Materiality supporting Asset Assembler model

We will aim for MSV by using sustainability activities centered on initiatives on materiality that support Asset Assembler model.

Nippon Paint Holdings is pursuing MSV as its sole mission and believes, first and foremost, that the fulfillment of obligations to customers, suppliers, employees, society, and others is the major premise for accomplishing this goal. Initiatives for key sustainability issues (materiality), identified in 2020 from a global perspective, require the fulfillment of our obligations and a direct linkage to our businesses, such as identifying new business opportunities and tapping into new markets. Furthermore, these initiatives are also expected to prevent expenses from increasing and reduce business risks by complying with future laws and regulations and corresponding to supply chain issues ahead of competitors.

Nippon Paint Group continues to use initiatives that are directly linked with business activities and based on a thorough understanding of materiality-related risks and opportunities from a medium- to long-term perspective. In accordance with Asset Assembler model, we are linking these initiatives to the creation of innovations that support the growth of existing businesses. We believe that these initiatives to achieve MSV will result in revenue growth and higher expectations for our value (maximization of EPS/PER).

Materiality identification process

We identified materiality by creating a list of material issues which society requires us to address. This process included international ESG guidelines such as the Global Reporting Initiative (GRI), Sustainability Accounting Standards Board (SASB) as well as items required by ESG research organizations. We then performed a quantitative evaluation of the issues and verified their significance from two perspectives: the level of importance to stakeholders and the level of importance to Nippon Paint Group’s businesses. In addition, we used external experts to receive objective opinions on the potential items of materiality and created the final proposal through internal discussion.

Nippon Paint Holdings identified six groups of items of materiality and reporting derived from 11 ESG rating agencies and organizations. We then consolidated the list down to a preliminary list of 75 items.

The newly-established then ESG Committee met in April 2020 and deliberated on the materiality identification process. Also, we distributed a questionnaire to the 25 internal questionnaire
top executives of the Group and the then ESG Promotion Department for their input on the items in the preliminary list. We then distributed a questionnaire to the Board of Directors meeting in August and obtained final approval at the Board of Directors meeting in August.

For more information about our framework for sustainability activities and the identification of KPIs, see “Sustainability Strategy” on page 77.

Materiality map

The level of importance to our Group

Highest Very high High

Climate change

Resources and environment

Safe people and operations

Diversity & Inclusion

Growth with communities

Innovation for a sustainable future

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

In today’s society, problems that are difficult to solve with past methods are becoming more and more apparent. We will strengthen our innovation output with active utilization of partnerships.
Opportunities

Climate change

- Enforcement/change of policies regarding climate change and introduction of carbon tax
- Impacts on production and shipment from extreme weather, such as typhoons and heavy rainfalls, that are becoming increasingly common in recent years
- Changes in customer behavior toward transition to a decarbonized society

ESG agenda

- Reduction of greenhouse gas (GHG) emissions
- Identification of risks and opportunities

ESG action examples

- Development of new businesses through research and development

Achievements in FY2021-2022

- Reduced GHG emissions by 8% and energy consumption by 14% globally (FY2021)
- Developed and disclosed a global policy for waste materials and resources, protection toward environmental pollution, and water
- Set the priority of initiatives related to waste materials and water and targets in priority areas in each country
- Continued activities for reduction and proper treatment, tighter management, and recycling of waste materials in each country
- Increased the recovered amounts of waste materials by 4% and reduced the quantity of water intake by 4% globally (FY2021)

Resources and environment

- Impact on business activities from depletion of energy and water resources
- Tightening of regulations on wastes and increase of waste disposal cost
- Changes in customer needs related to new materials

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

- Management of waste, water resources, and environmental pollutants

- Establishment of global policy statements for waste materials and water
- Establishment of KPIs for each partner company based on the global policy

- Establishment of a global policy statement for safety of our people and operations
- Establishment of KPIs for each partner company based on the global policy

Safe people and operations

- Significant impact on operations if a major accident occurs at a production site
- Impact on safety assurance due to changes in manufacturing processes accompanying substantial increases in production

- Improving workplace safety and hygiene by sharing best practices and education plans from around the world
- Improving employee motivation and Company competitiveness for acquiring human resource talent

- Disaster (fire accident) prevention and process safety
- Fatality and injury prevention

- Increase the percentage of senior management posts
- Improvement of employee engagement

- Gender diversification for the Board of Directors and executive officers
- Visualization of human capital management of human rights risk assessment

Diversity & Inclusion

- Difficulty of securing human resources that satisfy diversity requirements with a decrease in the university graduated population
- Slowing of business activities that reflect diversity in customer needs

- Securing diverse and competent human resource talent as a global company
- Creating wealth for companies, workers, and local communities by creating diverse and inclusive organizations

- Improving workforce safety and hygiene by sharing best practices and education plans from around the world
- Improving employee motivation and Company competitiveness for acquiring human resource talent

- Increased diversity of management posts
- Improvement of employee engagement

- Gender diversification for the Board of Directors and executive officers
- Visualization of human capital management of human rights risk assessment

Growth with communities

- Significant damage to the corporate brand if the company is not perceived as a corporate citizen by local communities
- Damage to the public image of the pant industry caused by inadequate activities oriented toward the local community

- Promoting the social growth of communities through social contribution activities to increase the positive public view of our Group

- Strategic implementation of social contribution activities

- Establishment of the NIPPON PAINT Group Global Outreach Program to enhance social contribution activities

- Establishment of 3E (Education/Empowerment/Engagement) action policy through business activities as a priority area

- Steps up social contribution activities under the 3E action policy and gathered and disclosed the impact/effects of those activities globally
- Establishes a global framework for social contribution activities and strengthened information sharing and collaboration within the Group
- Invested a total of USD 0.78 million in global activities in FY2021 (104 projects/benefited around 0.29 million people)

- Increased the recovered amounts of waste materials by 4% and reduced the quantity of water intake by 4% globally (FY2021)

Innovation for a sustainable future

- Significant hindering to future corporate earnings owing to inability to respond to the low response to new markets

- Expansion of market for products that contribute to controlling and reducing GHG emissions
- Products and services that address societal problems significantly to society and help boost corporate earnings in the long term

- Promotion of cross-industrial innovation
- Development of products that contribute to controlling and reducing the impact on the environment

- Strategic management of chemical substances
- Establishment of the definition of sustainable products and services
- Strategic management of chemical substances and development of alternative products to meet sustainability

- Development of products that save society and are environmentally friendly
- Promotion of open innovation

Achievements in FY2021-2022

- Promoted the research and development on products for next-generation automobiles
- Promoted technology sharing and capability leveraging globally
- NPD expenses totaled 24.3 billion yen and filed 200 new patent applications (FY2021)

- Developed and launched anti-viral paint products across the Group
- Developed products that help reduce CO2 emissions from customers
- Promoted the research and development on products for next-generation automobiles
- Promoted technology sharing and capability leveraging globally

- Developed and disclosed a global policy for waste materials and resources, protection toward environmental pollution, and water
- Set the priority of initiatives related to waste materials and water and targets in priority areas in each country
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