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PHOTO: JAPAN / JAPAN SPORT COUNCIL
We held repeated discussions on the ideal leadership of the Nippon Paint Group and proposed a new management structure that will contribute to Maximization of Shareholder Value (MSV).

We introduced a Co-President structure following the change of President. This new management structure has been attracting a great deal of attention from shareholders, investors, and stakeholders in Japan and overseas. On this page, Independent Directors Masayoshi Nakamura (Chair) and Hisashi Hara (Nominating Committee Chairperson) talk about the background and objectives of the Co-President structure.

What roles did the Board of Directors play in the transition to the new management structure?

Nakamura ● With the Board of Directors made a big decision on April 26, 2021 to shift to a new management structure following the change of President. After the General Meeting of Shareholders held on March 26, we heard an intention of Mr. Masaaki Tanaka to resign and accordingly, we had very intensive discussions to establish a new management structure within a very short period of around one month. The resignation of Mr. Tanaka as Chairman of the Board, Representative Executive Officer, President & CEO became a major turning point because it meant a change of the head of both the business execution and supervisory functions of our Group. The establishment of a new management structure was our most important strategic decision. At this turning point, we decided to adopt a management structure with Mr. Yuchiro Wakatsuki and Mr. Wee Siew Kim, jointly providing leadership and Mr. Goh Hup Min, who has many years of experience in the paint industry, providing support to them. Nominating Committee Chairperson Mr. Hara and I discuss the role that the Board of Directors played in the decision to adopt the Co-President structure with Mr. Wakatsuki and Mr. Wee. We also discuss the background to decision by the Nominating Committee along with various matters that we have considered since adopting the new structure.

Reasons for adopting the Co-President structure

Deciding on the ideal leadership structure for the Group

Nakamura ● Why was the Co-President structure with Mr. Wakatsuki and Mr. Wee adopted? How was the decision made that this unconventional structure was appropriate for the Group?

Hara ● The ideal management structure and leadership for our Group mission of Maximization of Shareholder Value (MSV) is always a topic at meeting of the Board of Directors and committees. So, although we had one month to put those discussion to practical application, we actually had already engaged in much serious consideration before deciding to adopt the Co-President structure. I believe this structure is the manifestation of the ideal leadership for our Group that we have been discussing in the Nominating and Compensation Advisory Committee and later at the Nominating Committee during basically all three years since we joined NPHD as Independent Directors in 2018. Nakamura ● That’s absolutely right. The ideal leadership for our Group was a theme that we had been constantly examining and laying the groundwork for. Let’s start by looking back on the points of our discussions and the background for this decision.

The points in selecting candidates for next-generation leaders

Hara ● In March 2019, we invited Mr. Tanaka from outside to serve as Chairman of the Board. His nomination was the result of examinations that included interviews with both external candidates and internal personnel with the idea that we would be further expanding our operations globally, including acquiring 100% ownership of the Asian JV’s and the Indonesian business. Considering the contribution to MSV Mr. Tanaka’s experience in the financial industry and his international perspective as a top executive would provide, we appointed him as Chairman of the Board and President & CEO in January 2020. We also reinforced the Group’s governance structure, which included adopting a Company with a Nominating Committee, etc. structure. Under this executive structure headed by Mr. Tanaka, in January 2021 we succeeded in acquiring 100% ownership of the Asian JV’s, and in March 2021 formulated the Purpose to show our shared identity and the New Medium-Term Plan to FY2023. These measures are the result of Mr. Tanaka’s excellent leadership and will certainly contribute to the achievement of MSV.

At the same time, the Nominating Committee felt that preparing successors for a generational turnover was an urgent issue, particularly in the rapidly changing business environment of the COVID-19 pandemic. The committee considered selecting the top management for the next generation of growth and modernization essential to continue evolving the Nippon Paint Group into a global corporation through organic growth and M&A.

Mr. Tanaka also recognized the cultivation of his successors as a priority issue, and he worked with us to look for candidates both inside and outside the company. As part of our selection of candidates for next-generation leaders, we invited Mr. Wakatsuki from outside in November 2019 and elected him as Senior Managing Corporate Officer and CFO in January 2020. From within the Group, we appointed Mr. Wee, who was the CEO of the NIPSEA Group, to the position of Deputy President and Executive Corporate Officer to support Mr. Tanaka. Nakamura ● Against this backdrop, the Nominating Committee and the Board of Directors repeatedly discussed the vision of achieving MSV after the change of president and where to look for candidates for next-generation leaders to realize the vision. We would like to delve into our approach to evaluating and selecting candidates to lead the Company.

Hara ● We believe that us and all of our Directors should share their insights for the evaluations of potential candidates by carefully deliberating their comprehensive capabilities as a potential top executive through discussions with the candidates.

Breaking down the background of the Co-President structure

Nakamura ● It’s understandable that the Co-President structure would have a greater perspective in the selection of the top executive as a potential top executive through discussions with the Directors, external candidates and internal personnel with the idea of considering the contribution to MSV. Mr. Tanaka’s experience in the financial industry and his international perspective as a top executive provided us with insights into the future management execution of our Group. All of the Directors, in particular the Independent Directors, have shared the view that they would pursue management transparency, foster trust among the managers, and continue to contribute to practical discussions and to improve the Board’s effectiveness. Nakamura ● We appointed Mr. Goh as Chairman, the Board of Directors, in which Independent Directors are the majority of its members. We also thought that we needed to have written rules concerning deliberations and examinations for the Board. Thus, we appointed Mr. Goh as Chairman, the Board of Directors, in which Independent Directors are the majority of its members. We also thought that we needed written rules concerning deliberations and examinations of the Board. Hence, we appointed Mr. Goh as Chairman, the Board of Directors, in which Independent Directors are the majority of its members. We also thought that we needed written rules concerning deliberations and examinations of the Board.

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Hara ● We believe that us and all of our Directors should share their insights for the evaluations of potential candidates by carefully deliberating their comprehensive capabilities as a potential top executive through discussions with the candidates.
The resignation of Mr. Tanaka as Chairman of the Board, structure within a very short period of around one month. Very intensive discussions to establish a new management of Shareholders held on March 26, we heard an intention of on April 28, 2021 to shift to a new management structure the Co-President structure decision to adopt the Co-President structure with Mr. Nakamura. In March 2019, we invited Mr. Tanaka from outside the company in 2019. Immediately following his nomination as CFO, he proved his suitability as a next-generation leader by strengthening engagement with the capital market, efficiently procuring long-term funds for acquisitions, and successfully leading the acquisition of 100% ownership of the Asian JVs in a manner that was highly regarded by the capital markets. Mr. Wee has been the CEO of the Nippon Paint Group since 2009, where he led its growth into a core Group business that now accounts for 50% of revenue and 70% of operating profit. Following the acquisition of DuluxGroup in 2019, he further demonstrated significant leadership in creating synergies within the Nippon Paint Group and between DuluxGroup and Nippon Paint. Mr. Wee demonstrated the experience and achievements that will be essential to lead the Group's next-generation growth. It is understandable that the Co-President structure would raise concerns about decision-making due to the split leadership and complications in the chain of command. Nevertheless, I believe that the organic combination of their management skills will ultimately overcome any downside by the benefits it provides to MSV. As part of the Directors of the Board's governance, we believe receiving and deliberating reports on individual proposals is insufficient to accurately understand and evaluate the performance of the top management of NPHD and GSK. The Independent Directors of the Board Meetings aim to build deep relationships with top management and GSK not only by discussing themes concerning the objectives of each committee but also by encouraging an open exchange of opinions. I believe this type of communication will become even more important in the future. I agree. I believe the relationships we created with Mr. Wakatsuki and Mr. Wee enabled us to openly chat anytime even outside meeting and gave us a good understanding of the achievements and personalities. These concerns are behind the confidence we had in nominating them to oversee our business execution and supervisory functions. Thank you. I think we were able to look back on the background of the adoption of the Co-President structure with Mr. Wakatsuki and Mr. Wee. We invited Mr. Hara from outside the company in 2019. Immediately following his nomination as CFO, he demonstrated the experience and achievements that will be essential to lead the Group's next-generation growth. In addition to these governance mechanisms, each of us as Directors of the Board feel great responsibility to contribute to practical discussions and to improve the effectiveness of the Board of Directors. The starting point is carefully monitoring and determining how candidates for the Group’s leadership are tackling the ever-changing environment surrounding our businesses. Our approach is more than simply mechanically and sequentially selecting candidates from a pipeline who have more check marks in the skills requirement list. The Nominating Committee, and the Directors of the Board have therefore diligently maintained close and direct communications with the top management in group. At the meetings of the Board, we repeatedly discussed what was behind the process of nominating Mr. Goh. The Corporate Governance Code also recommends that it is my duty as a Director to lead serious discussions that are behind the process of nominating Mr. Goh. We invited Mr. Wee from outside the company in 2019. Immediately following his nomination as CFO, he demonstrated the experience and achievements that will be essential to lead the Group’s next-generation growth. The Co-President structure has a significant responsibility to establish a governance structure that respects the common interests of the Company, shareholders and protect the interests of minority shareholders. That is the reason that the Board of Directors amended the Board of Directors Rules to appoint Mr. Nakamura, who is the Lead Independent Director as the Board Chair in place of Chairman Goh, who is the Representative of the Wuthelam Group, the major shareholder of NPHD. The Corporate Governance Code states that a company that has a major shareholder listed on a prime market is required to ensure that the majority of the members of the Board are Independent Directors. NPHD already has the Board of Directors, in which Independent Directors are the majority of its members. We also thought that we needed to establish this as our own rule for governance. The Corporate Governance Code also recommends that an Independent Special Committee be established for important transactions that may cause conflicts of interest between major shareholders and minority shareholders. We hold several meetings on concerning deliberations and examinations on such transactions in our disclosed Corporate Governance Policies and our Board of Directors Rules. We comply with these rules and regulations in our operations. In the new management structure was decided on. I think this decision reaffirmed our common objective to achieve MSV and driving the Group’s future growth. I fully agree with your view that our next task after establishing the new management structure is to further improve the effectiveness of the Board of Directors. We will work together to improve our corporate governance structure to pursue MSV.
Discussions by the Board of Directors

“Acquisition of 100% ownership of the Asian JVs, Indonesia business”

Decided by resolution of the Board of Directors based on repeated discussions to ensure the protection of minority shareholder interests

NPHD’s Board of Directors is focused on improving the transparency, objectivity, and fairness of management through lively exchanges of opinions and discussions, mainly by the independent directors who comprise the majority of the Board. The acquisition of 100% ownership of the Asian JVs was decided based on repeated discussions held by the Board of Directors to ensure the protection of the interests of minority shareholders. These pages present the outcomes of the discussions held by the Board and the opinions of each Director.

