Welcome to your CDP Water Security Questionnaire 2022

W0. Introduction

W0.1

(W0.1) Give a general description of and introduction to your organization.

Japan: 17 Group companies comprising NPHD (headquarters) and its consolidated subsidiaries with a total of 3,249 employees
Asia: 126 consolidated subsidiaries with a total of 18,253 employees
Oceania: 37 consolidated subsidiaries with a total of 3,927 employees
Americas: 8 consolidated subsidiaries with a total of 2,576 employees
Other regions: 6 consolidated subsidiaries with a total of 1,793 employees (operations in the U.K., Germany, Türkiye, and other areas.)

[Our Businesses] We are a comprehensive paints and coatings manufacturer providing a broad range of products and services, including automotive coatings, decorative paints (for buildings and bridges and other large structures), industrial coatings (for construction machinery, farming machinery, exterior building materials, office equipment, household electrical appliances, etc.), and paints for marine coatings, auto refinish, DIY, and roads, as well as surface treatments and systems for enhancing painting efficiency.

[Net Sales by Region]
Japan: 164,635 million yen
Asia (excluding Japan): 530.216 billion yen
Oceania: 176,237 million yen
Americas: 76,408 million yen
Other regions: 50,778 million yen

[Net Sales by Business Segment]
Automotive Coatings: 132,744 million yen
Decorative Paints: 607.115 billion yen
Industrial Coatings: 84,798 million yen
Fine Chemicals: 16,399 million yen
Other Paints: 58.259 billion yen
Paint Related Business: 98.959 billion yen

Company Name: Nippon Paint Holdings Co., Ltd. (NPHD)

Founded: March 14, 1881
Capital: 671,432 million yen
Number of Employees: 404 (Unit); 30,247 (Consolidated) (as of December 31, 2021)
Representatives: Director, Representative Executive Officer & Co-President Yuichiro Wakatsuki,
Director, Representative Executive Officer and Co-President Wee Siew Kim

W-CH0.1a

(W-CH0.1a) Which activities in the chemical sector does your organization engage in?

Bulk organic chemicals
Specialty organic chemicals
Specialty inorganic chemicals

W0.2

(W0.2) State the start and end date of the year for which you are reporting data.

	Start date	End date
Reporting year	January 1, 2021	December 31, 2021

W0.3

(W0.3) Select the countries/areas in which you operate.

Japan

W0.4

(W0.4) Select the currency used for all financial information disclosed throughout your response.

JPY

W0.5

(W0.5) Select the option that best describes the reporting boundary for companies, entities, or groups for which water impacts on your business are being reported.

Other, please specify
Financial management in Japan

W0.6

(W0.6) Within this boundary, are there any geographies, facilities, water aspects, or other exclusions from your disclosure?

No

W0.7

(W0.7) Does your organization have an ISIN code or another unique identifier (e.g., Ticker, CUSIP, etc.)?

Indicate whether you are able to provide a unique identifier for your organization.	Provide your unique identifier
Yes, an ISIN code	JP3749400002

W1. Current state

W1.1

(W1.1) Rate the importance (current and future) of water quality and water quantity to the success of your business.

	Direct use importance rating	Indirect use importance rating	Please explain
Sufficient amounts of good quality freshwater available for use	Important	Important	For direct use, we mainly use water as a raw material for paints and coatings, i.e., one of the raw materials of our water-based products. Because we use a large quantity of water at our plants—as a raw material for our products, a coolant for equipment, etc.—we need a sufficient amount of good quality fresh water. For indirect use, we mainly need water as a raw material (ion-exchanged water) or as part of emulsion and other raw materials. Because of this, we use a large quantity of water of a certain level as a raw material and thus need a sufficient amount of good quality fresh water of the highest quality possible. We also recognize that fresh water is important for our supply chains (indirect use). [How dependence on water can differ in the future between direct use (operating sites) and indirect use (supply chains) and its reasons] Because our production volume is expected to increase, quality fresh water for direct use will become increasingly important. We also expect to depend on water more as the percentage of water-based paints/coatings in our production

