

Environmental Strategy

Addressing Nippon Paint Group’s most material sustainability impacts is a key imperative and priority for the organization to ensure 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.

How Shareholder Value Is Maximized » See pages 3-4.

	Our pursuit	Relevant financial information
Environment & Safety	Develop low-carbon/eco-friendly products + Ensure safe people and operations	Sales (contribute to new products/new markets) Expenses: Low-carbon raw materials, fuels, utilities, waste processing costs CF: Investments in renewable energy facilities and recycling facilities

Our approach to achieving MSV

During 2023, each Partner Company Group (PCG: PC group by region/business) continued to make further progress on their individual ambitions, targets, and priorities within each of these material impact areas. This has continued to be supported by the global Environment & Safety Team comprising senior environment and safety leaders from each PCG, with a primary focus on benchmarking, sharing best practice, and establishing common performance metrics. Implementation of these metrics across all PCGs continued during the year, including additional businesses calculating their Scope 3 carbon footprints, and once these metrics are fully established they will provide improved understanding and oversight of climate and circularity impacts and performance. This includes carbon footprints, renewable energy and resources, waste recoveries, and high stress water consumption.

Supporting and enabling improved management and understanding of the impacts, risks, and opportunities for both Climate Change and Resources and Environment, will continue to be the primary focus of the Sustainability Team in the coming year, including reviewing best practice approaches for carbon and climate adaptation.

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.

Reports based on TCFD recommendations

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 MSV, we are working to enhance climate change-related measures and information disclosure.



Governance

The Environment & Safety Team, one of our Group's Sustainability Teams, reviews and discusses each partner company's climate change initiatives and reports the findings to

the Co-Presidents. The Co-Presidents then submit a report to the Board of Directors as necessary. This arrangement ensures that the Board of Directors can monitor the Materiality-related activities of the Environment & Safety Team.

Strategy

The key risks and opportunities associated with climate change are summarized in Sustainability as the Prerequisite for MSV. 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 based on the climate-related scenario analysis.

» For more information, please refer to "Strategies" under the "Climate change" section on our website.

Climate-related scenario analysis

Variables	Risks		Opportunities
	1.5°C	4°C	
Changes in regulations and their impacts, such as carbon pricing and greenhouse gas emission reduction targets	Introduction of strict regulations	Regulations strengthened in limited areas	Market growth for sustainable products - 1.5°C scenario Growth of low-carbon products and enhanced performance - 4°C scenario Growth of low-carbon products against extreme weather and enhanced performance
Increase in supplier costs arising from climate adaptation and decarbonization actions	Large increase in supplier costs due to climate adaptation and decarbonization actions	Certain increase in supplier costs for climate adaptation as limited decarbonization measures are no longer sufficient	
Changes in customer and consumer expectations and behavior	Higher disposition for low-carbon products and lower demand for carbon products	Higher disposition for low-carbon products	Development of new products and services to capture climate-related business opportunities - Both for 1.5°C and 4°C scenarios
Higher temperatures affecting product functions	Occasional product claims and brand damage due to performance deterioration	Frequent product claims and brand damage due to performance deterioration or malfunction	
Increase in floods and/or water stress negatively affecting operations and supply chain	Occasional floods and/or water stress affecting operations and supply chain	Frequent floods and/or water stress routinely impacting operations and supply chain	

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Risk management

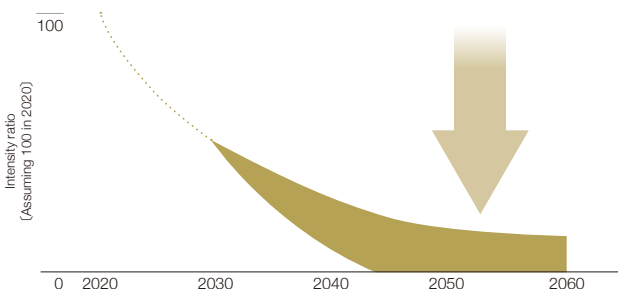
The Sustainability Team that works directly under the Co-Presidents identifies and assesses risks, including their importance, based on the criteria of factors directly related to our operations (e.g., raw materials, energy, and water consumption, greenhouse gas emissions) and our products and customers (e.g., product impacts, product application and feature needs).