Increasing net profit by more than 60% and EPS by more than 10%

NPHD has evolved its partnership with the Wuthelam Group through joint ventures for nearly 60 years. With our acquisition of a 100% stake in Asian JVs following their consolidation in FY2014, we can bring our partnership with the Wuthelam Group to full maturity, allowing us to further accelerate growth of our Group by building a management base that unites the two companies in both name and reality. According to a simulation based on certain assumptions, this acquisition will increase profit attributable to owners of the parent by around 60% and EPS by more than 10%, making it sufficiently attractive from the perspective of protecting the interests of minority shareholders as well.

In addition, increasing capital through a third-party allotment has allowed us to strengthen the financial base to accelerate M&A activities in the future, as well as improve our credit rating. For these reasons, this acquisition has contributed to the Maximization of Shareholder Value (MSV).

Simplifying our ownership structure to one that is beneficial to all shareholders

Prior to this transaction, the Wuthelam Group held 39.6% of NPHD’s shares, a 49% stake in the Asian JVs, and a 100% stake in the Indonesian business. This ownership structure has been criticized as complex, with outflows of profits from the Asian JVs that are the engine of the Group’s growth, and a possibility of conflicts of interest in terms of governance. Accordingly, we held discussions and negotiations premised on protecting the interests of minority shareholders. For example, we have (1) shifted to a Company with a Three Committees Structure; (2) changed the composition of the Board of Directors to one where six out of the nine directors are independent directors; and (3) established the Special Committee, consisting of independent directors who are well versed in M&A, which has held eight Special Committee meetings and seven Board of Directors meetings. After the implementation of this transaction, the

The financial method in this transaction should be examined adequately. Financing the entire acquisition price using borrowings could lead to a loss of equity capital, and funds could be raised by issuing shares through public offering. However, new share issuance may entail some problems such as the issue price being offered at a discounted price and the number of shares issued not being able to be fixed. This is a matter of choice between the risk of incurring such problems and the risk of having a shareholder with a majority shareholding. From the perspective of growing EPS, the latter option is considered to have a smaller risk. Regarding the absence of a 58.7% retention clause, we believe that the risk of further increase in the Wuthelam Group’s stake is not that significant in terms of liquidity and the maintenance of market listing. On the other hand, given that capital can be increased in the future through M&As that are expected to improve EPS, I believe the absence of this clause has some advantages in terms of selection of a superior financing method and the potential reduction in the Wuthelam Group’s stake.

With the interests of minority shareholders in mind, the Board of Directors deliberated the issue of new management team’s independence. The Board of Directors deliberated the issue of new management team’s independence. The Board of Directors will require the Committee’s recommendation. We believe that the Special Committee functions as a framework for making objective and independent judgments without the influence of the Wuthelam Group. It is generally not a good thing when a listed company concludes a special contract with some of its shareholders that includes involving the exercise of voting rights. Therefore, we do not need to insist on continuing the strategic alliance contract concluded in 2014. Because we will need to build a relationship of trust with the Wuthelam Group through closer communication than ever before, we must promote management and business execution that consistently keeps achieving MSV in mind.
## Directors and Executive Officers

### (as of June 30, 2021)

<table>
<thead>
<tr>
<th>Directors</th>
<th>Goh Hup Jin</th>
<th>Manami Minami</th>
<th>Hisashi Ibara</th>
<th>Takashi Tsutui</th>
<th>Toshie Morotomi</th>
<th>Masayoshi Nakamura</th>
<th>Masataka Mitsuhashi</th>
<th>Miharu Koezuka</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Profile</strong></td>
<td>Chairman</td>
<td>Director of the Board</td>
<td>Independent Director of the Board</td>
<td>Independent Director of the Board</td>
<td>Independent Director of the Board</td>
<td>Independent Director of the Board</td>
<td>Independent Director of the Board</td>
<td>Independent Director of the Board</td>
</tr>
<tr>
<td><strong>Title</strong></td>
<td>Managing Director, WUTHELAM HOLDINGS LTD. (current)</td>
<td></td>
<td></td>
<td>Managing Executive Officer, Representative Director of Nomura Securities Co., Ltd. (current)</td>
<td>Managing Director, WUTHELAM HOLDINGS LTD. (current)</td>
<td>Managing Executive Officer, Representative Director of Nomura Securities Co., Ltd. (current)</td>
<td>Managing Director, WUTHELAM HOLDINGS LTD. (current)</td>
<td>Managing Director, WUTHELAM HOLDINGS LTD. (current)</td>
</tr>
</tbody>
</table>

### Experience/Expertise

<table>
<thead>
<tr>
<th>Experience in corporate management</th>
<th>Experience in M&amp;A</th>
<th>Experience in global business operations</th>
<th>Finance</th>
<th>Legal affairs</th>
<th>IT/Digital</th>
<th>Manufacturing/Technology/R&amp;D</th>
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<tbody>
<tr>
<td>8</td>
<td>3</td>
<td>7</td>
<td>4</td>
<td>2</td>
<td>2</td>
<td>3</td>
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</tbody>
</table>

### Committee membership

<table>
<thead>
<tr>
<th>Nominating Committee</th>
<th>Compensation Committee</th>
<th>Audit Committee</th>
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</thead>
<tbody>
<tr>
<td>☐</td>
<td>☐</td>
<td>☐ (Chairperson)</td>
</tr>
</tbody>
</table>

### Attendance of the Board of Directors’ meetings

<table>
<thead>
<tr>
<th>Date of appointment as director</th>
<th>Number of shares held</th>
<th>Attendance of the Board of Directors’ meetings</th>
</tr>
</thead>
<tbody>
<tr>
<td>December 2014</td>
<td>None</td>
<td>17/17</td>
</tr>
<tr>
<td>June 2013</td>
<td>117,704</td>
<td>16/17</td>
</tr>
<tr>
<td>March 2018</td>
<td>52,926</td>
<td>16/17</td>
</tr>
<tr>
<td>March 2018</td>
<td>46,399</td>
<td>16/17</td>
</tr>
<tr>
<td>March 2018</td>
<td>42,889</td>
<td>16/17</td>
</tr>
<tr>
<td>March 2018</td>
<td>55,566</td>
<td>16/17</td>
</tr>
<tr>
<td>March 2020</td>
<td>22,389</td>
<td>16/17</td>
</tr>
<tr>
<td>March 2020</td>
<td>22,389</td>
<td>16/17</td>
</tr>
</tbody>
</table>

### Ratio of outside directors on the board

<table>
<thead>
<tr>
<th>Name</th>
<th>Number of applicable Directors</th>
<th>Number of outside directors serving as committee members</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chairman</td>
<td>3/4</td>
<td>3/4</td>
</tr>
<tr>
<td>Director of the Board</td>
<td>2/3</td>
<td>2/3</td>
</tr>
<tr>
<td>Independent Director of the Board</td>
<td>3/4</td>
<td>3/4</td>
</tr>
</tbody>
</table>

### Executive Officers

(As of August 1, 2021)

<table>
<thead>
<tr>
<th>Name</th>
<th>Position</th>
<th>Company Name</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yuiichiro Watatsuki</td>
<td>Representative Executive Officer &amp; Co-President</td>
<td>Nippon Paint Holdings Co., Ltd.</td>
</tr>
<tr>
<td>Wee Siew Kim</td>
<td>Representative Executive Officer &amp; Co-President</td>
<td>Nippon Paint Holdings Co., Ltd.</td>
</tr>
<tr>
<td>Yoshiaki Kuroda</td>
<td>Managing Executive Officer and CTO</td>
<td>Nippon Paint Holdings Co., Ltd.</td>
</tr>
<tr>
<td>Masuo Kida</td>
<td>Managing Executive Officer</td>
<td>Nippon Paint Holdings Co., Ltd.</td>
</tr>
<tr>
<td>Takeshi Shtomi</td>
<td>Managing Executive Officer</td>
<td>Nippon Paint Holdings Co., Ltd.</td>
</tr>
<tr>
<td>Seicho Shirohata</td>
<td>Managing Executive Officer</td>
<td>Nippon Paint Holdings Co., Ltd.</td>
</tr>
<tr>
<td>Kohei Tshushima</td>
<td>Managing Executive Officer</td>
<td>Nippon Paint Holdings Co., Ltd.</td>
</tr>
<tr>
<td>Satoshi Nishimura</td>
<td>Executive Officer</td>
<td>Nippon Paint Holdings Co., Ltd.</td>
</tr>
<tr>
<td>Yuri Inoue</td>
<td>Executive Officer and General Counsel</td>
<td>Nippon Paint Holdings Co., Ltd.</td>
</tr>
</tbody>
</table>
Corporate Governance Structure and Initiatives

Features of our corporate governance structure that underpins the achievement of Maximization of Shareholder Value (MSV)

1. Ensure the protection of the interests of minority shareholders while sharing MSV as the common objective with the major shareholder

2. Improved effectiveness of the Board of Directors under the leadership of Independent Directors

3. Succession planning with a focus on substance rather than formalism

Basic approach to governance

We have shifted to a Company with Nominating Committee, etc. with the aim of enhancing transparency, objectivity and fairness of management as well as separating and strengthening supervision of management and business execution. We, based on the Purpose as the significance of existence common to the Group and the Business Philosophy, which is its policy, promote its business and engage in ongoing efforts to enhance and strengthen its corporate governance, and thereby, will achieve “Maximization of Shareholder Value,” as its ultimate objective.