			volume increases due to a switchover from oil-based paints to water-based paints, on top of the increase in production volume. Our dependence on pure water for indirect use will likely increase as well, as we plan to boost sales from automotive coatings, etc. by 10-15% (CAGR) in our by-business sales targets up to 2023, and our suppliers use fresh water, too, making it equally important.
Sufficient amounts of recycled, brackish and/or produced water available for use	Not very important	Not important at all	For direct use, we use seawater for exposure tests of marine coatings. Because the water quality does not matter in these tests, we do not consider seawater to be very important. For indirect use, one possible main application of recycled water is for cleaning, cooling equipment, etc. by suppliers and customers. Because water for this application does not have to be recycled water or seawater, we decided it is unimportant. [How dependence on water can differ in the future between direct use (operating sites) and indirect use (supply chains) and its reasons] With regard to dependence on water, even when it becomes necessary to use a greater amount of seawater as the production of marine coatings expands, the quality of seawater does not matter in the tests. As such, we decided that this is not very important for future direct use, either. For indirect use, we believe that its importance will be about the same as it is now, as there is no possibility that we will use water for indirect use.

W1.2

(W1.2) Across all your operations, what proportion of the following water aspects are regularly measured and monitored?

	% of sites/facilities/operations	Please explain
Water withdrawals – total volumes	76-99	We monitor water withdrawals at least once every month. We check total volumes of water withdrawals by aggregating metered volumes for each water source and volumes on purchase slips.
Water withdrawals – volumes by source	76-99	We monitor water withdrawals at least once every month.

		We check total volumes of water withdrawals by metered volumes for each water source and volumes on purchase slips.
Water withdrawals quality	76-99	We take measurements at waterworks bureaus in each district once every month. We monitor the quality of water withdrawals according to the ministry ordinance on the water quality standards as stipulated in Article 4 of the Water Supply Act of Japan.
Water discharges – total volumes	51-75	We monitor water discharges at least once every year. We calculate water discharges by deducting amounts used for products from metered volumes of discharges and withdrawals.
Water discharges – volumes by destination	26-50	We monitor water discharges at least once every year. We calculate water discharges by deducting amounts used for products from metered volumes of discharges and withdrawals.
Water discharges – volumes by treatment method	100%	We monitor water discharges at least once every year. We use meters to monitor water discharges treated at plants.
Water discharge quality – by standard effluent parameters	51-75	At least once a year, we monitor water discharge quality at factories to which the Sewerage Act and Water Pollution Prevention Act of Japan apply. We follow the JIS K 0102 "Testing Methods for Industrial Wastewater" to conduct monitoring. Water discharge quality at sales and other offices that are not subject to the above acts are not monitored.
Water discharge quality – temperature	26-50	At least once a year, we monitor water discharge quality at factories to which the Sewerage Act and Water Pollution Prevention Act of Japan apply. We follow the JIS K 0102 "Testing Methods for Industrial Wastewater" to conduct monitoring. Water discharge quality at sales and other offices that are not subject to the above acts are not monitored.
Water consumption – total volume	100%	We monitor water consumption at least once every year.

		We define water consumption as the volume of water used as a raw material for products, and its amount is entirely managed by the production control system.
Water recycled/reused	Less than 1%	We do not recycle water but conduct activities to reuse cleaning water and reduce its volume at each production base.
The provision of fully-functioning, safely managed WASH services to all workers	76-99	At least once every year we inspect water tanks that use tap water as a water source, are equipped with a water receiving tank whose total effective capacity is 10 cubic meters or larger, and serve drinking water, etc. For inspection, pursuant to the "Inspection Methods for Management of Private Water Supply Facilities and Other Necessary Matters" (July 23, 2003, Ministry of Health, Labour and Welfare [MHLW] Public Notice No. 262) (Laws/Regulations Search III. Health, Chapter 1 Health, MHLW), we outsource inspection to third-party organizations certified by the MHLW Minister.

W1.2b

(W1.2b) What are the total volumes of water withdrawn, discharged, and consumed across all your operations, and how do these volumes compare to the previous reporting year?

	Volume (megaliters/year)	Comparison with previous reporting year	Please explain
Total withdrawals	458.07	Lower	[Reasons for change from the previous year] Total withdrawals decreased in 2021 although production volume increased. [Explanations as to how the volume might change in the future] With an increase in production volume, we expect total withdrawals to grow as we need more water as a raw material for water-based paints, for cleaning tanks, etc. Furthermore, as the percentage of water-based paints out of the total production volume rises with the shift from oil-based to water-based paints, on top of the increase in production volume, total withdrawals should increase as well.

