Sustainability Strategy

Contribution to MSV with a sustainability strategy that has stronger links to business activities

Sustainability strategy linked to materiality

**Materiality**

- Climate change
- Resources and environment
- Safe people and operations
- Diversity & Inclusion
- Growth with communities
- Innovation for a sustainable future

**ESG agenda**

- Reduction of greenhouse gas (GHG) emissions
- Establishment of global policy statements for waste materials and water
- Increase the percentage of women in management posts
- Strategic implementation of social contribution activities
- Promotion of open innovation

**ESG action examples**

- Expansion of renewable energy from products with a low carbon footprint
- Sustained growth through investment in human capital
- Building a safe and healthy workplace for employees
- Increase the percentage of women in management posts
- Promotion of open innovation

**Contribution to MSV**

- Pursue technologies across the value chain to create sustainability
- Establish effective governance frameworks to ensure the responsible, and challenges.
- Together deliver on our shared sustainability commitments,

**Diversity & Inclusion**

- Gender diversity for employees across the value chain
- Establishment of a global policy statement for diversity and inclusion
- Increase the percentage of women in management posts
- Strategic implementation of social contribution activities
- Promotion of open innovation

**People & Community**

- Maintain the most advanced governance system possible as a listed company, including integrity, internal controls, and risk management
- Invest in the well-being of employees and stakeholders
- Build and enable better communities for all our stakeholders
- Promote sustainable products
- Drive innovation towards UN SDGs and carbon neutrality

**Innovation & Product Stewardship**

- Stricter management of chemical substances and development of new-generation antifouling paint
- Establishment of the definition of social contribution activities
- Development of products that benefit society and are environmentally friendly
- Establishment of the NIPPON PAINT Group Global Outreach Program to enhance social contribution
- Promotion of open innovation

**Activities to determine KPIs**

In addition to the risks and opportunities identified for each materiality, our Group formulates sustainability policies and strategies based on the characteristics of each region and market in which it operates as well as on the demands of stakeholders. KPIs are also selected as necessary in line with policies and strategies. Progress toward reaching the KPI targets is monitored.

With regard to climate change initiatives, KPIs are reviewed and established for each materiality and materiality-based global sustainability initiatives. Directly under the Directors, Representative Executive Officers & Co-Presidents, four materiality-based global teams have been formed for carrying out sustainability strategies on a Group-wide basis. By having team leaders directly report progress and proposal to the Co-Presidents, and the Co-Presidents, who further submit reports to the Board of Directors whenever necessary, sustainability activities are overseen by the Board of Directors.

### ESG Statement

At Nippon Paint Holdings Group we aim to conduct our business activities to support and enable sustainable development everywhere we operate. We aim to include the three elements: economic, social and environmental integration in all aspects of our business. Creating paints and coatings to add color, comfort, and safety to people everywhere has been our mission since the company was founded.

**People & Community**

- Respect, support, and enable our diverse employees and company associates to achieve their full potential and create innovative, sustainable value for all.
- Engage with our stakeholders to meet their expectations and together achieve our shared sustainability commitments, responsibilities, and challenges.
- Establish effective governance frameworks to ensure the transparency, objectivity, and fairness of the management of our company and earn society’s trust everywhere we operate.

**Diversity & Inclusion**

- Development of products for social contribution activities
- Establishment of a global policy statement for diversity and inclusion
- Increase the percentage of women in management posts
- Strategic implementation of social contribution activities
- Promotion of open innovation

**Environment & Safety**

- Maintain the most advanced governance system possible as a listed company, including integrity, internal controls, and risk management
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### ESG action examples

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

Report based on the TCFD recommendations
In September 2021, Nippon Paint Group expressed its support for the final report of the Task Force on Climate-related Financial Disclosures (TCFD) recommendations. With the goal of achieving MSV, we are working to enhance climate change-related measures and information disclosure.

Governance
Nippon Paint Group has shifted to an autonomous management structure based on Asset Assembler model with a new sustainability structure launched in 2022 designed to enhance sustainability initiatives with business activities, rather than initiatives led by the headquarters. We have set up four Global Teams based on materiality including climate change directly under the Directors, Representative Executive Officers & Co-Presidents, in order to implement sustainability strategy aligned across the Group globally. The Global Teams will directly report to the Co-Presidents their progress and make suggestions on actions related to climate change. Then the Co-Presidents will report the information obtained from the Global Teams to the Board of Directors as necessary. In this manner, the Board of Directors oversees the Group’s sustainability actions.

Strategy
We have identified climate-related risks and opportunities that are critical to the Group’s strategies and are working to assess our financial impacts.

In light of the increasing interest in climate change countermeasures in recent years, there are concerns that global warming taxes will be hiked, resulting in higher energy costs and additional costs related to capital investment and technology development for decarbonization.

In addition, in the event of the greater severity or frequency of floods and other events caused by extreme weather, there is a risk that sales could decline due to damages to our plants that result in the suspension of production.

In the meantime, we are considering taking actions that lead directly to businesses, such as entering new markets by developing products that contribute to reducing CO2 emissions using the Group’s technologies.

We are incorporating our analysis of these climate-related risks and opportunities in formulating the medium- and long-term growth strategy of the Group.

Although our energy intensity is not significant compared to many other manufacturing businesses, our group scale means we still collectively consume a considerable amount of energy and therefore seek to actively reduces our energy consumption. This includes cooling water required in the process of dispersing and stabilizing pigments and other raw materials. We have identified carbon taxes as the greatest risk that could directly affect our operations and anticipate cost increases due to higher carbon prices. Therefore, we have started considering the sourcing of alternative energy as a workaround. Carbon taxes have already been introduced in some countries and it is expected that the tax rates will be hiked gradually to achieve the net zero targets of each country.