History of governance reforms

Since 2014, we have taken actions to separate and strengthen the supervision of management and business execution including the increase in the number of Independent Directors and delegation of authority from the Board of Directors to business execution. To further accelerate this process, we shifted to a Company with a Nominating Committee, etc. structure in March 2020. At present, the majority of the Board of Directors of NPHD is composed of Independent Directors. Following the change of the management structure in April 2021, the lead Independent Director has been serving as the Board Chair.

Relationship with the major shareholder and protection of the interests of minority shareholders

We share a philosophy of MSV with the Wuthelam Group, which has a history of cultivating business partnerships with the Company for over 60 years, and properly protect the interests of the minority shareholders. The acquisitions of 100% ownership of the Asian JVs and the Indonesia business in January 2021 simplified our ownership structure, causing the interests of the major shareholder and minority shareholders to be perfectly aligned. This created a management structure to pursue MSV while ensuring the protection of the interests of minority shareholders. In the meantime, the acquisitions have made the Wuthelam Group our major shareholder. From the viewpoint of protecting the interests of minority shareholders, when conducting transactions with the Wuthelam Group, we ensure appropriate involvement and supervision by the Independent Outside Directors, such as obtaining approval at the Board of Directors with the majority of the Independent Directors, appointing an Independent Director to serve as Board Chair, etc.

Additionally, we report significant related party transactions exceeding a certain monetary threshold.

Accelerating growth towards our ultimate objective of Maximization of Shareholder Value (MSV)

The completion of its acquisitions of 100% ownership of the Asian JVs and the Indonesia Business in January 2021 allowed Nippon Paint Group to fully integrate the operations in Asia in name and substance. Besides strengthening the Group’s management foundation for accelerating growth, the transaction also boosted net profit and EPS. With Nippon Paint Group’s capital ownership structure thus simplified, a complete alignment of interests between Wuthelam Group and minority shareholders is now achieved.

Following the transaction Wuthelam Group’s shareholding in Nippon Paint Group has increased to 58.7%, but our stance as a shareholder remains unchanged. We continue to expect Nippon Paint Group to work towards MSV, an objective aligned with that of minority shareholders.

This implies that, even in the event Nippon Paint Group chooses to carry out equity offerings to finance M&As or large scale investments in the future, Wuthelam will not take issue with the dilution as long as MSV is achieved. In other words, Wuthelam’s primary objective is not to hold majority voting rights but to achieve MSV which is the only basis for our judgement. With this premise, I, as Chairman and Board Member will, to the best of my ability, work towards the Group’s achievement of MSV.
Roles of the Independent Directors of the Board Meeting

We hold a monthly Independent Directors Meeting, which is chaired by the Lead Independent Director and comprises solely of Independent Directors. The monthly Independent Directors Meeting holds discussions that lead to resolutions at Board of Directors meetings and Committee meetings, such as agendas of the meetings of the Board of Directors and the Nominating, Compensation, and Audit Committees, as well as sharing the comprehensive background of matters of concern of the business execution and promoting communication by inviting the top management of Nippon Paint Group companies (GKP: Global Key Position) in Japan and overseas. The lead Independent Director puts together opinions expressed in the Independent Directors Meeting as necessary and shares and discusses them with the Chairman, Representative Executive Officers & Co-Presidents, and Executive Officers.

The number of the Independent Directors of the Board Meeting held FY2020: 20 FY2021: 7 (As of June 30)

Functions to support the Independent Directors

The Independent Directors regularly receive information from departments such as Finance and Accounting, Corporate Planning, and Investor Relations to quickly and accurately grasp the status of business execution in the Company. In addition, the Representative Executive Officers & Co-Presidents directly share comments from the capital markets and a variety of information on business execution with the Independent Directors in an effort to support them to further deepen their understanding of our Group’s businesses. Meanwhile, it is useful for the business execution to receive questions, opinions and suggestions directly from the Independent Directors, who have a wealth of experience and knowledge. These sharing of information and opinions have led to lively discussions.

Furthermore, the Board of Directors Office serves as the secretariat for the Independent Directors Meeting in addition to the Board of Directors meetings, and supports the Independent Directors by offering prior explanation on the background of agenda at the Board of Directors meetings, coordinating a schedule for attending meetings held by the business execution, sharing information, arranging plant site visits and holding meetings to exchange opinions with the business execution. By establishing such forums for direct communication with the business execution, we have in place a system that enables the Independent Directors to work more effectively. The Board of Directors Office is also tasked with supporting the Nominating, Compensation and Audit Committees, which makes it possible to provide thoroughly organized information and make adjustments at the request of the Independent Directors, taking into consideration language and time differences in response to the global expansion of our Group’s operations. In this way, the Board of Directors Office is endeavoring to enhance the effectiveness of the Board of Directors.

Stimulating Board of Directors discussions

The Board of Directors of Nippon Paint Holdings are “always on,” even outside the meeting hours. The Independent Directors communicate and share the latest information with Co-President, President and Co-President Wasi, who head the business execution, and the Global Key Position management teams of our Group companies whenever necessary. We use this information as the basis for decision-making at meetings of the Board of Directors and the committees. The open and frank sharing of information and discussion at meetings of the Independent Directors of the Board that unfold without any agenda and minutes are a great help to each Independent Director in making more accurate judgments. The Board of Directors generally meets twice a month and the committees meet once a month. I believe the timely sharing of information and opinions gives us agility and flexibility for our decision making.

For all of the information we communicate between us, we ask “Does it contribute to MSV?” I believe that continuing to ask this question for every decision we make will further refine and evolve our ultimate objective of MSV. One of the most important roles of the Board Directors is to evaluate the abilities of individuals who execute our business operations and appoint the right person for the right job. During the Co-President selection process in April 2021, the constant communication between the Directors allowed quick consensus within a very limited time frame of about one month without relying on a typical succession planning process. I believe that our “always-on” Board of Directors will minimize the gap in information and suggestions directly from the Independent Directors, who have a wealth of experience and knowledge. These sharing of information and opinions have led to lively discussions.

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Overview of evaluation outcome

It was evaluated that the effectiveness of the Board of Directors is mostly secured as a whole.

(i) Since NHND shifted to a Company with a Nominating Committee, etc. structure, separation of execution and supervision advanced.

(ii) NHND has considerably strengthened the supervisory function through actions, such as making the two-thirds of members of the Board of Directors Independent Directors to ensure the independence of the these statutory committees.

(iii) In acquiring 100% acquisition of the Asian JV and making the accompanying revision of the capital policy, the Company set up a “Special Committee” comprised of three Independent Directors and held a total of 15 meetings including the Board of Directors meetings, thereby ensuring the protection of the interests of minority shareholders.

Main initiatives in FY2020

(i) Formulate Remuneration Philosophy and strengthen the monitoring of the Representative Executive Officer and communication with the business execution.

(ii) Deeper discussions including those from the perspective of investors, based on information obtained from the business execution.

(iii) Delegate a substantial authority to the business execution.

(iv) Expand and enhance supervision and discussion on the progress in the formulation of the Medium-Term Plan.

(v) Broaden and deepen strategic discussions and achieve the acquisition of 100% ownership of the Asian JVs.

(vi) Strengthen the Audit on Audit system based on the characteristics of our operating regions.

Issues requiring stronger initiatives in FY2021

(iii) Incorporation of the CEO of the Group in the Board of Directors.

(iv) Further reinforcement of Audit functions.

(v) Reinforcement of nominating functions.

Issues which require stronger initiatives in FY2020

(i) Strengthen functions of nomination and remuneration including supervision of succession planning and establishment of a transparent, objective and competitive remuneration structure.

(ii) Leverage investor feedback.

(iii) Strengthen delegation of authority to establish a monitoring model.

(iv) Reinforce supervision and deepen discussion on the Medium-Term Plan.

(v) Broaden and deepen discussions on important agendas such as strategy and capital policy.

(vi) Enhance the audit function.

Analysis and evaluation of the effectiveness of the Board of Directors

Guidelines for making evaluation

Subjects

All Directors in FY2020 (Nine persons)

Method

(a) Issued Board Advisors Japan, Inc. and conducted questionnaire and individual interviews

(b) Status of progress in resolving issues pointed out in the previous evaluation of the effectiveness of the Board of Directors

(c) Issue the Board of Directors and the Nominating, Compensation, Audit Committees after the Company has shifted to a Company with a Nominating Committee, etc. structure

Evaluation process

Step 1: Distribute questionnaires to Directors

Step 2: Conduct separate interviews with each Director based on the results of questionnaire

Step 3: Summarize and analyze the results of questionnaires and individual interviews

Step 4: Report and deliberate on the evaluation of the Board of Directors at a Board of Directors meeting

Evaluation for FY2020 and issues for FY2021

Message from Management

Capital and Business Model

Medium- and Long-term Growth Strategy

Sustainability Information

Financial and Corporate Information

Nippon Paint Holdings Integrated Report 2021
Governance

Our attitude to the composition and skills of the Board of Directors (Nomination, qualification criteria, diversity, etc.)

We believe that the Board of Directors and each Committee need to be comprised of Directors with a suitable background with the aim to establish the Board of Directors that is capable of performing the supervisory function in a sustainable manner in an ever-changing business environment. We have designated the three categories of "Experience in corporate management," "Experience in global business operations," and "Experience in M&A" as required experience and the four categories of "Finance," "Legal affairs," "IT/Digital," and "Manufacturing/Technology & R&D" as required skills. We nomicate Director candidates to form the Board of Directors comprised of members well balanced in terms of the above seven categories, and also appoint sub-Directors for each Committee that requires a higher degree of specialization. Experience in ESG-driven management, which has attracted attention in recent years, is included in "Experience in corporate management" as being able to supervise and make advise concerning a broad range of matters on overall management. Skills in GRC (Governance, Risk management, Compliance) are included in "Legal affairs".

On the other hand, to ensure diverse opinions and supervisory functions at the Board of Directors, we endeavor to secure, expand and reinforce diversity based on a skill matrix without too much regard to particular attributes, such as age, nationality and gender.

