

Risk Management

As Asset Assembler based on mutual trust with all PCGs, the Company has a risk management system in place that has, as its core components, the internal control systems operated autonomously by every PCG.

Our approach to internal control

Sound risk management is the premise for the pursuit of MSV. We closely monitor changes in society and the needs of stakeholders to reexamine and update the internal control system in an appropriate and timely manner.

The internal control system, which was revamped in 2022, is in its second year of implementation and has been gradually integrated in each PCG.

The paint and adjacencies businesses of every PCG have strong regional characteristics, which make these businesses ideally suited for the autonomous management of business operations along with local production for local

consumption. We essentially give each head of PCG the authority to conduct business operations and responsibility for operating the internal control system. The heads of PCGs identify and respond to risks specific to their businesses, and our Co-Presidents oversee the Group's operations through evaluation and appointment/dismissal of the head of PCGs through various reports from these executives.

Enhancement of the Global Code of Conduct

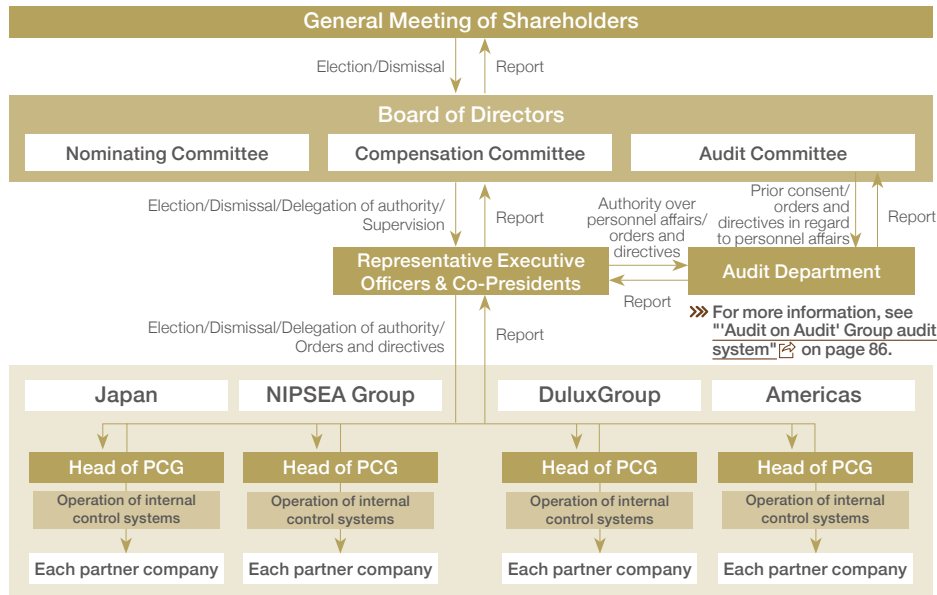
All Nippon Paint Group companies share and comply with the Nippon Paint Group Global Code of Conduct, which

sets out standards/requirements of compliance/ethics rules and sustainability. The code has been refined* by each PCG for the purpose of applying these guidelines in a manner that matches the business climates of different regions. As a result, with the leadership of Co-Presidents, the code has been embraced by group companies in each country and region.

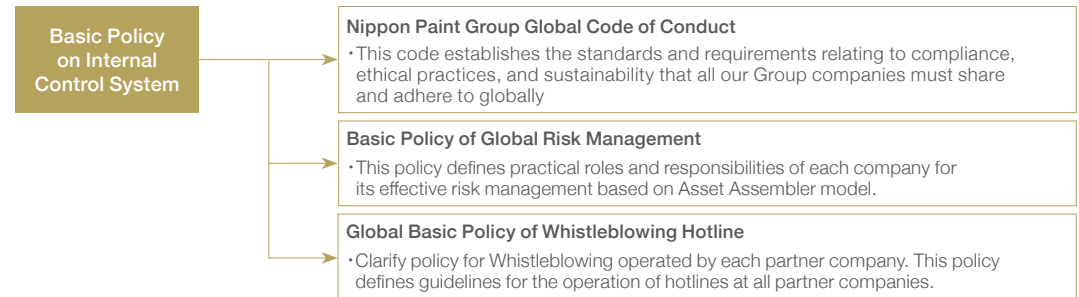
Additionally, to clarify our role in preventing corruption and preventing money laundering in our business activities, we included the following statements in our Global Code of Conduct in November 2023 and disseminated them both internally and externally.

» [DuluxGroup Code of Conduct](#)

Internal control system



The three key components of the Basic Policy on Internal Control System



Summary of the "Group management system" in the Basic Policy on Internal Control System



Risk Management

Anti-Corruption

At Nippon Paint Group, we are committed, under the Global Code of Conduct, to applying fair standards from ethical and legal perspectives in our business practices.