In terms of climate-related scenarios, the Group has conducted reviews on the 2-degree and 4-degree scenarios. According to a report by the International Energy Agency (IEA), we will continue to incur certain costs both in a scenario where we will shift to a decarbonization process worldwide (the 2-degree scenario) and a scenario where the current policies for decarbonization go unchanged globally (the 4-degree scenario), unless we make progress with lowering our CO2 emissions assuming our CO2 emissions remain unchanged from climate change.

Climate change
Climate change is causing serious impacts to our lives in recent years. Recognizing that climate change is a critical social issue that must be addressed sincerely, Nippon Paint Group has established a global policy on climate change and energy in order for the Group to mitigate and adapt to its impacts. Our global policy states that we proactively reduce the intensity of energy consumption and increase renewable energy to meet global Net Zero-carbon requirements.

Pursuant to this global policy, the Group is now working to reduce the GHG emissions and minimize business risks caused by the progression of climate change. The reduction of energy used in the paint manufacturing process and proactive use of renewable energy will not only help to combat climate change by controlling GHG emissions, but also make a difference in the issue of energy resource depletion.

Comparing 2021 performance with the prior year, this progress includes:
- Safe People and Operations: Three fatalities (versus none in 2020) and 10% reduction in lost workday case injuries

While many of these results are encouraging and provide a strong foundation for further improvement progress in the coming year, the occurrence of these fatalities (one employee, two contractors) in NIPSEA Group reinforces the increased importance of effectively managing safety to protect everyone who works for us. Our sincere thoughts are with their families and work colleagues. Further details and highlights of individual Partner Company Group progress in these impact areas are highlighted in the following pages.

Our priority in 2022 is to work more closely together via a newly established working group comprising senior environment and safety leaders from each PCG. The focus will be on identifying and facilitating sharing of best practice, benchmarking, learning, and action plan implementation.

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**Metrics and targets**

We will accelerate our response to climate change by conducting activities to reduce CO2 emissions based on the net zero targets and the carbon neutral policies 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 intensity in emerging countries, where markets are expanding, by introducing renewable energy and replacing equipment with energy-saving and electrified models.

**Interim targets and actions for net zero emissions**

**NPSEA Group**
- Formulated NPSEA Green Plan 1.0, the movement to advance the agenda on sustainable development – Profit, People, Environment.
- Aim to reduce energy intensity by 8% by 2025 against a 2021 baseline, with a yearly reduction target of 2%. Also aim to reduce emissions intensity (Scope 1 and 2) by 15% by 2025, with a yearly reduction target of 4%.
- Use a combination of renewable (hydro, turbins and solar panels) and non-renewable (petrol and diesel) sources of electric energy to power both operations-related and non-production related activities.
- Introduced battery operated forklifts.

**DuluxGroup**
- Agreed DuluxGroup targets of 50% renewable energy consumption and 50% CO2 emissions reduction by 2030, plus net zero carbon by 2050.
- Commenced development of detailed action plans to achieve the 2030 targets in the first half of 2022.
- Commenced pilot program of specialist energy efficiency studies at two factories to identify reduction opportunities.
- Achieved a 5% reduction in energy consumption intensity in 2021.
- Reduced the CO2 emissions intensity (Scope 1 and 2) by 5% in 2021, achieving the minimum value.

**Case studies**

**Introducing hybrid fleet at DuluxGroup**

DuluxGroup has more than 970 fleet vehicles primarily used by our customer facing employees across Australia and New Zealand, and collectively they account for 34% of our total energy consumption. Adoption of hybrid vehicles is an opportunity available now on the transition pathway to our 2020 and 2025 targets, until electric vehicles and the required infrastructure are readily available. The selected vehicles are estimated to save around 750,000 litres of petrol and 15 tonnes of CO2 per 100,000km travelled, which will yield a substantial difference across our large fleet. The transition commenced in 2021 and in the first half of 2022, 8% of our Australian fleet and 66% of our New Zealand fleet are hybrid vehicles, which equals 15% of the total fleet.

**Dunn-Edwards**
- Adopted software in IH 2022 to track company-wide Scope 1, 2 and 3 emissions in order to achieve true metrics for net zero carbon (Scope 1 and 2) by 2050.
- Discussed operating new corporate office on generated renewable energy.
- Committed to reducing energy usage through efficient lighting and EnergyStar™ equipment.
- Committed to providing electric vehicle charging resources.
- Used renewable energy supplied in each state (at least 34% of energy supplied in California was renewable energy).

**Japan Group**
- Agreed Japan targets of 37% CO2 emissions reduction (Scope 1 and 2) by 2030 from 2019 levels, plus net zero carbon from our domestic operations by 2050.
- Purchase renewable energy in Japan. 100% renewable energy at Osaka headquarters in FY2021, about 7% of electricity used in Japan in FY2022. Afterwards, increase gradually.
- Consider energy-saving and use of renewable energy to reduce the impact of carbon taxes.
- Implement energy saving (e.g., from heavy oil to LNG) at start operation at Okayama Plant in January 2022.

