworks for the respect for human rights. The guidelines also define our environmental activities for the understanding and practice of environmental measures. This includes

complying with all laws and regulations in every country and region and implementing measures to manage chemicals of concern and minimize our environmental impact.

## NIPSEA Group

We remain committed to operating as a responsible business that is held to high standards and strives to create a positive impact on sustainable development. Our Supplier Code of Conduct, which outlines clear business conduct expectations for new and existing suppliers, ensures that our business partners uphold the same high standards that we do. We also encourage our suppliers to attain additional accreditations by local advocacy groups that cover a wider range of green assessments that include water, material, and power management.

## DuluxGroup

We are committed to the sustainability of the communities in which we work and to integrating responsible corporate behavior into every aspect of our business. We seek to understand, manage and enhance the environmental and social impacts of our products and operations, including the procurement of raw materials, packaging, finished products and services. Accordingly, our sourcing processes aim to ensure that environmental, health and safety, labor conditions and human rights considerations are embedded in procurement procedures.

## Dunn-Edwards

We take seriously our commitment to operating as a responsible corporate steward. Our sourcing process aims to ensure we partner with suppliers with

the same foundational pieces regarding the environment, health and safety, labor conditions, governance, and compliance. Our Supplier Sustainability Questionnaire is one tool used to clearly articulate our commitment, detail expectations for new and existing suppliers, and audit compliance.

## Supplier risk assessment and engagement

The Group conducts supplier risk assessment at each partner company using the questionnaire sheet based on the Code of Conduct. For suppliers who are determined not to comply with the criteria, we conduct supplier engagement activities for risk improvement.

## NIPSEA Group & Japan Group

Since 2022, we have decided to adopt Supplier Sustainability Questionnaire newly developed by our group to standardize survey method globally. If nonconformance is found at a supplier site, we discuss and agree with the supplier in question on corrective actions to be implemented within a specified period of time.

## DuluxGroup

We manage modern slavery risks throughout our supply chain through our the Supplier Procurement Program. The program is designed to accord with standard global supply chain systems and guidance, including International Labour Organization (ILO) conventions, the Ethical Trading Initiative (ETI) base code, ISO 14001 and the SEDEX code, with the aim of identifying and addressing modern slavery risks and maintaining a responsible and transparent supply chain.

The program includes undertaking on-site audits of suppliers (and their facilities) to verify compliance with our Sustainable Procurement Standard and identify any required improvement actions.

## Dunn-Edwards

We respect the inherent worth of each individual, and we strive to conduct all our business with the highest sense of ethics, integrity and responsibility. To that end, our partners with suppliers that share the same values - working together to ensure the supply chain is free from forced labor, child labor, human trafficking and slavery. This effort includes initiatives aimed to clearly articulate our shared expectations and audit for compliance through our Supplier Code of Conduct initiative.

## Supplier Sustainability Questionnaire results

In conjunction with the Supplier Code of Conduct 2022, we have developed a Supplier Sustainability Questionnaire to survey suppliers on their ESG commitment. The group survey started from October 2022, and to date more than 166 suppliers have responded in agreement to our Supplier Code of Conduct. These suppliers represents about 22% of Nippon Paint's total procurement value. Prior to this group survey, various countries have conducted similar sustainability surveys. Altogether 481 suppliers are deemed approved and they represent about 61% of Nippon Paint's total procurement value. We have achieved our target of 40% for 2023.

Our target is to increase this ratio to 90% by 2025.

## Results of supplier sustainability questionnaire

	NIPSEA Group	Japan Group	DuluxGroup	Dunn-Edwards	Total
Number of approved suppliers	—	—	—	—	481
Ratio to the total procurement value	52%	78%	89%	80%	61%

\* Exclude Cromology, JUB, NPAA