Election and dismissal of directors

We, in order to secure the effectiveness of the Board of Directors, have adopted the policy of nominating candidate Directors of the Board with diverse experience, achievements, high levels of insight, and high levels of expertise, regardless of nationality, gender, whether from Japan or overseas, or from within or outside the Group, etc., in the Nominating Committee, whose majority members are Independent Directors.

In order to supervise conflicts of interest between the Company and the Directors, Executive Officers, major shareholders and other parties, and to appropriately reflect the opinions of minority shareholders, we have established the Board of Directors. The majority of the Board of Directors is composed of Independent Directors in principle. Furthermore, an Independent Director serves as the Board Chair. Independent Directors are elected based on the "Independence Criteria for Outside Director of the Board" established by the Board of Directors of the Company, for the Independence Criteria for Outside Director of the Board, see the Attachment "Nippon Paint Holdings Corporate Governance Policies" which is available in the Sustainability page of our website. https://www.nipponpaintholdings.com/en/sustainability/governance/cp/

Succession planning

In order to ensure the function of a monitoring model to continue working effectively, we believe that it is important for Independent Directors to proactively and autonomously consider the composition of the Board of Directors and appoint candidates for Director to realize the composition as well as examine candidates for the Representative Executive Officer and other Executive Officers. The Nominating Committee works closely with other Committees and the Independent Directors of the Board to keep continuous and close communication with the Group and consider the composition of the Board of Directors and appoint candidates for Director to realize the composition as well as examine candidates for the Representative Executive Officer and other Executive Officers. The Nominating Committee works closely with other Committees and the Independent Directors of the Board to keep continuous and close communication with the Group and consider the composition of the Board of Directors and appoint candidates for Director to realize the composition as well as examine candidates for the Representative Executive Officer and other Executive Officers.

Nominating process

Communication with the Independent Director and the business execution

- Explore the ideal form of the monitoring model system to contribute to MSV according to the situation of the Company
- Communicate with GKP (Committee for Supervision and Execution) continuously and closely
- Deliberation on the system of supervision and execution based on information obtained through communication with the Independent Director and the business execution

Resolution

- Resolution of candidates for director by the Nominating Committee
- Deliberation on and resolution of election of Executive Officers by the Board of Directors based on reports from the Nominating Committee

*For the skill matrix of Directors. See "Directors and Executive Officers" on page 91.

Required experience/skills

1. Experience in corporate management
   The ability to supervise and make advice concerning a broad range of matters on overall management from formulation of business strategy to its implementation

2. Experience in global business operations
   The ability to supervise and make advice on the businesses of the Company, which operates globally, taking into consideration diverse business environments, economic conditions and cultures around the world

3. Experience in M&A
   The ability to supervise and make advice on the validity of M&A that the Company is pursuing and the progress of PMI

4. Finance
   The ability to supervise and make advice on capital allocation and other financial activities of the Company

5. Legal affairs
   The ability to supervise and make advice on regulations concerning operations, GRC (Governance, risk management and compliance) and internal controls

6. IT/Digital
   The ability to supervise and make advice on an improvement of operations and creation of new business models through IT and Digital Transformation

7. Manufacturing/Technology & R&D
   The ability to supervise and make advice on creation of new technology through R&D by making use of his or her knowledge of technology related to manufacturing operations and the businesses of the Company

Status of succession planning

I was appointed as a Director of Nippon Paint Holdings in 2018 and have served as the chairperson of the Nominating Committee and subsequently as the chairperson of the Nominating Committee since 2020. I have been involved in the Nominating Committee’s ongoing discussions about the ideal image for the leader of our Group. We do not have concrete requirements in the succession plan for the Representative Executive Officer. The reason is that, given the Group’s ever-changing social and business environment, we do not think it practical to automatically select a "superman" candidate just because they have more of the conventional skills needed to be a Representative Executive Officer. The important point is to appoint a person who can be trusted and who the management of our Group. Our aim is to appoint a person who has human skills and passion, without being excessively focused on specific management skills. The same applies to the appointment of the Directors of the Board who supervise business execution. There is more to succession planning for the positions responsible for business execution and supervision than creating a mechanism for succession. Moreover, strictly following the mechanism is no guarantee that the right successor will be appointed.

We are constantly seeking to define the leadership characteristics needed to guide the Group to achieve MSV. Through close and continuous communication, the Directors of the Board consider the personalities and qualities of management team members so we aim at the same page about the characteristics needed of future Group leaders and who we consider to be good candidates. We believe the experience and good judgment of the Directors of the Board can identify individuals with the qualities to successfully and flexibly lead the Group through the ever-changing business environment. These preparations ensure that we are always in a position to make an appropriate and deeply considered decision for the future of the Group.

Hisa Hara
Independent Director
Nominating Committee Chairperson

Chairperson
Hisa Hara (Independent Director)

Composition of the Committee

Decision on the content of proposals regarding the election and dismissal of Directors to be submitted to the General Meeting of Shareholders, and deliberate on succession plans for Directors, the appointment and removal of the Representative Executive Officer and president and other Executive Officers, and their succession plans.

Role of the Committee

Number of meetings held
FY2020 (From late March 2020 to Early March 2021) 17
FY2021 (From late March 2021 to End of June 2021) 6

Main Activities

The Nominating Committee resolved the proposals for the election and dismissal of Directors for FY2021 submitted to the General Meeting of Shareholders and deliberated and reported on the Executive Officer structure for FY2021.
Remuneration decision-making policy for Officers

At our Company the Compensation Committee, which is chaired by an Independent Director, determines the remuneration structure and annual base remuneration for the Directors and Executive Officers. In addition, the Compensation Committee supervises the status of determination of the amounts and content of remuneration for Corporate Officers. The Compensation Committee deliberates on and determines the remuneration structure and its levels in fair and transparent manners based on the “Remuneration Philosophy” and the “Design Policies for the Remuneration of the Representative Executive Officer and President” set forth by the Compensation Committee, taking into consideration social situations, comparison of remuneration with that of other companies, market remuneration levels and other factors.

Remuneration Structure for Representative Executive Officer & Co-President

We introduced the Co-President structure in April 2021. Following this change of management structure, the Compensation Committee deliberated and determined the remuneration level and structure for the Representative Executive Officer & Co-Presidents for FY2021. To keep the motivation of the Co-Presidents, who have different nationalities, to contribute to the achievement of MSV and provide adequate incentives.

Specifically, the Compensation Committee comprehensively assesses matters, such as the scope of the responsibilities and performance of each Co-President, consistency with existing remuneration systems and incentives, benchmarking against the markets and other companies, the level and remuneration structure of the country where the Co-President operates from, then sets the total amount and the remuneration structure for each Co-President, taking into account the Remuneration Philosophy and Design Policies for the Remuneration of the Representative Executive Officer and President.

Additionally, to maintain appropriate motivation and incentives, effective FY2022, the Compensation Committee will determine the total amount of remuneration for the following fiscal year based on a comprehensive evaluation of matters at the preceding year including our Group’s earnings results, the performance of the Representative Executive Officer and President and the results of benchmarking against other companies. The Compensation Committee also reviews the remuneration structure from scratch each fiscal year.

Remuneration Structure for Executive Officers

Remuneration for the Executive Officers, excluding the Representative Executive Officer & Co-Presidents, is comprised of “Job-based compensation,” “Long-term incentives” and “Performance-linked Incentives.”

Because the scope of responsibilities of each Executive Officer varies, “Performance-Linked Incentives” is designed to help contribute to MSV and provide incentives to the Executive Officers by appropriately reflecting the degree of fulfillment of each Officer’s responsibilities based on the evaluation not only on our Group’s earnings but also on its long-term and non-financial performance including sustainability initiatives.

Composition of Officer remuneration as fixed cash compensation

Remuneration Structure for Directors

The Company has established Job-based compensation and allowance for committee member and other roles as fixed cash compensation, as well as Long-term Incentives. The remuneration structure reflects the idea that remuneration should take into account the roles and risks related not only to supervision of management but also to important decision-making including corporate acquisitions assumed by Directors and incentives for the Directors to drive MSV.

— Remuneration Philosophy —

Overarching Principle

In order to implement “Maximization of Shareholder Value (MSV),” to build a remuneration system that is transparent and satisfactory and to continue to provide appropriate motivation, incentives, etc., to be executed by implementing individual treatment based on the system.

Guiding Principles

To be able to attract and keep management talent that excels in promoting MSV

To be able to continuously provide motivation so that maximum potential can be encouraged even under changing environment

To function effectively and in harmony with the current state of business development, level of maturity of organizational systems, organizational values, and the community.

— Design Policies for the Remuneration of the Representative Executive Officer and President —

A total amount of remuneration that is commensurate with the performance of the Representative Executive Officer and President

A remuneration structure that promotes appropriate and sustainable compensation for each position according to the roles and responsibilities.

Strengthening of share remuneration that contributes to MSV

Composition of Officer remuneration as fixed cash compensation

Remuneration Structure for Directors

The Company has established Job-based compensation and allowance for committee member and other roles as fixed cash compensation, as well as Long-term Incentives. The remuneration structure reflects the idea that remuneration should take into account the roles and risks related not only to supervision of management but also to important decision-making including corporate acquisitions assumed by Directors and incentives for the Directors to drive MSV.

Fixed compensation

Job-based compensation

The amount of payment is determined for each position according to the performance of the Representative Executive Officer and President.

Performance-linked Incentives

The amount of payment is determined by taking comprehensively into consideration the evaluation on the financial results of the Group and segments and on non-financial performance based on individual Officers’ responsibilities.

Restricted Stock is granted for the Executive Officers, who make a significant contribution to MSV and further share the values with stakeholders. The Malus and Clavicle clauses are in place also from the perspective of MSV.

Compensation committee

Discussion on executive compensation

MSV is always at the center of discussions in the Compensation Committee. With MSV as our mission, we have formulated the Compensation Philosophy and the Policy for Structuring the Compensation of the Representative Executive Officer & President. Discussions about compensation structure continually seek to find the best compensation scheme to create motivation for MSV. We believe that motivation is not limited to providing an incentive with higher pay.