Total discharges	247.33	Much lower	[Reasons for change from the previous year] Total discharges decreased in 2021 although production volume increased. [Explanations as to how the volume might change in the future] With production volume increasing, we expect total discharges from our effluent treatment facilities to increase as we need more water for cleaning tanks, cooling boilers, etc.
Total consumption	210.74	About the same	[Reasons for change from the previous year] Total consumption in 2021 was roughly the same as in 2020 despite an increase in production volume. [Explanations as to how the volume might change in the future] With production volume increasing, we expect total consumption to increase as we need more water as a raw material for water-based paints, etc. Furthermore, as the percentage of water-based paints in the total production volume rises with the shift from oil-based to water-based paints, on top of the increase in the production volume, total consumption should increase as well.

W1.2d

(W1.2d) Indicate whether water is withdrawn from areas with water stress and provide the proportion.

	Withdrawals are from areas with water stress	Identification tool	Please explain
Row 1	No	WRI Aqueduct	We use water as a raw material for paints and for cleaning tanks and cooling boilers, air conditioners, and other equipment. As such, we define water stress as a concern that there is a continuous presence of withdrawal difficulty. We checked the Aqueduct Water Risks Atlas to see how much water stress exists in the areas where our seven largest water consuming domestic Group plants are located (Chiba, Takahama, Osaka, Hirakata, Okayama, Tochigi, Toyoake), and we confirmed that the water stress level is low in those locations.

W1.2h

(W1.2h) Provide total water withdrawal data by source.

	Relevance	Volume (megaliters/year)	Comparison with previous reporting year	Please explain
Fresh surface water, including rainwater, water from wetlands, rivers, and lakes	Not relevant			This is not relevant as we mainly use supply water and industrial water and do not directly use fresh surface water.
Brackish surface water/Seawater	Not relevant			This is not relevant as we mainly use supply water and industrial water and do not withdraw seawater.
Groundwater – renewable	Relevant	0.92	Lower	One out of our 11 main production sites in Japan withdraws groundwater for use at production processes. Because groundwater alone cannot meet our water demand, we also use supply water and industrial water. Water consumption decreased due to water-saving activities.
Groundwater – non-renewable	Not relevant			This is not relevant as we do not use non-renewable groundwater, though we do use some renewable groundwater.
Produced/Entrained water	Not relevant			This is not relevant as we do not use produced or entrained water.
Third party sources	Relevant	457.15	Lower	At our main 11 production sites in Japan, we use third-party sources (supply water, industrial water) for production processes (cooling boilers and air conditioners, cleaning tanks, etc.) and as a raw

				material for paints. As such, third-party sources are important for our business. Many of our toning plants also use supply water, which is essential for their production processes, although not to the same degree as our main production sites. (supply water: 234.10K m3, industrial water: 274.4K m3) The usage of supply water and industrial water decreased despite the increase in production volume. Water consumption decreased due to water-saving activities.

W1.2i

(W1.2i) Provide total water discharge data by destination.

	Relevance	Volume (megaliters/year)	Comparison with previous reporting year	Please explain
Fresh surface water	Relevant	76.97	Much lower	The discharge of fresh water to the surface decreased despite the increase in production volume. Relevance to business: The three plants in Japan discharge water mainly to the E River (Aichi Takahama), Magame River (Chiba), and Shijihara River (Northern Hiroshima) in accordance with the effluent treatment method specified in their locations and the status of development. Water consumption decreased due to water-saving activities.

Brackish surface water/seawater	Not relevant			This is not relevant as, because of the locations of our plants, we do not need to discharge water to specified destinations, and so there is no discharge to brackish surface water or seawater.
Groundwater	Not relevant			This is not relevant as, because of the locations of our plants, we do not need to discharge water to specified destinations, and so there is no discharge to groundwater.
Third-party destinations	Relevant	170.36	Lower	The discharge of water to third-party destinations decreased despite the increase in production volume. Relevance to business: Our plants located in areas with local government-managed public sewerage or in industrial complexes where effluent treatment plants are available discharge water to such facilities. Water consumption decreased due to water-saving activities.

W1.2j

(W1.2j) Within your direct operations, indicate the highest level(s) to which you treat your discharge.