**Global CO2 emissions and energy consumption**

Total energy consumption (kilotonnes per tonne of production) across the Group decreased 14% during 2021, despite a significant increase in production associated with inclusion of recent acquisitions and business sales growth. This improvement was primarily driven by a 2% reduction in NPSEA Group, who accounts for 52% of the Group consumption, and a 7% reduction in DuluxGroup, who accounts for 8% of the Group consumption. Consumption in other areas of the business was steady. Consistent with the decrease in energy consumption, Scope 1 and 2 greenhouse gas emissions (kilotonnes per tonne of production) across the Group decreased 8% during 2021. This excludes Dunn-Edwards where emissions data is not currently available; however this is not significant as they account for 1% of the Group energy consumption. All partner company groups have now established Scope 1 and 2 emissions reduction targets which will drive further improvement in coming years. For Scope 3 greenhouse gas emissions, DuluxGroup and the Japan Group continue to determine their annual footprint, while other partner company groups plan to do this in the near future. This will enable consolidated group reporting of these emissions in future, together with an improved understanding of risks, opportunities, and reduction plans across the partner company groups.

**CO2 emissions and energy consumption from operations in Japan (results)**

We continued with production adjustment and working from home arrangements due to the pandemic in FY2021.

Compared to the previous year, energy consumption increased slightly following the slight recovery of production volume but CO2 emissions remained roughly unchanged. Scope 3 is becoming more important in understanding business risks and opportunities, so we are refining the calculation method. Processing of sold products (Category 10) and Use of sold products (Category 11) are outside the scope of calculation in accordance with WRI/GSSC’s Chemical Sector Guidance.
Effective use of resources such as water, energy, and raw materials, and prevention of environmental pollution are important matters for sustainable business. We will advance these efforts throughout life cycle of products.

The Group has identified “Resources and Environment” as one of its materiality items. In the paint manufacturing process, we not only comply with all relevant laws and regulations, but also take a proactive approach to preventing pollution.

In 2021, we established (1) a policy on waste and effective use of resources, (2) a global policy for the prevention of environmental pollution, and (3) a global policy for the effective use of water with the Global Working Team (currently, the Global Team) under the then ESG Committee.

**Global Working Team (currently, the Global Team) under the then ESG Committee.**

**Recovery of waste solvent at DuluxGroup**

The DuluxGroup Rocklea manufacturing site historically created more than 550 cubic meters of waste solvent each year as a by-product of process equipment cleaning, before being discharged to an external waste processing company for incineration. A new solvent recovery plant successfully constructed and commissioned in 2021 now enables 100% of the waste solvent to be reused, with the purchase of new solvent reduced by 76%.

**Waste solvent from the factory process cleaning is transferred to the recovery plant’s distillation vessel, which separates the solvent from paint process residues before it is transferred back to the factory for use as fresh cleaning solvent.**

**Global waste generation (results)**

Total waste generation (kilograms per tonne of production) across the Group increased 6% during 2021, which was primarily driven by improved data capture in NIPSEA Group’s China businesses, together with a 1% generation increase in the Japan Group. NIPSEA Group and the Japan Group account for 60% of waste generation across the Group, while performance across the other partner company groups was steady. Consistent with this generation increase, total waste recovered for recycling and reuse (kilograms per tonne of production) decreased 4%, while DuluxGroup improved waste recovery by 5%.

**Water withdrawal (results)**

Total water withdrawn (kiloliters per tonne of production) across the Group decreased 4%, driven by a 24% reduction in DuluxGroup and a 4% reduction in the Japan Group.

**Group policy on the prevention of environmental pollution**

We care for the environment to avoid polluting the air, soil, and water.

**Group policy on water**

We strive to use water efficiently and manage wastewater responsibly.

**Global water withdrawn (results)**

Total water withdrawn (kiloliters per tonne of production) across the Group decreased 4%, driven by a 24% reduction in DuluxGroup and a 4% reduction in the Japan Group.

**Group policy on air pollution**

We care about air quality to avoid polluting the air.

**Prevention of air and water pollution**

Nippon Paint Group has been carrying out initiatives to prevent environmental pollution as it serves as the foundation of business development and management. In order to address the changing social situation as well as further meet the expectations and demands of stakeholders, the Group is promoting initiatives on a global scale and established a global policy on the prevention of environmental solution. Based on this policy, the Group will strive to prevent pollution of the air, soil, and hydrosphere.

**Actions on air and water conservation in Japan**

The Japan Group complies with all laws and regulations pertaining to air and water pollution by establishing its own voluntary reference values and conducting periodic pollution load measurements.

In 2021, there was no significant change in the pollution loads of air and water compared to FY2020 levels, while the amount of water used for wastewater discharged declined. We will continue our efforts to reduce environmental loads. Water stress is defined as facing persistent difficulties in water intakes. Each plant of the top seven locations of water consumption within the Japan Group locations (Chiba, Takahama, Osaka, Hinkata, Okayama, Tsu, and Toyozu) has been assessed for water stress level using the Aquapart tool provided by World Resources Institute (WRI), and the results confirmed a low water stress level in terms of water intake. Water intensity can be roughly divided into two categories: 1) water intensity used in the production process and 2) water intensity for raw materials.

In order to reduce water intensity in the production process, we are managing and assessing the specific amount of water usage in cleaning equipment at some plants, as well as have begun initiatives to reduce water intake by recycling coolant water. Moreover, we have included checks on water saving efforts as part of the safety patrol (checks for leakage and overflow) and started to effectively utilize rainwater and treated water from wastewater treatment plants.