These include, but are not limited to:

We strictly prohibit bribes, kickbacks, gifts and entertainment, payments of any kind or other corrupt practices, which include offering, promising, giving, accepting or soliciting, whether directly or indirectly, improper benefits of any value, whether financial or non-financial, with the intention of obtaining or retaining improper business advantages from government officials or any other individuals and organizations. We shall keep any business gift and entertainment or corporate hospitality modest and reasonable in nature, entirely for the purpose of maintaining good business relations and not intended to influence business decisions made by any parties. We shall keep accurate, complete and up-to-date records of business and financial activities in reasonable detail in accordance with generally accepted accounting principles as well as applicable laws, rules and regulations.

Anti Money-Laundering

We conduct business only with parties involved in legitimate business activities and gaining funds from legitimate sources. We define money laundering as a process designed to conceal or disguise the true origins of illegally derived proceeds so that the proceeds appear to have been derived from legitimate sources. We prohibit any involvement in money laundering in our business activities.

» For more information, please refer to the "Nippon Paint Group Global Code of Conduct"  posted on our website.

Risk management system

Our Global Risk Management Basic Policy states that Co-Presidents have overall responsibility for risk management in our Group. The policy also defines the roles of each head of PCG as a frontline. In this manner, autonomous risk management at each PCG is

implemented appropriately by Co-Presidents and the head of each PCG based on their respective roles.

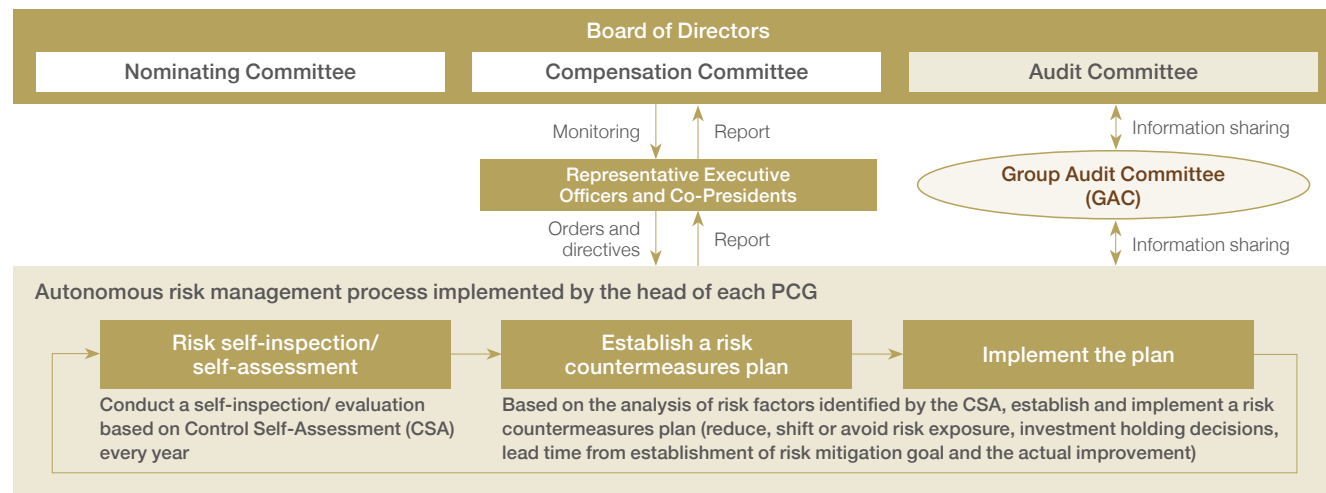
Each head of PCG conducts the control self-assessments (CSA), consisting of self-inspections and self-assessments based on a risk-based approach. They are responsible for using CSA to identify risk factors requiring actions, create risk management plans, and make improvements.

Results of CSA are reported to Co-Presidents, who, based on this information, grasp risk factors at our Group in individual regions and businesses. Then Co-Presidents perform effective monitoring by attending important management meetings of the PCGs and other activities and give the PCGs directions for responses against the identified risks. Indeed, Co-Presidents review the progress of concrete risk management measures based on the results of the CSA, and share the progress of these measures with the head of each PCG. This ensures that monitoring is carried out effectively and in a timely manner. Through these activities, if Co-Presidents identify risk factors that apply to our entire Group and require unified

measures by all PCGs, Co-Presidents hold the Risk Management Committee to discuss and make decisions about countermeasures.