	Relevance of treatment level to discharge	Volume (megaliters/year)	Comparison of treated volume with previous reporting year	% of your sites/facilities/operations this volume applies to	Please explain
Tertiary treatment	Not relevant				We do not discharge wastewater that requires secondary or tertiary treatment. Discharges are done through our own wastewater treatment plants (primary treatment). If secondary or tertiary treatment is required, it is

					outsourced to a specialized external contractor. Therefore, the company complies with all laws and regulations, in addition to voluntary standards for wastewater treatment.
Secondary treatment	Not relevant				We do not discharge wastewater that requires secondary or tertiary treatment. Discharges are done through our own wastewater treatment plants (primary treatment). If secondary or tertiary treatment is required, it is outsourced to a specialized external contractor. Therefore, the company complies with all laws and regulations, in addition to voluntary standards for wastewater treatment.
Primary treatment only	Relevant	191	Lower	11-20	We treat our discharge at our own effluent treatment plants in compliance with standards stipulated by laws and regulations and our voluntary standards.
Discharge to the natural environment without treatment	Relevant	17.4	Much lower	21-30	Rainwater is mainly discharged into public waters. Wastewater used in manufacturing is either treated at the company's own wastewater treatment plant or outsourced to a specialized contractor, thus complying with all laws and regulations and voluntary standards for wastewater discharges.
Discharge to a third party without treatment	Relevant	38.9	Higher	51-60	Rainwater is mainly discharged into the sewage system. Wastewater used in manufacturing is either treated at the company's own

					wastewater treatment plant or outsourced to a specialized contractor, thus complying with all laws and regulations and voluntary standards for wastewater discharges.
Other	Not relevant				No other levels of treatments are used.

W1.3

(W1.3) Provide a figure for your organization's total water withdrawal efficiency.

	Revenue	Total water withdrawal volume (megaliters)	Total water withdrawal efficiency	Anticipated forward trend
Row 1	164,635,000,000	458.07	359,410,133.822342	The company is planning a 5% annual growth target in revenue from 2021 to 2023, which will likely be accompanied by an increase in production and water use. Water-based paints may account for a larger share of sales, which will increase the amount of water used as a raw material and total water withdrawals. This could correlate to an unavoidable decrease in water withdrawal efficiency due to an inability to efficiently manage water withdrawals. On the other hand, for future physical risks associated with climate change, we see many risks stemming from the acute risk of outages in supplier supply, plant operations, and logistics due to floods, tornadoes, etc., and chronic risks, such as Japan's tropical climate due to global warming, which may cause deteriorated water quality and challenges in accessing water resources due to such disasters. That is why we have set "efficient use of water resources" as one of the items under "resources and environment" in our materiality. In order to achieve effective use of

				water resources throughout the Group, in 2021, a global working team under the ESG Committee established a global policy on water, stating that "we will use water efficiently and manage wastewater responsibly." Based on this policy, we will promote specific initiatives such as thorough and effective management of water consumption and wastewater, water reuse, and water conservation.

W-CH1.3

(W-CH1.3) Do you calculate water intensity for your activities in the chemical sector?

Yes

W-CH1.3a

(W-CH1.3a) For your top five products by production weight/volume, provide the following water intensity information associated with your activities in the chemical sector.

Product type

Specialty organic chemicals

Product name

Coatings (for automobiles)

Water intensity value (m3)

1.87

Numerator: water aspect

Total water withdrawals

Denominator

Ton

Comparison with previous reporting year

Much lower

Please explain

Numerator: Total water withdrawn for production of automotive coatings
Denominator: Production volume of automotive coatings

[Reason for Change in Volume Compared to Last Year] Production volumes increased, but total water withdrawals decreased from the previous year, resulting in a decrease in water intensity.

[How the Indicator is Used within the Company] In 2020, we set various materiality (key issues) for the Company. Among them, we adopted the "resources and environment" policy which aims to make effective and efficient use of water and other resources. Reducing water intensity will lead to effective use of resources through improved water-saving technology and will also contribute to Maximization of Shareholder Value (MSV), our sole mission, from the perspective of reducing manufacturing costs.

[Future Trend in Water Intensity Values] The company's strategy to reduce VOC emissions from paints is expected to continue, and water intensity is expected to increase in the future. The amount of water used as a raw material is expected to increase and the water intensity is expected to rise as a result of the shift from solvent-based paints to water-based paints, which are more effective in reducing VOCs, due to the development of global VOC regulations. On the other hand, the reduction of water consumption through the improvement and development of water-based paint formulation design and the continued consideration of reducing water consumption in the paint manufacturing process, including the use of recycled water, will contribute, albeit slightly, to the decrease in water intensity.