I believe the key to establishing a workable compensation structure and that contributes to MSV is to have a deep understanding of MSV, open communication with the management team to deepen that understanding, and a compensation structure and evaluation system that supports the management team to take appropriate risks. We must properly communicate our recognition of each executive’s achievements and our understanding of their future vision to them.

The process of creating a compensation structure takes into consideration various elements, including performance benchmarks and other markers to ensure competitive compensation levels as well as consistency with previous internal executive compensations and employee salaries. I hope this careful process will further drive growth of our Group toward achieving MSV.

Chairperson

Takashi Tsutsui (Independent Director)

Composition of the Committee

Chairperson

Takashi Tsutsui

Membership

Inside Director: 2

Outside Director: 1

An Independent Director serves as the Committee Chairperson.

Role of the Committee

Determine the policies for determining individual remuneration for the Executive Officers and Directors, as well as the details of remuneration for each Executive Officer and Director.

Number of meetings held

FY2020 (From late March 2020 to early March 2021) 19

FY2021 (From late March 2021 to end of June 2021) 6

Main Activities

The Compensation Committee resolved the policy for determining remuneration for each Director and Executive Officer (Remuneration Philosophy) and the contents of remuneration for each based on the policy.

FY2021 Officers remuneration image

<table>
<thead>
<tr>
<th>Fixed compensation</th>
<th>Job-based compensation</th>
<th>Performance-linked Incentives</th>
<th>Long-term Incentives</th>
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<tbody>
<tr>
<td></td>
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</tr>
</tbody>
</table>
Global governance

Our Group has developed into a global company that operates in 30 countries and regions with about 34,000 employees. We have endeavored to strengthen its global governance through a series of actions, such as shifting to a Company with a Nominating Committee, etc. structure in March 2020, separating execution from supervision, and simplification of the ownership structure due to the acquisition of 100% ownership of the Asian JVs. Consequently, decision-making on the business execution has been further expedited, and the Board of Directors has become able to supervise the business execution with higher independence and objectivity.

In March 2021, our Group established the Purpose to play an important role as we develop as a global paint company based on Powerful Partnerships. Our Group respects the management autonomy of its partner companies, and has positioned the Purpose as the shared identity of our Group, while respecting the management philosophies and visions set forth by each partner company. Under the leadership of Representative Executive Officers & Co-Presidents Wataruki and Wéo, which started in April 2021, we will step up collaborations among our Group businesses worldwide that are expanding through M&A and other strategic initiatives. The Board of Directors, which supervises such initiatives, has reinforced a global audit system centered on the Audit Committee, and has been discussing the revision of the Corporate Governance Policies and appropriate forms of global risk management and internal whistle-blowing system. The Board of Directors will continue improving the global governance of the Group.

Promotion of global audits

The Audit Department ensures the independence and appropriateness of audits by establishing double reporting lines to the Audit Committee and Representative Executive Officer & Co-President. Based on an internal audit plan, approved by both, the Audit Department evaluates the effectiveness of the internal control systems including governance, processes, and risk management from the perspective of risk.

The activities of the Audit Department in FY2021 include support to some partner companies in Japan and overseas to improve their maturity level through audits. Additionally, the Audit Department will accelerate a variety of efforts to enhance auditing skills and quality by applying advanced auditing know-how of overseas partner companies to domestic audits. Through these efforts, the Audit Department will improve and reinforce the group-wide internal audit system, thereby aiming at establishing the framework of “Audit on Audit” system based on the results of internal audits conducted by each site.

Global audit structure chart

Audit Committee

Establishing a robust Group audit system

The Audit Committee, for the sake of MIV, is formulating a global “Audit on Audit” system that factors in the individuality of each partner company. The Group’s globalization took a large step toward the end of January 2021 with the acquisitions of 100% ownership of the Asian JVs and the Indonesia business. In addition, with the launch of the co-president structure in April, all partner companies are working to build more autonomous structures to promote their business growth. It is becoming increasingly important to institute the “Audit on Audit” system by enhancing audit capability of each partner company.

As concrete steps to establish the system, the partner companies share their best practices for internal audit based on governance, risk management, and compliance at the Group Audit Committee meeting, which is held twice a year. Rather than Nippon Paint Holdings making instructions unilaterally, the meeting provides an opportunity for discussion and learning so the partner companies can improve their capability and conduct effective internal audits while taking into consideration their regional and business characteristics.

Audit Department and the Audit Committee of Nippon Paint Holdings jointly and thoroughly conduct internal audits of critical risk areas for the entire Group. The timely and appropriate audits include remote online interviews and data analytic audits utilizing ICT.
Policy on cross-shareholdings

We make a decision every year on the continued holding of cross-shareholdings of the Board of Directors based on the policy described below and dispose or reduce holdings of shares for which the rationality of their holding can’t be recognized.

Our Policy on Cross-Shareholding

We hold shares of other listed companies on Cross-shareholdings, limited to where it can be determined to be reasonable in consideration of, among others, the reasonable business activities (e.g. to maintain and strengthen the relationship with the business partner), the status of the issue, and the return on the capital cost.

In addition, based on the policy of the above and internal standards, we exercise voting rights upon making comprehensive judgment, from the perspectives of internal standards, we exercise voting rights upon making appropriate and reflect them on corporate management. Opinions from the Directors including Independent Directors. We give the Board of Directors feedback of opinions and suggestions obtained from dialogues with shareholders as appropriate and reflect them on corporate management. Opinions from the Directors including Independent Directors are also utilized in dialogues with shareholders. In FY2020, the Company strengthened communication with investors and held IR interviews with 346 companies (an increase of 23.1% from the previous year) to promote the understanding of the paint market and the Company’s strategies. As an IR event, the Company held the ‘Briefing for Institutional Investors’ in February, in which the management team explained the growth potential of the paint market, our strengths and future direction, etc. In August, the Company held an investor presentation meeting on the acquisition of 100% ownership of the Asian JV, which was our long-term priority, and explained the strategic significance, benefits, and financial impact. In addition, we are promoting proactive disclosure of information through measures including expanding and reinforcing the Integrated Report and IR website.

As asset owner of corporate pension fund

We, to promote the stable asset formation of members of the corporate pension and to secure the soundness of the financial condition of the Company, take the following actions for management and operation by the Nippon Paint Corporation Pension Fund.

(1) We systematically secure human resources with the qualifications required for management and operation at the corporate pension from inside and outside the Group and ask them to the Nippon Paint Corporation Pension Fund representative, asset management committee member, and secretary (hereinafter referred to as “Representative, etc.”).

(2) We, through the Representative, etc., confirm the selection of an investment institution by the fund, the monitoring of the activity status and investment results of the investment institution, and that management of conflicts of interest that arise between the beneficiaries and the Company is performed appropriately and effectively, and voices an opinion where necessary.

Shareholder and investor engagement

NPHD pursues MSV by building relationships of trust with shareholders through thorough and fair disclosure of information to shareholders in Japan and overseas and by reducing holding asymmetric information and holding down capital costs. NPHD also strives to understand the structure of its shareholders in order to engage in constructive dialogue with them, and pays close attention to the prevention of leaks of insider information when engaging in dialogue. We have appointed the Representative Executive Officer & Co-President and general managers of the Investor Relations Department and General Affairs Department as the dialogue contacts with shareholders. Also, we provide opportunities for engagement with Independent Directors. We give the Board of Directors feedback of opinions and suggestions obtained from dialogues with shareholders as appropriate and reflect them on corporate management. Opinions from the Directors including Independent Directors are also utilized in dialogues with shareholders. In FY2020, the Company strengthened communication with investors and held IR interviews with 346 companies (an increase of 23.1% from the previous year) to promote the understanding of the paint market and the Company’s strategies. As an IR event, the Company held the ‘Briefing for Institutional Investors’ in February, in which the management team explained the growth potential of the paint market, our strengths and future direction, etc. In August, the Company held an investor presentation meeting on the acquisition of 100% ownership of the Asian JV, which was our long-term priority, and explained the strategic significance, benefits, and financial impact. In addition, we are promoting proactive disclosure of information through measures including expanding and reinforcing the Integrated Report and IR website.

Outcomes of shareholder and investor engagement

Feedback from shareholders and investors

Regarding operations

When will NPHD carry out the acquisition of 100% ownership of the Asian JV? The transaction will have a significant impact on your valuation, so I hope that it will be achieved at an early date.

We would like to have an interview with the local management about the Chinese market and businesses.

The operating profit in the Japan segment includes headquarters expenses, which makes it difficult to grasp the profitability only of the Japan segment. Please disclose the breakdown of the operating profit in the Japan segment.

Please disclose your investment policies and financial disciplines for your M&A strategy.

We would like you to disclose long-term financial targets as well in the Medium-Term Plan.

Concrete measures taken based on shareholder and investor engagement

Regarding operations

Under the new management structure launched in FY2020, we reinforced our corporate governance structure to ensure the protection of the interests of minority shareholders, and enhanced smooth communication with the Wuthelam Group, resulting in quick agreement on the acquisition of 100% ownership of the Asian JV (August 2020).

We were unable to hold investor briefing due to COVID-19. However, we provided explanations on market analyses and business strategies given by the local management in China and other regions in the Integrated Report (September 2020).

We excluded the headquarters expenses from the operating profit in the Japan segment and presented as adjustments in order to clearly show the performance in the Japan segment. We disclosed the adjustment figures for the past year (on a quarterly basis) (May 2021).

We disclosed basic M&A policies including target areas, our advantages, and financial disciplines, although it is difficult to disclose details of M&A strategies considering the possible impact on target companies and competitors. We also disclosed the track record of acquisition of small-scale companies to share progress in the M&A strategy (March 2021).

In the New Medium-Term Plan (FY2021-2023), we set and disclosed financial targets that exceeded those of overseas competitors as a long-term goal, in addition to the medium-term targets for the existing businesses excluding M&A (March 2021).

Regarding ESG

In FY2020, we established the “ESG Promotion Department” and the “ESG Committee,” grasped and analysed the external evaluation to collect information and responded to questions. As a result, our MSCI rating was upgraded from “BBB” to “A” (April 2020).