» For more information, please refer to "Risk management" under the "Climate change" section on our website.

Metrics and targets

Our PCGs continue to accelerate their response to climate change by identifying and progressing actions to achieve their net zero targets via reductions in carbon emissions and adaptation to a net zero future. Key actions currently being progressed across PCG businesses include energy efficiency initiatives, renewable power purchase, solar system installations, and transition planning for electric vehicle fleets. By taking these actions, our Japan Group and DuluxGroup businesses will achieve net zero for Scope 1 and 2 greenhouse gas emissions by 2050, and NIPSEA Group by 2060. Scope 3 emissions are currently calculated for Japan Group, DuluxGroup (Pacific), and the majority of NIPSEA Group, and is being progressively expanded across our remaining businesses, while some PCGs have also commenced development of potential Scope 3 emissions reduction plans.

Our Group's GHG emissions reduction target (Scope 1 and 2)



Climate Change-related targets

PCG	Targets*		Improvement priorities
	GHG emissions (Scope 1 and 2)	Energy consumption	
NIPSEA Group	2025: 15% reduction 2060: Net zero	2025: 8% energy consumption reduction	Additional solar installations and completion of air compressor and dust collector energy efficiency projects in China, plus calculation of Scope 3 emissions for 90% of the group.
DuluxGroup	2030: 50% reduction 2050: Net zero	2030: 50% renewable electricity consumption	Additional solar installations (Australia, Europe), continued renewable power purchase (Europe, New Zealand), site energy efficiency plans development, Scope 3 reduction planning including supplier consultations, and Scope 3 calculations commencement (Europe).
Japan Group	2030: 37% reduction 2050: Net zero	—	Increased renewable power purchase, continued focus on energy efficiency actions, and Scope 3 reduction planning including supplier consultations.
Dunn-Edwards	—	—	—

* Baseline years for targets are 2021 for NIPSEA Group, 2020 for DuluxGroup, and 2019 for Japan Group

Performance

In 2023, our greenhouse gas emissions (Scope 1 and 2) decreased 27% to 40.2 kilograms per tonne (kg/t) and total energy consumption decreased 10% to 0.46 gigajoules per tonne (GJ/t), driven by reductions across most of the larger businesses through energy efficiency and renewable electricity initiatives, together with changes in production mix across different business units and inclusion of recent acquisitions. Renewable energy consumption remained relatively steady at 5.7% of total energy consumption, while renewable electricity consumption decreased 1.5 percentage points (pp) to 8.7%

of total electricity consumption. These changes were driven by the same factors that impacted Scope 1 and 2 emissions and energy consumption performance, together with a decrease in renewable power purchase within Cromology in DuluxGroup (Europe). The Scope 3 emissions increased 3% to 8.4 million tonnes (Mt), reflecting increased production in NIPSEA Group and inclusion of additional business areas. While the Scope 3 emissions currently exclude DuluxGroup (Europe), smaller parts of NIPSEA Group (about 10%), and Dunn-Edwards, these businesses also are preparing to start calculating Scope 3 emissions.

Metrics and results related to Climate Change (2023)

* Figures in brackets indicate year-on-year change.

PCG	GHG emissions (Scope 1 and 2) (kg/t)	GHG emissions (Scope 3) (Mt)	Total energy consumption (GJ/t)	Renewable energy consumption (% of total)	Renewable electricity consumption (% of total)
NIPSEA Group	32.3 (-33%)	6.2 (+5%)	0.29 (-9%)	3.0% (+1.4 pp)	5.8% (+3.0 pp)
DuluxGroup	75.0 (-5%)	0.9 (-6%)	0.83 (-6%)	7.4% (-11.0 pp)	13.8% (-23.9 pp)
Japan Group	149.8 (-2%)	1.2 (+0%)	3.32 (+0%)	10.1% (+5.1 pp)	14.4% (+7.1 pp)
Dunn-Edwards	—	—	0.20 (+5%)	—	—
Total	40.2 (-27%)	8.4 (+3%)	0.46 (-10%)	5.7% (+0.1 pp)	8.7% (-1.5 pp)

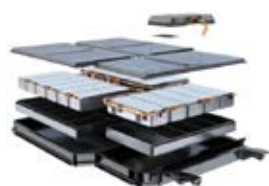
» For data from 2022 and earlier, as well as other ESG data, please refer to the "ESG Data" section on our website.