[Strategy in Place for Reducing Water Intensity] Water intensity can be broadly classified into two categories: water intensity used in the manufacturing process and water intensity used for raw materials. As a strategy to reduce the water-intensity of the former, some plants began to manage and monitor the amount of water used for equipment cleaning and recycle cooling water in order to reduce the water intake volumes. In addition, water conservation checks are incorporated into safety patrols (checking for leaks and overflows), and effective use of rainwater and wastewater treatment plant water has been initiated. With regard to the latter, reduction of water consumption for raw materials, while an increase in water consumption (water intake) for raw materials is unavoidable with the shift to water-based materials, reduction of water content per product is under consideration through development/replacement of products with high heating residual content for paints.

Product type

Specialty organic chemicals

Product name

Coatings (for general industrial applications, primarily for construction machinery)

Water intensity value (m3)

0.83

Numerator: water aspect

Total water withdrawals

Denominator

Ton

Comparison with previous reporting year

Higher

Please explain

Numerator: Total water withdrawals for the production of general industrial application coatings (mainly for construction machinery)
Denominator: Production volumes of general industrial application coatings (mainly for construction machinery)
[Reason for change in volume compared to last year] Both the numerator (total water withdrawals) and denominator (production volumes) have increased, resulting in an increase in water intensity.

[How the Indicator is Used within the Company] In 2020, we set various materiality (key issues) for our company. Among them, we adopted the "resources and environment" policy which aims to make effective and efficient use of water and other resources. Reducing water intensity will lead to effective use of resources through improved water-saving technology and will also contribute to Maximization of Shareholder Value (MSV), our sole mission, from the perspective of reducing manufacturing costs.

[Future Trend in Water Intensity Values] As a strategy to reduce water intensity, we will actively replace water with powder paints that do not contain water in our raw materials. As a result of these activities, water intensity is expected to trend downward in the future.

[Strategy in Place for Reducing Water Intensity] The company invested approximately 900 million yen to double the production capacity of the Chiba Plant (powder paints). In addition to the features of powder paints, which do not use organic solvents and allow recovery and reuse of uncoated paints with zero waste, due to the ease of transitioning to automation and reducing manpower, the powder paint market is expected to grow. That is why the company has set a target of a 35% increase in sales in the powder paint business by 2023, five years after the start of operations. As other strategies to reduce water intensity, the company is considering reducing water usage during equipment cleaning. Specifically, the company has begun efforts to reduce the amount of water used by reducing the quantity/frequency of equipment cleaning and by recycling water, such as coolant. Furthermore, for products other than powder coatings, the company is considering a paint recovery system that does not use water and chemicals.

Product type

Specialty organic chemicals

Product name

Decorative paints (for architectural application)

Water intensity value (m3)

1.93

Numerator: water aspect

Total water withdrawals

Denominator

Ton

Comparison with previous reporting year

About the same

Please explain

Numerator: Total water withdrawn for production of construction application coatings
Denominator: Production volume of construction application coatings
[Reason for change in volume compared to last year] Total water withdrawal increased slightly from the previous year, but the decrease in production volume was small, leaving the water intensity almost the same.

[How the Indicator is Used within the Company] In 2020, we set various materiality (key issues) for our company. Among them, we adopted the "resources and environment" policy which aims to make effective and efficient use of water and other resources. Reducing water intensity will lead to effective use of resources through improved water-saving technology and will also contribute to Maximization of Shareholder Value (MSV), our sole mission, from the perspective of reducing manufacturing costs.

[Future Trend in Water Intensity Values] The strategy to reduce VOC emissions of paints will continue, and water intensity is expected to trend upward in the future.

[Strategy in Place for Reducing Water Intensity] As a strategy to reduce water intensity, the company has reduced the amount of cleaning water used in the color mixing process by increasing the proportion of color mixing done in oil cans (mixing colors in final sale containers), and reduced the number of times equipment is washed, which has led to a reduction in water consumption. Although an increase in water consumption for raw materials (water withdrawals) is unavoidable due to the shift to water-based products, the company has begun to work on lowering water withdrawals for water outside of use as a raw material by recycling coolant and water used when washing facilities, as well as reviewing manufacturing processes.