We shifted to a Company with a Tree Commitments structure and raised the ratio of Outside Directors to 67% (at that time) in order to protect the interests of minority shareholders (March 2020). In March, we expanded the governance disclosure and information disclosure by taking steps including disclosing “Discussions by the Board of Directors” in the Integrated Report (September 2020).

Regarding major shareholder (the Wuthelam Group)

Please communicate periodically the ideas and thoughts of the Wuthelam Group as a major shareholder.

We provided the history of partnership with the Wuthelam Group that started in 1962 and the profile of the representative of the group in the Integrated Report in order to facilitate the understanding of our relationship with the Wuthelam Group and its corporate profile (September 2020). Additionally, we explained the background to and some details on the agreement with the Wuthelam Group on the acquisition of 100% ownership of the Asian JV at the investor presentation in August 2020, and provided the message from the representative of the Wuthelam Group in the Integrated Report (September 2020).

We provided a letter to the Wuthelam Group as a major shareholder on page 29.
Climate Change

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

Report based on the Task Force on Climate-related Financial Disclosures (TCFD) recommendations

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

Governance

The Board of Directors supervises climate-related issues by themselves, formulates the Group’s strategies, policies, and action plans for ESG initiatives of the executive level including climate-related issues, and holds the ESG Committee to evaluate and promote their progress, chaired by the Representative Executive Officer & Co-President.

The Representative Executive Officer & Co-President reports the progress of ESG initiatives, including activities on climate-related issues, to the Board of Directors at least four times a year. As an example of climate-related decision-making, in July 2020, the ESG Committee identified six materialities and decided to set climate change as a top priority within the materialities.

Strategies

We have identified climate-related risks and opportunities that are critical to the strategies of our Group, and are working to assess their financial impact. In light of the increasing interest in climate change countermeasures in recent years, there are concerns that the global warming tax will be raised, resulting in increase in operating energy costs and additional costs related to capital investment and technology development for decarbonization.

In addition, in the event of increase in the severity of climate-related issues, we can be linked to business opportunities to expand our business in emerging countries, where markets are expanding, by introducing renewable energy and replacing equipment with energy-saving and electrified models. We will also consider renewable energy introduction targets (power generation targets). We currently calculate Scope 3 emissions from our operations in Japan and have taken steps to calculate them from our operations around the world.

Risk management

The ESG Committee, commissioned by the Board of Directors, formulates our Group’s strategies, policies, and action plans for ESG and sustainability initiatives, including climate change issues, and evaluates and promotes their implementation. For the identification of risks, the ESG Committee and its subordinate organization, the Global Working Team, determine the importance of risks based on evidence, scope, and business opportunities and time frame, with the criteria of factors directly related to our operations (the amount of raw materials used, energy, water, and CO2 in the manufacturing processes) and external factors (users’ needs for usage and needs for product features).

Once identified and assessed, risks and opportunities and their action plans are proposed to the ESG Committee. The Committee discusses and decides relevant company-wide targets and action plans, and submits them to the Board of Directors. Our Group’s partners companies formulate business plans in line with the company-wide targets and action plans above.

Metrics and targets

We will accelerate responses to climate change by conducting activities to reduce CO2 emissions based on the net zero targets and the carbon neutral policy of the government of each country and contributing to net zero in our operating regions around the world. As concrete measures, we will focus on reducing emissions per unit in emerging countries, where markets are expanding, by introducing renewable energy and replacing equipment with energy-saving and electrified models. We will also consider renewable energy introduction targets (power generation targets). We currently calculate Scope 3 emissions from our operations in Japan and have taken steps to calculate them from our operations around the world.

Climate Action Plan

We will express the stance of our company and disclose the measures we have been taking to date in our ESG reports.

Irrevocable Carbon Tax Commitment

We will express the stance of our company and disclose the measures we have been taking to date in our ESG reports.

Estimates of financial impact of carbon tax

Our Group consumes a large amount of energy, especially in the manufacturing processes, such as coating water required in the process of dispersing and stabilizing pigments and other raw materials. We have identified the carbon tax as the greatest risk that could directly affect our operations, and anticipate cost increase due to the rise of the carbon tax prices. Therefore, we have started considering the sourcing of renewable energy as a workaround. The carbon tax has already been introduced in some countries, and if it is expected that the tax rates will be gradually raised to achieve the net zero targets of each country. According to the International Energy Agency (IEA), there is a report that carbon prices in developed countries will increase to 100 USD/TCO2 in 2030 if it shifts to decarbonization processes worldwide. IEA also estimates that if CO2 emissions in 2030 remain unchanged from the 2020 levels, the impact would be around 2.5 trillion yen. There are concerns that carbon prices will have an even greater impact on operating costs, given the potential increase in emissions associated with future business expansion of our Group.

Framework comparison between TCFD and Our responses to CDP Climate Change 2021 Questionnaire

In 2020, the TCFD published the final report on the TCFD recommendations. The TCFD recommendations include financial impact evaluation of climate-related risks and opportunities, as well as the incorporation of climate-related risks into the governance and strategy of the company. In contrast, our responses to CDP Climate Change 2021 Questionnaire emphasize the identification of climate-related issues, to the Board of Directors at least four times a year. The TCFD recommendations also include the identification of climate-related risks and opportunities based on evidence, scope, and business opportunities, while our responses to CDP Climate Change 2021 Questionnaire focus on the identification of climate-related risks and opportunities based on the amount of raw materials used, energy, water, and CO2 in the manufacturing processes, and external factors (users’ needs for usage and needs for product features).

In addition, the TCFD recommendations include the integration of climate-related risks into the governance and strategy of the company, while our responses to CDP Climate Change 2021 Questionnaire focus on the integration of climate-related risks into the governance and strategy of the company. The TCFD recommendations also include the identification of climate-related risks and opportunities in the business model and strategy, while our responses to CDP Climate Change 2021 Questionnaire focus on the identification of climate-related risks and opportunities in the business model and strategy. The TCFD recommendations also include the integration of climate-related risks into the risk management process, while our responses to CDP Climate Change 2021 Questionnaire focus on the integration of climate-related risks into the risk management process.

In summary, our responses to CDP Climate Change 2021 Questionnaire are aligned with the TCFD recommendations, and we will continue to enhance our climate change-related measures and information disclosure based on the task force on climate-related financial disclosures recommendations.
Prevention of global warming

Our Group is committed to the prevention of global warming in Japan mainly through efforts to reduce energy use. In FY2020, both energy use and CO2 emissions (Scope 1 and 2) decreased from the previous fiscal year due to production adjustment and telecommuting in response to COVID-19 while per unit emissions increased. Emissions decreased in FY2017 and FY2019, mainly due to the expansion of the scope of data collection.

Efforts for net zero emissions

The following are examples of our Group's initiatives to achieve net zero CO2 emissions.

- Replacement of air conditioning equipment and compressors with the latest energy-saving models
- Improvement of efficiency by reviewing operation methods of freezing/refrigeration units
- Adoption of LED lighting in offices and plants
- Energy conservation in manufacturing plants (improvement of paint dispersion processes, turning off unused lighting and manufacturing equipment, etc.)
- Energy conservation in offices (strict control of AC thermostat settings, turning off unused office equipment)

We will continue to consider measures such as replacement of production facilities to improve manufacturing and production efficiency. Specifically, we will consider and implement the following measures.

- Sourcing of renewable energy
- Adoption of energy-saving equipment of existing facilities
- Investment in renewable energy generation
- Estimating the financial impact of carbon pricing such as the carbon tax
- Decarbonization of new plants and the Head Office buildings
- Adoption of EVs and fuel cell vehicles (FCV)
- In addition to the above, we are considering and implementing sales of products and setting research themes that contribute to mitigation of climate change

Scope 1 and Scope 2 (t-CO2)

Scope 1: Emissions from purchased electricity use
Scope 2: Emissions from fuel use

Energy efficiency improvements

Intensity of emissions from fuel use (Scope 1 carbon intensity)
Intensity of emissions from electricity use (Scope 2 carbon intensity)

Efforts for net zero emissions

We will continue to consider measures such as replacement of production facilities to improve manufacturing and production efficiency. Specifically, we will consider and implement the following measures.

- Sourcing of renewable energy
- Adoption of energy-saving equipment of existing facilities
- Investment in renewable energy generation
- Estimating the financial impact of carbon pricing such as the carbon tax
- Decarbonization of new plants and the Head Office buildings
- Adoption of EVs and fuel cell vehicles (FCV)
- In addition to the above, we are considering and implementing sales of products and setting research themes that contribute to mitigation of climate change

Resources and Environment

Effective use of resources such as water, energy, and raw materials, and prevention of environmental pollution are important matters for sustainable business. The Nippon Paint Group will advance these efforts throughout life cycle of products.

Reduction of waste, etc. and zero emissions

In Japan, our Group has adopted an integrated waste material management system that is compatible with the electronic manifest system. We make Group-wide efforts to reduce waste such as management of waste generation and proper disposal and effective use of waste generated.

Waste increased in FY2017 and FY2019, mainly due to the expansion of the scope of data collection. In FY2020, we failed to achieve 100% recycling due to the release of asbestos-containing waste from construction work at some sites and the release of bricks from the demolition of buildings. We will work to enhance waste management in order to reduce waste generation and achieve a recycling rate of 100%.

Breakdown of waste, etc., FY2020 (t)

Total waste: 3,496.7 tonnes
- Total recycle waste: 2,781 tonnes
- Total landfill waste: 1,195.2 tonnes

The amounts of waste, etc. generated and recycled by year

Total cost of environmental fines and other penalties

In FY2020, the Nippon Paint Group was not subjected to any fines or other forms of punishment due to violations of environmental laws or regulations.

Comprehensive management of chemical substances

Initiatives in FY2020

Paints contain various chemical substances originating from their raw materials and some of them can be harmful to the human body or the environment. We provide safety information on all products for countries that have adopted the Globally Harmonized System of Classification and Labeling of Chemicals (GHS) by using SDS (safety data sheet) and labels in accordance with GHS classification. For the management of these chemical substances, the Group Product Safety Committee, which is set up under the Responsible Care Committee, holds discussions with Group companies and prepares management standards to standardize the handling of chemical substances and prevent incorrect operation. We properly responded to domestic and international laws and regulations in FY2020, including the submission of notifications in accordance with the revised Cabinet Order for the Designation of Poisonous and Deleterious Substances.