As for the reduction of water intensity for raw materials, while the amount of water used (water intake) for raw materials will unavoidably increase as paint becomes water-based, we are considering the development of replacement with nonvolatile materials. In the paint to reduce water content. Currently, powder paint is a product with reduced water intensity in raw materials. Powder paint, which does not contain water as a raw material, does not use any organic solvent and is recyclable and reusable as an uncoated paint; thus, generates zero water. In addition, powder paints are conducive to labor-saving and automation. As such, the powder paint market is expected to grow. In 2019, the Japan Group newly launched operations of the Chiba Plant, which is primarily involved in the manufacturing of powder paint. Moreover, we are considering a recovery system for paint that does not use water and chemicals for products other than powder paint.
### Safe people and operations

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

The Group has designated Safe People and Operations (occupational safety and health) as one of our materialities. Workplace safety and protecting and promoting the health of all employees is a fundamental part of our corporate management, and all Group companies implement occupational safety and health initiatives.

In FY2021, the Global Working Team (currently the Global Team) set up under the then ESG Committee established a global policy on occupational safety and health.

NIPSEA Group ensures that its health, safety, and environmental (HSE) efforts cover the following areas: 1) Raising employee awareness on the importance of health and safety measures, 2) Objective and target setting on key HSE performance indicators (KPIs), 3) Regular reviewing of HSE performance, 4) Resource planning for HSE implementation, maintenance, and improvement, and 5) Avoiding grievance mechanisms. As actions covering the area 1), NIPSEA Group utilizes a variety of communication tools to raise employee awareness of health and safety matters, as well as the roles and responsibilities of top management, the HSE committee, Heads of Departments, and employees themselves. We also ensure that employees are well-informed on the relevant HSE precautions through workshops and briefings held on subject matters like chemical and PPE safety, machine use, and safe practices and occupation first-aid techniques that are taught by internal or external professionals. Dunn-Edwards is focusing on these areas.

### Global policy on occupational safety and health

We care for the health, safety and well-being of everyone.

### Supply chain management

#### Approach to the procurement of raw materials

The Group’s businesses depend on supply of raw materials, equipment, supplies, information services and various other products and services. Maintaining healthy cooperative relationships with suppliers is therefore essential to our sustainable growth. The Group has established and disclosed the procurement policy that is aligned with its basic approach to business transactions. The Group also aims to ensure that all Group employees and its suppliers understand and follow this approach and policy.

To ensure that procurement activities are performed responsibly, the Group established procurement guidelines based on a policy that further clarifies the definition of the items that must be observed by suppliers and members of the Group. Procurement activities of the Group place priority on quality, cost, and delivery time (QCD) as well as the environment and governance (ESG) aspects, with the goal of further emphasizing the sustainability of our supply chains. NIPSEA Group remains committed to operating as a responsible business that is held to high standards and strives to create a positive impact on sustainable development. Our Supplier Code of Conduct, which outlines clear business conduct expectations for new and existing suppliers, ensures that our business partners uphold the same high standards that we do. The Supplier Code of Conduct covers three main areas (see the chart below). At NIPSEA Group, the Procurement department evaluates its suppliers on an annual basis. This supplier evaluation exercise includes an environmental assessment to ensure that they meet its required Standard Operating Procedures (SOPs) in managing environmental matters. In the event that suppliers fail short of the expectations, NIPSEA Group has of them, the group provides solutions and guidance to help them improve their processes.

### NIPSEA Group Supplier Code of Conduct

#### Business Practices and Ethics

Our standard corporate policies that focus on legal and regulatory compliance such as anti-corruption and fair competition laws.

#### Labor Practices and Human Rights

Our commitment to human rights and equal opportunity in the workplace, amongst others.

#### Environmental Regulation and Protection

Our commitment to protecting and preserving a healthy and sustainable planet.

<table>
<thead>
<tr>
<th>Year</th>
<th>Lost Workday Case Rate - Employees &amp; Contractors (Global)</th>
<th>Frequency rate of lost time injury accidents (Japan Group)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>0.94</td>
<td>0.80</td>
</tr>
<tr>
<td>2018</td>
<td>0.93</td>
<td>1.18</td>
</tr>
<tr>
<td>2019</td>
<td>0.90</td>
<td>1.31</td>
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<tr>
<td>2020</td>
<td>0.91</td>
<td>1.21</td>
</tr>
<tr>
<td>2021</td>
<td>1.02</td>
<td>1.07</td>
</tr>
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</table>
Sustainability Strategy

People & Community

We will pursue MSV on the strength of our human capital

Gladys Goh
NIPSEA Group

As a Japan-origin global corporate group operating in 30 countries and regions worldwide, including in China and other parts of Asia, Nippon Paint Group is committed to contributing to Maximization of Shareholder Value (MSV) by leveraging the diversity and strengths of its human capital, as well as fulfilling its obligations to its stakeholders, which is the premise of MSV.

The People & Community Team conducts activities around two items of Materiality: Diversity & Inclusion as well as Growth with Communities. Our activities are conducted in each country and region with focus on the three pillars of (1) Increasing the ratio of women in managerial positions, (2) Celebrating diversity, and (3) Building and enabling local communities.

The outcomes of these activities are reflected in our benchmarks such as the ratio of female managers in Group companies, as well as in employee satisfaction level which the Group regards as one of the key benchmarks. Employee satisfaction level affects the cost of hiring and retaining human resources and the productivity as it relates to maintaining and increasing employee motivations. Considering these, the Group partner companies are taking autonomous actions according to their own situations.

Diversity & Inclusion

Respect for the people around us and active acceptance of diverse values are important for our sustainable growth. We place great importance on the diversity of employees and other people involved in the business and respect human rights.