Product type

Specialty inorganic chemicals

Product name

Surface treatment agents

Water intensity value (m3)

1.33

Numerator: water aspect

Total water withdrawals

Denominator

Ton

Comparison with previous reporting year

Higher

Please explain

Numerator: Total water withdrawals for production of surface treatment agents
Denominator: Production volumes of surface treatment agents
[Reason for change in volume compared to last year] Both the numerator (total water withdrawals) and the denominator (production volumes) increased, resulting in an increase in water intensity.

[How the Indicator is Used within the Company] In 2020, we set various materiality (key issues) for our company. Among them, we adopted the "resources and environment" policy which aims to make effective and efficient use of water and other resources. Reducing water intensity will lead to effective use of resources through improved water-saving technology and will also contribute to MSV (maximizing shareholder value), our core management policy, from the perspective of reducing manufacturing costs.

[Future Trend in Water Intensity Values] The water intensity as a raw material for products is difficult to reduce due to the upper limit of water content in terms of product safety management. That is why reduction of water consumption in the manufacturing process and reduced water intensity is only marginal. Additionally, water consumption by customer is always evaluated, and we are always aware of developments that will lead to a reduction in the number of washings.

[Strategy in Place for Reducing Water Intensity] As a strategy to reduce water intensity, we are considering increasing the content of active ingredients in treatment agents and reducing the amount of water used when cleaning equipment. Moreover, the company is working to develop products that meet market needs, for example a pretreatment system that can reduce water consumption, protect water quality, and that does not require rinsing is a new product in development.

W1.4

(W1.4) Do you engage with your value chain on water-related issues?

Yes, our suppliers

W1.4a

(W1.4a) What proportion of suppliers do you request to report on their water use, risks and/or management information and what proportion of your procurement spend does this represent?

Row 1

% of suppliers by number

1-25

% of total procurement spend

76-100

Rationale for this coverage

i) Explanation of why these suppliers were selected for reporting: We sent a questionnaire survey to suppliers that altogether account for 90% of our total purchase of raw materials and extracted responses of the top 55 suppliers, who represent approximately 24% of our total number of suppliers (230 companies).
ii) How are suppliers incentivized to report: The questionnaire survey identifies companies scoring less than 70 points as low scorers and encourages them to improve their performance. It also becomes an incentive for suppliers as raw materials will be more actively purchased from companies with decent evaluations.

Impact of the engagement and measures of success

i) Details on the type of information requested from suppliers, how to evaluate the impact and results of engagement: Our Group is committed to reducing water use throughout its supply chain, spanning from raw material procurement, production, logistics to product use, disposal, and recycling. We survey and confirm the status of suppliers' initiatives in order to identify and engage with companies that are both proactive in their environmental activities, such as reducing wastewater or sustainable use of resources, and passive in their initiatives. A questionnaire survey is conducted to our primary raw material suppliers, and each company is ranked (Rank A=90% or more, B=80%, C=70%, D=60%, E=50%, F=under 50%), with companies scoring less than 70 points being given low scores and encouraged to make improvements.
ii) How the information is used internally: The Company discloses its basic stance on transactions in our procurement policy and aims to ensure that all employees and suppliers of the Nippon Paint Group understand and practice it. We have established procurement guidelines that break down the procurement policy to include specific details as a means of clarifying the items of compliance for suppliers and the Company and promote responsible procurement. The results of the survey are used to update these procurement guidelines to be more specific and easier to understand.
iii) Details on how success was measured (e.g., metrics used): In the 2020 and 2021 surveys, we used how many suppliers scored over 70 as a measure of success. Until 2019, if a supplier's score rank was less than 60, we would review their activities and discuss improvements; however, as overall scores are increasing, in the 2020 and 2021 surveys, we expanded the suppliers we worked with to include those with scores under 70 as a way of collaboration for improvement. In the 2020 survey, we discussed ways to develop with nine companies that scored low in the initiative evaluation (equivalent to 7% of our purchase volumes). The number of companies with no problems in evaluations regarding their initiatives was 47 (equivalent to 83% of purchase value). In the 2021 survey, we plan to discuss ways to make improvements with three companies with low scores in the initiative evaluation (equivalent to 2% of purchase value). The number of companies with no problems in evaluations regarding their initiatives was 52 (equivalent to 88% of the purchase amount). The survey was conducted by the UNGC Japan SAQ (a self-assessment of the initiatives and corrective mechanisms for

corporate governance, human rights, labor, environment, fair corporate practices, quality and safety, information security, supply chain, and social contribution related to CSR; for the environment, an understanding of international norms, domestic laws and regulations, and overseas chemical substance control laws; the status of initiatives for sustainable use of resources including water and reduction of wastewater; and corrective mechanisms as needed). The evaluation is based on a total score of 100 points, with consideration of the weight in each category.。

Comment

W1.4b

(W1.4b) Provide details of any other water-related supplier engagement activity.