Measures to prevent the leakage and drainage of hazardous materials

We have implemented measures to prevent leaks and spills of hazardous materials and obtained materials for leakage treatment and also provide training dedicated to the prevention of the leakage and drainage of hazardous materials in an emergency drill organized in each area every year. For example, we assume a case where products have leaked on the road after an accident with a truck transporting them on a surface road and provide training for notifying related parties of the accident, preventing expansion of the leakage and recovering the products in order to develop the ability to respond quickly to emergency situations. In FY2020, while the number of leakage accidents during transportation decreased, there were two accidents of leakage to the outside of the premises. The amount of leakage was very small in both cases, and prompt treatment prevented impacts on water and soil. However, we consider that the prevention and mitigation of leakage accidents is one of key issues to address, therefore we are enhancing measures such as adding items regarding transportation to the IRC target guidelines.

Management of polychlorinated biphenyl (PCB) waste

PCB waste which is highly hazardous with impacts on human health and the environment, is being strictly controlled at storage facilities in accordance with the Waste Management and Public Cleansing Act and the Act on Special Measures concerning Promotion of Proper Treatment of PCB Wastes and disposed of by the disposal deadlines.
Droughts, floods, and water quality deterioration might also be caused by the production process but also the procurement of raw materials. Since FY2017, the amount of water used, wastewater discharge, and air and water pollution loads have increased, mainly due to the expansion of the scope of data collection. We will continue our efforts to prevent air and water pollution through improvements to the efficiency of cleaning processes at production sites, and recycling the solutions and water used for these processes.

Water management risks

The water resources affect not only the water used in the production process but also the procurement of raw materials. droughts, floods, and other water-related deterioration might also affect our production activities.

We are working to develop business plans in line with our business targets and action plans, including formulating water management policies on a global basis and identifying risks by using the AQUEDUCT provided by the World Resources Institute (WRI). We will also continue our efforts to prevent air and water pollution through improvements to the efficiency of cleaning processes at production sites, and recycling the solutions and water used for these processes.

Supply chain management

In addition to improving environmental regulations through the production process, it is also important to manage risks associated with the entire life cycle of raw materials. To manage these risks, our Group has established rules for prohibition and restriction of use in accordance with the local legal systems for risk mitigation. We include ‘Green 20’ in Japan, ‘Conflict Minerals’ in Australia, and ‘Negative substance list’ in China.

Approach to procurement of raw materials

Our Group’s business activities depend on a steady and reliable supply of raw materials, equipment, supplies, information, and other products and services. Maintaining healthy cooperative relationships with suppliers is therefore essential to our sustainable growth. Our Group has established and disclosed the procurement policy that is aligned with our basic approach to business transactions. We also have programs for everyone at our Group, as well as at our suppliers, to make sure that they understand and follow this approach and policy.

To ensure that procurement activities are performed responsibly, we have established procurement guidelines based on a policy that further clarifies the definition of the items that must be observed by suppliers and members of our Group. The procurement activities of our Group also place priority on quality, cost, and delivery (QCD) as well as issues involving the environment, society and governance (ESG). Our goal is to further emphasize the sustainability of our supply chains.

Responsible procurement of raw materials

We have examined and updated the safety data sheets and product specifications in compliance with new and revised laws and regulations for the chemicals contained in raw materials used to manufacture our products.

We utilize this information to provide customers with the information they require to use our products in compliance with regulations inside and outside Japan. Our Group also participates in the initiative of Japan Chemical Industry Association to promote the development of a mechanism to share relevant information on risk assessment of chemical substances in the supply chain, and supplies information on the request of the customer.

Product stewardship

Improving the impact of products on sustainability throughout their life cycles is an important issue. In particular, it is extremely important to manage risks associated with hazardous chemical substances used in products from the point of raw material adoption and design. To manage these risks, our Group has established rules for prohibition and restriction of use in accordance with the local legal systems for risk mitigation. We include ‘Green 20’ in Japan, ‘Conflict Minerals’ in Australia, and ‘Negative substance list’ in China.

CSR procurement survey

The survey was sent to the primary suppliers of the Nippon Paint Group which accounted for 90% of all purchases in 2020 in the amount of purchase. The graph below shows the results of a self-analysis survey that was prepared by the Global Compact Network Japan (GCNJ). We held discussions with suppliers that scored below 70 points and asked them to make improvements.

Scores of Nippon Paint Group suppliers

Business continuity planning

We are taking various measures in order to reduce the risk of supply disruption of a particular material, such as purchasing raw materials from at least two suppliers. Significant risk factors are monitored by using a simultaneous inquiry system, which was used eleven times in FY2020 to examine the impact of COVID-19, typhoons and earthquakes, and other events.

Organizational structure

In consideration of the fact that the understanding and management of the environmental impact and safety of chemical substances is an important duty for paint manufacturers, we have re-established a management system to expand the scope to include occupational health & safety and chemical & product safety in addition to the existing risk management of the environmental impact and safety of chemical substances. We have established a management system to expand the scope to include occupational health & safety and chemical & product safety in addition to the existing risk management of the environmental impact and safety of chemical substances.

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Conflict minerals survey

We used a Conflict Minerals Report Template to examine the samples of raw materials which we use that contain tin, tantalum or tungsten. The information obtained from these examinations was used to respond to requests from customers concerning conflict mineral surveys.
Respect for the people around us and active acceptance of diverse values are important for our sustainable growth.

The Nippon Paint Group places great importance on the diversity of employees and other people involved in the business and respects human rights.

**Promotion of diversity**

Our Group is committed to fully leveraging the capabilities and potential of women as an important element in promoting diversity, and is promoting activities unique to our partner companies around the world.

In Japan, for example, we have been sending female employees selected through internal entry system to external training programs for cross-industrial exchanges since FY2016. We are working to develop executives by fostering a leadership through collaboration with members in other industries, and by encouraging autonomous career development by providing opportunities to meet a variety of role models. We are also actively promoting the appointment of management and executive personnel with high expertise from outside the company. In FY2020, one female Director of the Board, one Corporate Officer & General Counsel, and two female Corporate Officers were appointed to Nippon Paint Holdings.

In addition, we have established flexible working systems, such as working from home (WFH), hourly paid leave, and shorter working hours, tailored to employees’ life events including childcare and nursing care for creating a more comfortable workplace environment. Messages from leadership and explanatory meetings are provided to encourage employees to take advantage of these systems. In FY2020, 86.7% of women and 15.8% of men took childcare leave, with the average number of days taken for childcare leave as 301 for women and 44 for men (among employees of Nippon Paint Holdings).

Overseas, the NIPSEA Group is continuously working in Asian countries to improve gender representation in its management team and the Board of Directors. In the past five years, DuluxGroup has doubled the number of women in the senior leadership team of all business divisions implementing programs for increasing the ratio of women in each position level, focusing on improving the gender balance in particular among senior managers. Dunn-Edwards is improving gender representation in its management team and the Board of Directors, and is working on increasing diversity in race.

**Human resource development**

The most important management resource that supports our Group’s sustainable growth is human resources with unlimited potential. For the development of employees, we are expanding educational programs for various levels of employees on a global basis every year.

For example, DuluxGroup is aiming to develop world class leaders by providing a comprehensive suite of transition-based leadership programs to support its people to progress in their careers, from first time leaders through to senior leaders. DuluxGroup also empowers its employees to be the catalyst of their own learning through its professional skills curriculum. They have an ever expanding range of topic areas from Strategic and Business Acumen; Management and Marketing Skills; Developing yourself and your career; Health and Wellbeing. It skills to Knowing our Business for their employees to access, as they recognize we are all lifelong learners.

**Leadership programs for all job levels (DuluxGroup)**

**Message from Management**

In Japan, with the aim of developing autonomous human resources who can flexibly respond to changes in the global social situation and business environment and continuously contribute to business performance, we provide daily education through business operations and off-the-job education and training, as well as focus on developing management personnel who can exercise leadership and their successors.

For the development of human resources who can succeed on a global level, we have overseas language study programs (English and Chinese), MBA programs, and the doctorate study program. We plan to further increase the pace of activities that nurture global leaders while reinforcing the development of core skills required by global business people.

We are also providing position-based training education for prospective employees, onboarding training for new employees, follow-up training, four-year training, eighth-year training, etc.) for all employees according to their respective roles. In FY2021, we launched business college programs to provide onboarding education for mid-career hires and enhance business literacy of management-level employees.

In FY2021, we also introduced the career drive program as part of our efforts to create an autonomous career development environment in which employees can work autonomously and independently on their own career development.

**Sustainability Information**

**Human resource development for sustainable growth**

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In FY2021, we also introduced the career drive program as part of our efforts to create an autonomous career development environment in which employees can work autonomously and independently on their own career development.
Safe People and Operations

As a chemical manufacturer, we believe that accidents and health effects caused by handling chemical substances continue to be major risks. To ensure the safety of employees and everyone involved in our business, we make investments and provide various training programs to minimize risks.

Global health and safety initiatives
Support for overseas group companies in safety activities

Our Group has continuously been providing its overseas partner companies comprehensive support for the safety and environmental initiatives. In FY2020, although we were not able to visit each site due to COVID-19, we worked to strengthen safety activities in each country and improve leaders’ competencies through the NPSIA Safety & Sustainability Council and online meetings with each site.

In the same year, to effectively prevent serious accidents, we revised our safety assessment to identify and eliminate the risks that might result in a plant shutdown, such as fires and explosions, and deployed it to overseas partner companies. Although overseas accidents have been increasing since FY2017, this is mainly due to the expansion of the scope of data collection.

Health and safety initiatives in Japan

Our Group is committed to the prevention of accidents under the concept that safety takes priority over everything. In FY2020, we engaged all employees (including on-site contractors) in the health and safety activities taking actions based on decisions of the RC Committees, Group safety and environment meetings, and Group product safety meetings.

