Applying our strengths to items of materiality to solve social issues and create business opportunities

Accompanying the expansion of our overseas operations, we reviewed our materiality in August 2020 based on our policy of integrating SDGs and ESG initiatives into our corporate management.

We identified items of materiality by creating a list of material issues which society requires us to address and by referencing international guidelines such as the Global Reporting Initiative (GRI), Sustainability Accounting Standards Board (SASB) as well as items required by ESG research organizations. We then performed quantitative evaluations of each issue and verified their significance in terms of the degree of importance to stakeholders and the degree of importance to our businesses. We engaged external experts to gain objective viewpoints on the issues and held discussions with our partner companies around the world to identify material issues associated with our business model and the business environment. The issues were then designated as our items of materiality.

Cross-functional teams under the ESG Committee were assigned to each materiality to discuss and develop materiality initiatives (See “ESG management system” on page 78). We have started gathering information on important topics and sharing the latest issues and ideas with our Group’s partner companies worldwide.

We are applying our Group’s technological strengths and actively collaborating with external partners to address social issues. We are also contributing to achieving the Sustainable Development Goals (SDGs) adopted by the United Nations in 2015.

Materiality Identification Process

- **Preliminary list**: We created a long list of 75 items that are our obligation to address set on international ESG standards and guidelines for disclosures and reporting derived from 11 ESG rating agencies and organizations, less than 3 items and placed particular importance on sustainability. During the process, we engaged external experts to gain objective viewpoints on the items of materiality for business importance, we identified six groups of items of materiality by creating a list of material issues associated with our business model and the business environment. The issues were then designated as our items of materiality.

- **Incorporating global risks**: To incorporate global risks, the materials also included chemical technology for evaluation based on information from the United Nations ESG Controversy Title Assessment and other reports.

- **Internal discussion**: Peer companies in the global chemical sector and forward-thinking business companies were also referred to.

- **Approval of preliminary list and internally assessed weighting of material issues**: Based on stakeholder requests and international ESG standards and guidelines for disclosures and reporting, we identified six groups of items of materiality.

- **Stakeholder opinion**: We interviewed various stakeholders and independent directors to gather their opinions on the potential items of materiality.

- **Relevant SDGs**: We deliberated on the final proposal of the ESG Committee meeting in July 2020 and obtained final approval at the Board of Directors meeting in August.

Climate change is beginning to have a serious impact on our lives every year. To mitigate the impact of climate change, we will work to reduce greenhouse gas (GHG) emissions and minimize business risks caused by climate change.

Effective use of resources such as water, energy, and raw materials, and prevention of environmental pollution are important matters for sustainable business. We will advance these efforts throughout our lifecycle of products.

We place great importance on the diversity of employees and other people involved in the business and respect human rights.

As a chemical manufacturer, we still believe that accidents and health damage caused by handling chemical substances are major risks. We will ensure the safety of employees and everyone involved in our business, and will make investments and education to minimize risks.

We will invest in communities through our value chain and to achieve sustainable business growth based on market growth, brand strengthening and good relationships with local communities.
## Materiality / Risks and Opportunities

### Climate change
- **Opportunities**
  - Expansion of the market for environmental products such as products contributing to carbon reduction
  - Development of new businesses through research and development

- **ESG Action Examples**
  - Reduction of greenhouse gas (GHG) emissions
  - Identification of risks and opportunities

### Resources and environment
- **Opportunities**
  - Expansion of the market for environmental products
  - Enhanced competitiveness by advancing recycling technologies, improving resource efficiency, and utilizing diverse raw materials

- **ESG Action Examples**
  - Waste/energy consumption (efficient consumption)/water resource consumption/pollution management product stewardship

### Diversity & Inclusion
- **Opportunities**
  - Significant impact on operations (a major accident occurs at a production site)
  - Improvement of safety assurance and process safety due to changes in manufacturing processes accompanying substantial increases in production

- **ESG Action Examples**
  - Increase the percentage of women in management posts
  - Improvement of employee engagement

### Safe people and operations
- **Opportunities**
  - Significant damage to the corporate brand if the company is not perceived as a corporate citizen by local communities

- **ESG Action Examples**
  - Disaster (fire accident) prevention and process safety
  - Fatality and injury prevention

### Growth with communities
- **Opportunities**
  - Significant tendering to future corporate earnings owing to industry-wide efforts to promote climate change adaptation and reduction

- **ESG Action Examples**
  - Policy development for the company’s social contribution
  - Strategic implementation of social contribution activities

### Innovation for a sustainable future
- **Opportunities**
  - Expansion of market for products that contribute to cost cutting and adapting to climate change

- **ESG Action Examples**
  - Promoting cross-industrial collaboration
  - Development of products that benefit society

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### Message from Management
- **Sustainability Information**
  - Medium- and Long-term Growth Strategy
  - Sustainability
  - Financial Information

### Capital and Business Model
- **Financial and Corporate Information**
  - Message from Management
  - Capital and Business Model
  - Medium- and Long-term Growth Strategy
  - Sustainability Information
  - Financial and Corporate Information

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### Progress in FY2020-2021
- **For more details, see “Climate Change” on page 106.**
- **For more details, see “Resources and Environment” on page 108.**
- **For more details, see “Diversity & Inclusion” on page 111.**
- **For more details, see “Safe People and Operations” on page 114.**
- **For more details, see “Growth with Communities” on page 115.**
- **For more details, see “Innovation for a Sustainable Future” on Page 116.**

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### Nippon Paint Holdings Integrated Report 2021
- **For more details, see “Climate Change” on page 106.**
- **For more details, see “Resources and Environment” on page 108.**
- **For more details, see “Diversity & Inclusion” on page 111.**
- **For more details, see “Safe People and Operations” on page 114.**
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43 Nippon Paint Holdings Integrated Report 2021

44 Nippon Paint Holdings Integrated Report 2021