Human capital for sustained growth

For Nippon Paint Group to grow in a sustainable manner, it is essential that we secure skilled human resources and offer a corporate culture and working environment in which it is comfortable and rewarding to work, thus allowing people to leverage their individuality and capabilities to the fullest. The Group promoted the enhancement of human resources by investing in human capital through the intensification of training programs developed autonomously by each partner company according to the challenges faced. Expanding training programs can expect to lead to improving competitive advantage in hiring new college graduates and mid-career people and reducing the turnover ratio. Accordingly, it is a key initiative for enhancing the human resource portfolio.

DuluxGroup offers a comprehensive learning program for everyone from those who are newly appointed to senior leaders to develop the skills they need to operate as global leaders and to foster ongoing learning, building capability along their career journey. They encourage employees to "Owning their Growth" and to take the initiative to access the learning that they need to improve their skills and specialist knowledge. DuluxGroup continually revises and improves the curriculum to ensure it remains relevant, effective and aligned to DuluxGroup’s growth ambitions. The Group currently offers programs such as "Leading in Complexity," "Commercial Acumen" in partnership with Harvard, and a full Sales Capability and Marketing curriculum.

The NIPSEA Group adopts a group-level learning framework that ensures the holistic development of our employees through upskilling their capabilities and competencies required at differing job levels. Training and educational programs are uniquely tailored to the country level depending on the needs identified from our annual training needs analysis. NIPSEA Group’s provision of diverse training and educational programs ranges from technical to leadership upskilling to better equip our employees with the necessary skills in today’s ever-evolving business landscape. In FY2021, we clocked a total of 387,243 hours for our employees, with an average of 11.0 hours per employee.

In Japan Group, we offer training. For prospective hires, new employee induction training, follow-up training, training for newly appointed managers, and annual training, etc., all employees are as appropriate to their current career stages and the roles it is hoped they will play. In FY2021, total training hours for selection training and group training by job level at Group companies in Japan reached 32,000 hours. The increase in training hours was the result of expanding and enhancing the target of training programs and training schedules by improving the on-boarding training we offer to new mid-career hires and opening a business college with the goal of strengthening the business literacy of our executives.

Ensuring and enhancing diversity

Assembly of human capital with diversity is one of the primary bases of Asset Assembler model. Nippon Paint Group Global Code of Conduct established in January 2022 states that the Group embrace diversity. In addition, the Group partner companies worldwide implement human resource management with the goal of ensuring and enhancing diversity.

The NIPSEA Group is continuously working in Asian countries to improve gender representation in its management team and the Board of Directors. Hiring local talent in countries and regions where we operate businesses not only leads to strengthening the competitiveness for acquiring market share but also contributes to the creation of employment opportunities in local communities. The percentage of people hired from local communities to senior manager positions has reached 57.1%. DuluxGroup has doubled the number of women in the senior leadership team of all business divisions in the last five years, 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 has increased female representation among its leadership ranks from 20% to 30% over the past five years and successfully mirrors the ethnic demographics of each of the diverse communities they operate in.

In Japan Group, we are conducting activities for promoting female employees to managerial positions by taking reference from success cases of the Group partner companies overseas. Specifically, we have been sending female employees selected through internal entry system to external training programs for cross-industrial exchanges. 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. As of 30 June 2022, two female Director of the Board, one female Executive Officer, and one female Corporate Officers were appointed to Nippon Paint Holdings.

Improvement of employee engagement

Improving employee engagement can lead to excellent human resources to continuously perform their potential. We regularly monitor and review the employee satisfaction levels of partner companies which newly joined the Group based on Asset Assembler model (cf. success cases at DuluxGroup).

Dunn-Edwards uses employee feedback to drive initiatives targeted at attracting, developing and retaining a workforce that will provide a competitive advantage. Historically, data shows that the first 2 years of employment, as well as advancement during that time, are the most critical to create a connection with the company. Based on this information, salary, retirement plan (401(k)), and leadership from front line managers are the most important factors.

As a result, we have structured compensation, healthcare benefits, tuition assistance, vacation, and retirement plan policies to ensure attractive and competitive offerings in these areas, and we continue to adapt and develop training for career advancement at all levels.

Percentage of women

<table>
<thead>
<tr>
<th>Employee</th>
<th>Management position</th>
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<tbody>
<tr>
<td>NIPSEA Group</td>
<td>24.9%</td>
</tr>
<tr>
<td>Dunn-Edwards</td>
<td>70.6%</td>
</tr>
<tr>
<td>DuluxGroup</td>
<td>34.7%</td>
</tr>
<tr>
<td>Japan Group</td>
<td>22.0%</td>
</tr>
</tbody>
</table>

Employee satisfaction level (Japan Group)

<table>
<thead>
<tr>
<th>Year</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Japan</td>
<td>76%</td>
<td>78%</td>
<td>90%</td>
<td>83%</td>
<td>89%</td>
</tr>
</tbody>
</table>

2017 - 2021 are Surveys by Nippon Paint Labor Union.

Financial and Corporate Information

Message from Management

Our Medium- and Long-Term Management Strategy

Corporation Governance

Corporate Governance

Internal and External Corporate Policies

* The number of employees of NIPSEA, which are periodically disclosed in the stock exchange, have been included in the Consolidated financial statements since 2021.
The Group companies in Japan are encouraging employees to take childcare leave to support men actively participating in childcare. In addition, these companies have established flexible working systems in step with the lifestyle changes of their employees, including work-from-home systems and systems allowing paid leave to be taken in hourly increments, shortened working hours, and childcare and nursing care. We have introduced a working from home system in order to respect and assist the work motivation of employees by developing a working environment that allows employees to bring out their full potential without being constrained by working hours and geographic location of employees. As measures to prevent COVID-19 infections, we apply the working from home system to employees without limiting the employees who are allowed to work from home and the frequency of usage. The questionnaire survey of employees of the Group companies in Japan conducted in February 2022 had positive responses, such as working from home system improves work efficiency by making it easier to schedule a meeting with overseas attendants and the use of web conferencing system facilitates smooth information sharing and decision making.