In FY2020, accidents in our Group increased by seven from FY2019, but lost time injury accidents decreased by six. Regarding risk assessment, one of our key health and safety activities, we carried out a review focusing on injuries resulted from falls or dangerous postures, which had been increasing in recent years. Moreover, information about accidents that occurred in the Group were shared with our Group partner companies in Japan for reviewing and strengthening worksite safety rules and precautionary measures.

During FY2020, our Group conducted the following Group-wide training programs in Japan.
- Online safety training for new employees: 97 participants
- Online follow-up training for new employees (contents: risk prediction training, static electricity safety lecture, product safety lecture): 78 participants

*5 Scope of data collection:
FY2020: NPSIA, NPAC, NPMC, Dunn-Edwards, Duval Group, and Bekaert Borey
FY2019: NPSIA, NPAC, NPMC, and Dunn-Edwards
FY2018: NPSIA, NPAC, and NPMC
FY2017: NPSIA and NPAC (in FY2018 + Asia)
FY2016: NPSIA and NPAC (Europe and the Americas only)

Employee satisfaction level (Japan)∗

<table>
<thead>
<tr>
<th>Year</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value</td>
<td>90</td>
<td>83</td>
<td>78</td>
<td>76</td>
<td>90</td>
</tr>
</tbody>
</table>

*Survey by Nippon Paint Labor Union

Creating a rewarding workplace

In Japan, we are striving to create a clean, comfortable and attractive workplace environment to build a rewarding workplace. Since FY2020, we have been promoting the “Food Reform Project,” a reform of cafeterias in Group companies in Japan. The objective is to build a corporate culture that fosters the creation of new value by fostering refreshment and stimulating communication among employees by renovating the places where the Group employees in Japan have lunch and breaks to enhance their mental and physical well-being. Under various restrictions imposed by COVID-19, we are steadily refurbishing our plants and other workplaces based on a concept that takes into account the needs of our employees.

Basic approach to respecting human rights

Our Group expresses its recognition about issues involving respect for human rights in its materiality. We respect the human rights of employees and other people involved in our business, and are working to address human rights issues.

In accordance with laws and regulations of countries around the world, we aim to eliminate discrimination based on race, religion, gender, age, sexual orientation, disabilities, nationality, etc., and to create a company where people can fully demonstrate their individuality and capabilities.
Growth with Communities

We will invest in communities through our value chain to achieve sustainable business growth based on market growth, brand reinforcement and good relationships with local communities.

Globally unified social contribution policy

To achieve sustainable development with coexistence and co-prosperity between the Nippon Paint Group and local communities, we formulated the basic policy on social contribution activities in FY2021. As part of this effort, we launched a global initiative for social contribution activities “NIPPPON PAINT Group Global Outreach Program” with the three pillars of the activities: “Education” for the development of future stakeholders; “Empowerment” for the development of industry through support of activities and vocational training for the socially vulnerable; and “Engagement” for collaboration with local communities and stakeholders.

Promotion system

In FY2020, we established meeting bodies to promote materiality both globally and in Japan. We will further drive cooperation within the Group through close information sharing and consultation. Efforts for cooperation are also being made at each partner company. For example, NIPSEA has a meeting body that connects partner companies in Asian countries and is promoting various global projects. In FY2020, they collected data on social contribution activities for the first time, and received the Asia Responsible Enterprise Awards 2020 under the social empowerment category in September of that year for their young painter development project and vocational training activities for women in impoverished regions in India.

Effects and impacts of social contribution activities

Our Group is not simply implementing social contribution activities, but also pursuing strategic initiatives paying attention to the impact of these activities on our core business and local communities.

Promotion system

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Pillars (focus areas) and examples of social contribution activities

Pillar | Description | Example of activities
---|---|---
Education | Activities for children and students who are our potential customers or employees | Asia Young Designer Awards (NIPSEA, International competition for students who want to be professional architects or interior designers); NIPSEA Award for young designers; and social contribution activities by Nippon Paint Farms (Nippon Paint Holdings)
Empowerment | Support of activities and vocational training for socially vulnerable and talented individuals | Nippon Paint Group co-creation agreement with the University of Tokyo and a wide range of other partners to discover new values for social contribution and the enhancement of our organizational structure to develop anti-viral products. We also promoted contribution to climate change mitigation through products such as heat shield paints and fuel-saving hull coatings. In FY2021 and beyond, we will strive to maximize the Group by establishing indices for global initiatives and shifting to full-scale innovation progress management.
Engagement | Activities including collaboration with local communities and stakeholders, NGOs, and disaster relief | Responses to the COVID-19 pandemic; Worldwide Distribution of masks; disaster and face masks; etc. to local medical institutions; Response to bush fires in Australia (DuluxGroup); Australian bushfire-related donation commitment agreement with the University of Tokyo Nippon Paint Holdings.

Investment in social contribution activities and its results and impacts

<table>
<thead>
<tr>
<th>Country/region</th>
<th>Number of projects</th>
<th>Resources input</th>
<th>Results and impacts</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Money spent on the activities</td>
<td>Time spent on the activities</td>
</tr>
<tr>
<td></td>
<td></td>
<td>&gt; 15.6 million USD</td>
<td>&gt; 170,000 people</td>
</tr>
</tbody>
</table>

For our initiatives worldwide, please visit the “Sustainability” page on our website: https://www.nipponpaint-holdings.com/en/sustainability/social/
Achievements in sustainable products

In FY2020, we sold approximately 3,000 sustainable product items in Japan. Of this total, sales of beneficial products with features designed to contribute to solving social issues reached approximately 24.5 billion yen. Research and development expenditures amounting to approximately 2.9 billion yen were allocated to some 120 development themes for sustainable technologies and products in Japan in FY2021.

Going forward, we plan to disclose data on a global basis.

Total number of sustainable products sold in FY2020 (by category)

<table>
<thead>
<tr>
<th>Category</th>
<th>Number of Sustainable Products</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sustainable</td>
<td>3,095</td>
<td>54%</td>
</tr>
<tr>
<td>Beneficial</td>
<td>1,725</td>
<td>46%</td>
</tr>
</tbody>
</table>

Sustainable product development expenses (by category)

<table>
<thead>
<tr>
<th>Category</th>
<th>Sustainable Product Development Expenses</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sustainable</td>
<td>2.9 billion yen</td>
<td>33%</td>
</tr>
<tr>
<td>Beneficial</td>
<td>1.6 billion yen</td>
<td>47%</td>
</tr>
</tbody>
</table>

Sustainable product

(1) Antifouling hull paint AQUATERRAS

Nippon Paint Marine Coatings’ antifouling hull paint AQUATERRAS won in April 2021 the TECHNOLOGY AWARD of the environmental award GIRENASEA VIRTUAL AWARDS hosted by the European maritime NPO SAFETY4SEA for the first time as a Japanese company.

AQUATERRAS is the world’s first biocide-free self-polishing antifouling paint with a marine-environment-friendly formulation, free of heavy metals, active ingredients and silicone. In addition, this product can reduce the total resistance on hull by up to 10%, thereby contributing to reduction of CO2 emission. AQUATERRAS received a global award for its innovative technology that achieves both environmentally responsible and efficient vessel operation.

In January 2021, moreover, we launched FASTAIR, the next-generation hydrolysis antifouling hull paint that incorporates for the first time a hydrophilic and hydrophobic nanodomain technology, focusing on coating surface control technology, under the concept “Precise, Predictable, Performance.”

These low-friction antifouling hull paint products have been continuously developed and provided since 2007 when LF-Sea, the world’s first product of this kind, was developed. In 2013, we launched A-LF-Sea, an advanced ultra-fuel-saving antifouling paint for ship bottoms. This type of products has reduced CO2 emission from global shipping. Our unique low-friction technology, the water trapping technology, won the Minister of the Environment Award in 2019 for its contribution to CO2 reduction. As of the end of June 2021, low-friction antifouling paint on ship bottoms has been adopted for approximately 3,800 vessels in total.

Sustainable products

(2) Anti-viral paint brand PROTECTON

In accordance with our mission of protecting people’s health and creating a safe and pleasant future, the PROTECTON brand debuted in September 2020. PROTECTON is a paint technology brand with anti-viral and anti-bacterial functions developed by combining our paint, coatings, and surface treatment technologies. The name implies the function to “PROTECT” people’s lives from threats of viruses and bacteria + to turn the function “ON” to the surfaces of all things.

We are developing the PROTECTON brand for deployment across our partner companies in Japan. We have already launched five anti-viral paint products for industrial, DIY, and household use, including PROTECTON BarrierX™ Spray released by Nippon Paint Industrial Coatings in July 2021. PROTECTON will produce various types of products in addition to paint products as a product brand with anti-viral and anti-bacterial functions.

PROTECTON brand proven effective in suppressing novel coronavirus (including its variant): Joint development of new anti-viral nano photocatalyst

Five PROTECTON products have been proven to be effective in suppressing the novel coronavirus (SARS-CoV-2) and its Alpha variant on coated surfaces. This is based on a joint research project between our Group and the Graduate School of Engineering of the University of Tokyo and the Institute of Medical Science. This is the first time in Japan that anti-viral and anti-bacterial products have been proven to be effective in suppressing the novel coronavirus (SARS-CoV-2) and its Alpha variant. We have also developed a new anti-viral nano photocatalyst that suppresses Novel coronavirus and its variant (Alpha variant), and are considering its social implementation by introducing it into new PROTECTON products.

Our Group and the University of Tokyo have jointly conducted research activities on coatings technologies with anti-viral functions and functions to prevent the spread of infections for a sustainable post-COVID-19 society. This is one of the joint research themes under the industry-academia co-creation agreement we concluded on May 18, 2020. Through the collaborative research with them, we will continue to conduct tests to verify the effectiveness of our innovative coatings technologies including anti-viral technology using visible light-responsive photocatalyst in suppressing the SARS-CoV-2 virus under actual conditions of use.

* The products used for the test are not intended for medical use as a medical product or medical device. The test results do not indicate the effectiveness of these products in preventing infections.

* These products do not suppress indoor airborne viruses.