Environmental Strategy

Our Sustainable Products

In the area of EV coating, Japan Group and NIPSEA have integrated functional coating technologies to create differentiated technologies that meet the needs of each module. We have been accelerating their market introduction in collaboration with EV module customers, like adhesion function, insulation, hydrophobic and flame resistance.

We aim to provide comprehensive solutions to this rapidly growing market. Some products have already been launched to this market, such as PD E-501 as insulating powder and SURFCOAT NRX for surface coating of battery packaging.



Strategy

Establishing common metrics to improve understanding of circularity impacts and enable identification of risks and opportunities has been the foundation of the current strategy, and good progress is being made. Each PCG is also continuing to progress their individual waste, water, and environment improvement priorities, while circularity and nature-related targets and plans are expected to be developed in the medium term.

Risk management

The key risks and opportunities for Resources and Environment are largely common across the consolidated group, though individual PCGs do have different focus areas and action priorities that reflect the local maturity of their improvement journeys.

Metrics and targets

In 2023, our total waste generated decreased 7% to 14.7 kilograms per tonne (kg/t), while the hazardous waste proportion increased 3.3 percentage points (pp) to 36.6%. Waste recovered (recycled, reused) decreased 5.5 pp to 30.8% of total waste generated. These changes were driven by a combination of factors, including reduced generation and improved recovery through improvement initiatives in a number of businesses, increased production in NIPSEA Group, changes in production mix across different business units, and inclusion of recent acquisitions. These same factors also influenced water performance, where water withdrawal decreased 7% to 0.54 kiloliters per tonne (kL/t), while water consumed increased 20% to 0.47 kL/t. A new metric has been established to improve understanding of water consumption in regions of high or extremely high water stress, with 61% of total water consumption occurring in such regions during the year. This metric will help determine future priorities for improvement in sustainability impacts associated with water consumption.

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.

Governance

Under the guidance of the Environment & Safety Team, we promote initiatives to address our specific targets and priorities related to this Materiality.

» For more information about the framework, please refer to the "Governance" under the "Climate Change" section on page 62.

Metrics and results related to Resources and Environment (2023)

* Figures in brackets indicate year-on-year change.

PCG	Waste			Water			Improvement priorities
	Total waste generated (kg/t)	Hazardous waste generated (% of total)	Waste recovered (% of total)	Total water withdrawn (kL/t)	Total water consumed (kL/t)	High stress regions water consumed (% of total)	
NIPSEA Group	10.4 (-1%)	46.8% (+3.6 pp)	11.0% (-9.9 pp)	0.49 (-6%)	0.48 (+26%)	66%	Implementation of local improvement projects, including a water project at the Shanghai factory that reduced water discharge by 90% via reuse in production. Water reduction target is 8% by 2025.
Dulux Group	40.1 (-13%)	26.6% (+1.8 pp)	52.5% (+15.0 pp)	0.55 (-11%)	0.34 (-10%)	36%	Implementation of landfill waste plans to achieve 2030 target of 50% reduction in DuluxGroup (Pacific), waste water treatment plant improvements (France, Italy), and implementation of waste and water metrics across recent acquisitions.
Japan Group	53.6 (+7%)	12.4% (-1.9 pp)	80.6% (-15.9 pp)	1.66 (+2%)	0.53 (-13%)	0%	Continued focus on waste separation for recovery and recycling of wash waters in paint manufacturing.
Dunn-Edwards	9.9 (-11%)	1.0% (+1.0 pp)	5.4% (-4.9 pp)	0.63 (+10%)	0.50 (-4%)	93%	—
Total	14.7 (-7%)	36.6% (+3.3 pp)	30.8% (-5.5 pp)	0.54 (-7%)	0.47 (+20%)	61%	Sharing of global best practice across the Group, including implementation support for new high stress region water consumption performance metrics.

» For data from 2022 and earlier, as well as other ESG data, please refer to the "ESG Data" section on our website.