Basic policy for respecting human rights

The Nippon Paint Group has clearly stated in the Nippon Paint Group Global Code of Conduct that we respect the human rights of employees and stakeholders.

Due diligence in human rights

For the past two years, DuluxGroup has published its Modern Slavery Statement in compliance with Australian legislation. DuluxGroup is committed to identifying, assessing and addressing modern slavery risks within its operations and throughout its supply chain. Modern slavery is a serious violation of a person’s basic human rights. DuluxGroup opposes modern slavery in all its forms, and respects and supports the human rights and freedoms of workers within our operations and throughout our supply chain.

The Group companies in Japan utilize self-diagnosis (the UN Global Compact SAQ Survey) provided by UN Global Compact Network Japan to facilitate awareness of supply chain risks, in an effort to survey and understand the status of various ESG-related supplier activities. This survey assesses the level of an organization’s initiatives with regard to corporate governance, human rights, labor, the environment, fair corporate activities, quality/safety, information security, supply chains, and coexistence with local communities.

Pillars (focus areas) and examples of social contribution activities

<table>
<thead>
<tr>
<th>Pillar</th>
<th>Description</th>
<th>Example of activities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Education</td>
<td>Activities for children and students who are our potential future customers or employees</td>
<td>Industry University Collaboration Activities with the University of Tokyo Japan Group; AVDA Awards conducted annually (NIPSEA Group: International competition and awards platform for architectural and interior design students who are our future customers); Smiling Mind (DuluxGroup: program using color to create mindful spaces at elementary schools); Off the wall Graffiti (Dunn-Edwards: art education program for urban artists through after school programs, events and school curriculum)</td>
</tr>
<tr>
<td>Empowerment</td>
<td>Support activities and vocational training for socially vulnerable people, and activities to find talented individuals</td>
<td>Nippe Fun Farm: support for employment of persons with physical disabilities; Rural Revitalization for Chregé County (NIPSEA Group: repainting village external walls); Pet Refuge NZ (DuluxGroup: helping to build refuge shelters for pets of people who are escaping domestic violence situations); Tradeswoman (Dunn-Edwards: program aims to increase the number of women in construction and related trades)</td>
</tr>
<tr>
<td>Engagement</td>
<td>Collaborations with local communities and stakeholders; cooperation with NGOs, and disaster relief</td>
<td>Color Way of Life - ART+PNSSEA Group: Raising students’ awareness of art and color as well as their culture through painting; Department of Conservation Trail Huts (DuluxGroup: protecting historical buildings and local community assets); Martin Art Museum (Dunn-Edwards: donation for painting a new machine school for teenagers)</td>
</tr>
</tbody>
</table>

Investment in social contribution activities and its results and impacts

<table>
<thead>
<tr>
<th>Country/region</th>
<th>2021</th>
<th>Data collected</th>
<th>Results</th>
</tr>
</thead>
<tbody>
<tr>
<td>Australia</td>
<td>20</td>
<td>&gt; 204</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Resource input</th>
<th>2021</th>
<th>Data collected</th>
<th>Results</th>
</tr>
</thead>
<tbody>
<tr>
<td>Money spent on the activities</td>
<td>&gt; 7.08 million AUD</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Time spent on the activities</td>
<td>&gt; 61,200 hours</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employees and volunteers who participated in the activities</td>
<td>&gt; 2,100 participants</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Paint used in the activities</td>
<td>&gt; 0.64 million liters</td>
<td></td>
<td></td>
</tr>
<tr>
<td>People impacted</td>
<td>&gt; 0.29 million people</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Growth with communities

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.

Our mission from the Company’s very beginning has been to create innovative paint and coating solutions that bring colors and joy to people’s everyday lives. The Group will contribute to supporting and promoting sustainable development of communities through its business activities. We have set three priority areas, which we call the “Three Es,” under Nippon Paint Group’s global CSR strategy. Improving employee engagement can lead to better performance, which in turn contributes to the business strategic priorities. The continued high scores are driven by leaders at a local level, who are empowered to work with their teams to drive high performance.

DuluxGroup office in Melbourne

Global promotion system

In FY2020, we launched a global conference to create closer links among Group companies for closer information sharing and mutual consultation. The conference is the centerpiece of the NIPPON PAINT Group Global Outreach Program designed to enhance social contribution efforts throughout the Group. Based on this program, we have implemented outreach programs in 20 countries across Asia and Europe as well as in Australia, New Zealand, the United States, and Japan. Progress is shared globally to upgrade our initiatives across the Group.