Co-Presidents report the results of the risk analysis to the Audit Committee and the Board of Directors. In addition, the results are discussed at the Group Audit Committee (GAC), which brings together the personnel responsible for risk management and internal audit at each PCG. These meetings function also as a forum for sharing information about best practices for countermeasures. Separately from these activities, a framework is in place for sharing information with Co-Presidents, in a timely or prompt manner, about the occurrence of crises, such as a disaster of some type, environmental pollution, product liability issue, quality problem fraud or other event, which could affect the entire Group, giving rise to incidents or detection of risk with an impact beyond a pre-determined level. This system enables Co-Presidents, when necessary, to give orders covering the entire Group.

The group risk management process



Risk Management

Actions for priority risk factors within our Group

Every year, the Company compiles the results of the CSA performed by the heads of PCGs and identifies/analyzes risk factors that have been rated as priority risk items for that year based on their considerations of the status in our Group, social environment and other factors. A summary of FY2023 risk is shown below.

- The risk related to international taxation, which we began addressing based on the results of risk assessment in FY2022, has seen a decrease in risk sensitivity.
- With the rapid progress of digitization in recent years, "IT risk," which is one of the components of the "Risk related to business continuity plan," a priority risk item in FY2022, has come into focus. As a result, the risk associated with IT usage and IT systems has emerged as a priority risk item.
- The risk sensitivity for supply chain risk, risk related to human capital and compliance risk remained largely

unchanged or slightly decreased compared to FY2022. However, due to the significant impact of the external environment and the need for long-term mitigation measures, these risks continued to be assessed as priority risk items for FY2023.

Consequently, the priority risk items for FY2023 are the four items listed in the table below. Each PCG is implementing necessary measures for these priority risk items. As outlined in the "Risk management system," we continue to monitor these risks and take necessary actions.

Whistleblowing Hotline

The Nippon Paint Group Global Code of Conduct and the Global Basic Policy of Whistleblowing Hotline stipulate confidentiality and prohibit unfair treatment of whistleblowers. Each PCG has autonomously established a whistleblowing hotline based on this policy. They have effectively communicated this system to their employees and are operating it appropriately.

The head of each PCG submits a whistleblowing hotline operations status report once every year to the Audit Committee and Board of Directors.

In addition to these activities, Co-Presidents, in a prompt or timely manner, receive information about whistleblowing reports concerning serious violations of laws and regulations, scandals, violations of laws and regulations by the management team of each PCG, other misconduct, or specific information about the possibility of this type of event. This reporting system enables Co-Presidents to quickly give orders for responding to these events as required.

In FY2023, internal investigations were conducted on a total of 53 whistleblowing cases across the Group companies in response to whistleblowing reports. The appropriate departments within each PCG handled these cases according to their nature, conducting investigations, analyses, and implementing necessary actions. By doing so, we are working towards preventing violations and other improper conduct through measures such as establishing/enhancing appropriate systems and providing employee training. Through the GAC, we share updates on reporting, responses, and awareness initiatives from each PCG, aiming to enhance the effectiveness of our Whistleblowing Hotline.

Risk heat map

Priority risk items for FY2023	Change in risk sensitivity (vs FY2022)	Description of risk and key countermeasures
Risk related to IT use and IT systems	Higher	Management of information assets, data leakage, systems prepared for disasters and other potential disruptions, formulation of information security policies and rules, etc. (Actions) Each PCG is working to establish effective security measures tailored to their real-world situations, and is carrying out training and educational programs for employees to ensure immediate and agile response to various threats
Supply chain risk	Unchanged	Disruptions of raw material supply, exchange rate fluctuations, inventory/logistics management and credit management, etc. (Actions) Each PCG is taking appropriate actions, such as changing raw materials and raising product prices, as well as enhancing operational capabilities by optimizing its supply chain management processes (streamlining logistics, etc.)
Risk related to human capital	Lower	Succession for management teams of the Group (Actions) Each PCG is planning and taking actions on succession plans based on their business plans. Co-Presidents oversee succession plans for key management personnel and share these plans to the Nominating and Compensation Committees
Compliance risk	Slightly lower	Management of classified information and other risk factors that are intensifying in society (Actions) Each PCG autonomously monitors these risk factors through self-inspections and self-assessments and the Whistleblowing Hotline, and takes appropriate actions including employee training programs

Whistleblowing reports received in FY2023	Number of reports
Working environment (industrial accidents, harassment, discrimination, etc.)	31
Loss of assets/Leakage of information (conflict of interest, embezzlement, illegal use of data, etc.)	7
Accounting fraud	0
Violations of laws and regulations (anti-trust law violations, insider trading, bribery, business laws violations, etc.)	4
Others	11
Total	53

» For past records, please refer to our "[Whistleblowing reports](#)" on our website.