The resources used, results, and impact of our activities are briefly summarized in the following table. In FY2021, the Group used funds amounting to over US$7.08 million for roughly 204 activities that positively affected the lives of some 290,000 people worldwide. In Japan, the Group used over 290 million for social contribution activities, including some ¥5.22 million in donations to NPOs and other organizations.
Nippon Paint Automotive Coatings (NPAC). development projects, helping address the needs from local consumers in each respective technical community to share best practices and leverage research capability in joint technology value of intellectual property. The technology teams in decorative paints have formed the global development core enabling technology competency, and 3) grow into adjacent and emerging markets. Our technology mission is to drive and sustain growth and market share in Japan and address this social challenge. Organizational capability, and technology networks, across Nippon Paint Group. A recent society, by using our technical strengths and intellectual assets, including intellectual property, Imagination. It describes our commitment to creating innovations that bring benefits to our

**Promote the development of sustainable products while pursuing innovation**

Hong Jiang
NIPSEA Group / NPCS

The purpose of Nippon Group is enriching our living world through the power of Science + Imagination. It describes our commitment to creating innovations that bring benefits to our society, by using our technical strengths and intellectual assets, including intellectual property, organizational capability, and technology networks, across Nippon Paint Group. One recent example is that, since the outbreak of COVID-19 pandemic in 2020, the Group has significantly increased investment in anti-viral technology, and developed a range of paint products to address this social challenge.

Our technology mission is to drive and sustain growth and market share in Japan and globally through striving to be a leading technology organization for coatings and its adjacent markets. There are three pillars in our innovation strategy: 1) build adaptive organization; 2) develop core-enabling technology competency, and 3) grow into adjacent and emerging markets. It is the implementation of our Group vision for Maximizing Shareholder Value from a technology perspective. We believe that our technology organization’s culture of being customer centric, socially responsible and collaborative is the key driver to success.

Importantly, the technology collaboration and intellectual property sharing among our partner companies around the globe is under the principle of Asset Assembler model, which Nippon Paint Group strategically manages to manage the business of partner companies. The technology teams of partner companies possess high autonomy to effectively address the needs from their respective markets and customers. On the other hand, in order to drive technology sharing and capability leveraging among partner companies, the Global Technology Council (ITC) was established, to promote technology exchange platforms and cross-PC projects. We have built up adaptive ways to enhance global technology collaborations to enhance added value of intellectual property. The technology teams in decorative paints have formed the global technology community to share best practices and leverage capability in joint technology development projects, helping address the needs from local consumers in each respective country. Our major automotive customers are global accounts, and our technical staff in automotive coatings around the globe were unified and became ONE team in 2021 under Nippon Paint Automotive Coatings (NPAC).

**Innovation for a sustainable future**

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.

**Significance of R&D activities in our paint and paint related businesses in utilizing and adding value to intellectual property**

Worldwide there are 3,887 technical staff working in Nippon Paint Group, with 1,171 in Japan. They are our strong innovation power and core competitiveness for achieving sustainable business growth in the marketplace. Our technical staff are working in 50 R&D and technical centers to serve our domestic and global customers and consumers, including our major R&D centers in Tokyo and Osaka in Japan, Shanghai in China, Singapore, Melbourne in Australia, Los Angeles and Cleveland in the US, and France in Europe. In 2021, the total technology related expense in Nippon Paint Group is above 24.3 bn yen. In 2021, Nippon Paint Group has filed 200 new patents, and by end of 2021 owned 1,000 granted patent rights.

Nippon Paint Group has classified its core technologies related to paint and coatings and manages its intellectual property portfolio in 10 categories, which are polymer chemistry, color science, formulation, curing technology, dispersion technology, application technology, process technology, rheology, weathering and corrosion, and measurement science. Subject matter experts are working in core R&D teams in the R&D centers, and collaborating with scientists from the global network of technical centers to support product development across the group.

Nippon Paint Group possesses a broad open innovation network with universities and academic research institutions worldwide. In 2020, the strategic research partnership with The University of Tokyo was initiated, with the University of Tokyo & Nippon Paint joint laboratory established. The partnership aims to create innovative coating technologies in three fields, infectious disease risk reduction, social cost and environment burden control, and contribution to smart society. In Singapore, NIPSEA Group has been collaborating with the research institutes of A*STAR (Agency for Science, Technology and Research) for decades. Recently, NIPSEA Group has strategically joined hands with A*STAR to develop disruptive technologies in the fields of smart surface enabling autonomous driving, and applying artificial intelligence in coating research.
Sustainability Strategy

Management of chemical substances

In 2021, Japan Group launched the chemical substance management system named “Green 360”. In order to minimize the impact on environment and human health, the system is developed to manage chemical substances not only from Japanese chemical regulations, but also chemical substances of global concern from international treaties, such as REACH regulations. We classify the chemical risks in three categories according to the laws and regulations in the countries where our business operates: prohibited, restricted for new introduction, and avoided for new introduction. The system started in operation in Japan in 2021, and the practice is being introduced to our partner companies outside Japan.

Alkylphenol ethoxylates (APEO) are surfactants and include a subcategory of nonylphenol ethoxylates (NPEO/NP).

These types of nonylphenols (NP) are being regulated by the EPA and REACH. Nippon Paint has been steadily phasing out APEO-containing surfactants. In 2021, we eliminated the use of the nonylphenol compounds in our products in Europe. Dunn-Edwards continues to phase out APEO-containing surfactants through product improvement and ensures that no new APEO-containing raw materials are allowed in the newly developed products.

In addition, we have been substituting the UV absorbers that are being considered as persistent organic pollutants (POPs). Our next plan is to completely phase them out on all products for Europe by the end of 2023.

In DuluxGroup, managing the risks associated with hazardous chemicals used in the formulation of the products is an important priority for our businesses. We have developed a management approach to ensure that substances with potential for long-term health or environmental effects (chemicals of concern) are identified, with their risk evaluated. Improvement actions, such as formulation changes or improved packaging and labelling, are put in place to reduce or eliminate the risk of harm.

Chemicals of concern are identified from supplier safety data sheets, regulatory lists such as the European “Substances of Very High Concern” and stakeholder sustainability program listings (e.g. Living Building Challenge Red List).

Whenever a new ingredient is proposed for introduction, it is reviewed against the Chemicals of Concern criteria and existing listing. If identified as a chemical of concern, a risk assessment is undertaken to determine if the chemical can be safely used in the specific product and by the intended end-user or if an alternative formulation is needed.

Scientific knowledge, regulations and community concern related to chemicals are constantly evolving. To keep our knowledge up to date, DuluxGroup has also established a process for monitoring and reviewing stakeholder and regulatory reviews of chemical classification so that emerging concerns can be picked up and acted on pro-actively.

In Dulux Protective Coatings, Congard product is now Cobalt and Meko free.


Dulux Porter’s: Reformulation away from crystalline silica in its product range.

Innovation cases

While we are facing major challenges nowadays, such as contamination, air pollution, climate change, economic growth, high industry dynamics, and increasingly stringent environment regulations, we find these challenges also opportunities for innovative products that contribute sustainability advantages to tackle these challenges, especially reducing the carbon neutral society and in line with UN SDGs. Thus, our innovation direction is towards environmentally friendly, energy efficient and economically viable paint products.

Innovations in anti-viral paints

In Nippon Paint Malaysia, Project launch PROTECTOM brand in September 2020, named after the function “PROTECT”: people’s lives from threats of viruses and bacteria + to turn the function “ON” to the surfaces of all things. Since then, we have combined all of Nippon Paint Group’s paints, coatings and surface treatment technologies to offer a range of products for industrial, DIY and household use.

In February 2023, Nippon Paint (NPTLJ) released “PROTECTOM Interior Wall VK Coating”, “PROTECTOM Interior Floor VK Coating” and “PROTECTOM Automotive Coatings” released “PROTECTOM Car Interior VK Coat.” Three of these new products are added to PROTECTOM brand. In addition to the “Interior Wall Siaran” for interior walls, “Floor VK Clear” is a water-based clear paint for floors, is expected to be effective when drops containing viruses adhere to floor surfaces. “Car Interior VK Clear” is expected to have sustained anti-viral function with excellent durability. Nippon Paint and several companies of Japan, China and Vietnam start to work on the application property to the car interior and to improve adherence to the substrate.

In addition, our group and the Univar company are working on research activities on coatings technologies with anti-viral and anti-bacterial functions to reduce the risk of infection. This is one of the joint research themes under the industry-academic co-creation agreement signed in May 2022.

It is a joint effort across the globe in Nippon Paint Group to fight against viruses. Nippon Paint China launched “ClearShield” antimicrobial technology, named “You Clear, Health Shield”, in October 2021. The innovative coating products are film using the technology have color change resistance and good aesthetic performance in accordance with Chinese anti-viral coating code. In January 2021, Nippon Paint China released antimicrobial Kei Paint, which can reduce the bacteria S. Aureus, E. Coli, etc. and virus H1N1, EV71, Human-corona virus 2019, and put them on the coating surface, with added functions of HCHO absorption, low VOC, and low odor performance.

In Nippon Paint Malaysia, “VirusGuard” was developed with silver ion technology to persistently inhibit the growth of viruses and bacteria on the coated surface, decreasing the spread of contagious diseases including Hand, Foot and Mouth Disease (HFMD), H1N1 as well as COVID-19. Nippon Paint Singapore has also launched “Viroguard” and “Viroguard+” coating products, based on the silver and copper technologies, respectively.

Dulux UltraAir®

In response to broader societal concern about indoor air quality, DuluxGroup has introduced UltraAir® interior wall paint range. The products have ultra low volatile organic and heavy metals (VOCs and heavy metals), much lower than the standards of Australia and New Zealand. They have been designed with the indoor environment in mind, having been tested to international standards of air quality and performance, and are compliant with the Green Tag certification. This is a third party independent certification that quantifies the reduction in emissions of the products and has been awarded to DuluxUltra®

The new Cr free primer products have been introduced to the Australian market in October 2021. The products have a lower release rate of Cr compared to the new Cr free primer products in the market, and are also suitable for use in the commercial sector in Australia while reducing odor and fumes is important to both trade and household consumers, meaning the UltraAir® product has significant appeal across all market sectors.

Chromium (Cr) free primer for construction industry

With the recent backlash of different regulations regarding pollution control for VOCs and heavy metals, environmental protection has been gaining more focus in the construction industry. Nippon Paint has developed chromium (Cr) free primer for coating products, which has now become an important element in industrial application. An environmentally friendly coating can be widely applied to large areas of metal for decoration and protection.

Occupational Safety and Health Administration (OSHA) studies have determined that hexavalent chromium, a carcinogen, but it can also cause nose, throat and lung irritation, with prolonged exposure resulting in skin irritation and parotitis of the parotid. The new Cr free coating primer can help to eliminate the medical risks to users and meet the OSHA requirements. This new technology also exhibits excellent corrosion resistance and good aging properties compared to those obtained in industrial tests.

The new Cr free primer products have been introduced to the mainstream market in China as the largest coil coating market. Nippon Paint has completely phased out Cr containing primer products for coil coatings in China.

Innovations in anti-viral paints

In Nippon Paint Malaysia, UltraAir® has achieved GreenGuard Gold certification. This is a third party independent certification that quantifies the reduction in emissions of the products and has been awarded to DuluxUltra®

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