Type of engagement

Innovation & collaboration

Details of engagement

Educate suppliers about water stewardship and collaboration

% of suppliers by number

76-100

% of total procurement spend

76-100

Rationale for the coverage of your engagement

In order to promote our initiatives, in principle, any suppliers who do business with the company, regardless of the size of the transactions, are a possible candidate for engagement.

Impact of the engagement and measures of success

i) Details of the beneficial results from collaborative activities
To further promote collaboration with suppliers, in 2020, we began organizing training seminars designed to share information and disseminate our policies. Seminars were held online in 2020 due to the pandemic. In 2021, we conducted a questionnaire with suppliers to survey the status of their initiatives and held individual meetings with suppliers which needed further information sharing. These meetings allowed us to grasp the status of response to water security among suppliers and provided a useful reference for our internal consideration of supplier engagement activities in the future.
ii) Clear explanation of how we measure the success of collaborations with suppliers
In the 2020 and 2021 surveys, we used how many suppliers scored over 70 as a measure of success. Until 2019, if a supplier's score rank was less than 60, we would review their activities and discuss improvements; however, as overall scores are increasing, in the 2020 and 2021 surveys, we expanded the suppliers we worked with to include those with scores under 70 as a way of collaboration for improvement. In the

2020 survey, we discussed ways to develop with nine companies that scored low in the initiative evaluation (equivalent to 7% of our purchase volumes). The number of companies with no problems in evaluations regarding their initiatives was 47 (equivalent to 83% of purchase value). In the 2021 survey, we plan to discuss ways to improvements with three companies with low scores in the initiative evaluation (equivalent to 2% of purchase value). The number of companies with no problems in evaluations regarding their initiatives was 52 (equivalent to 88% of the purchase amount). The survey was conducted by the UNGC Japan SAQ (a self-assessment of the initiatives and corrective mechanisms for corporate governance, human rights, labor, environment, fair corporate practices, quality and safety, information security, supply chain, and social contribution related to CSR; for the environment, an understanding of international norms, domestic laws and regulations, and overseas chemical substance control laws; the status of initiatives for sustainable use of resources including water and reduction of wastewater; and corrective mechanisms as needed). The evaluation is based on a total score of 100 points, with consideration of the weight in each category.

Comment

W2. Business impacts

W2.1

(W2.1) Has your organization experienced any detrimental water-related impacts?

No

W2.2

(W2.2) In the reporting year, was your organization subject to any fines, enforcement orders, and/or other penalties for water-related regulatory violations?

No

W3. Procedures

W-CH3.1

(W-CH3.1) How does your organization identify and classify potential water pollutants associated with its activities in the chemical sector that could have a detrimental impact on water ecosystems or human health?

[Details of our policy and process used to identify potential water pollutants]

We make every effort to protect the ecosystem (including the prevention of water pollution) and minimize our use of chemical substances that can harm human health. This is done by establishing the Basic Policy for Responsible Care in compliance with Responsible Care (RC) activities, whereby chemical industries and businesses handling chemical substances around the world voluntarily consider the impact of their products on the environment, safety, and

health at all stages of their lifecycle from development, production, logistics, use, final consumption to disposal of chemical substances, disclose the results of their activities, and engage in dialogues and communication with society at large.
We identify and classify potential water pollutants according to the definitions of harmful substances and other items in the Water Pollution Prevention Act of Japan. For items and substances that could have a detrimental impact on water ecosystems, we not only follow legal standards (equivalent to the Water Pollution Prevention Act of Japan) but also set voluntary standards which raise the bar higher, and measure water quality periodically for control. Should the concentration of any of these controlled substances exceed their standard values and spread outside of our premises, there is a concern that the ecosystem could be disrupted in areas of public waters and that sewerage treatment facilities could become overloaded if such substances were discharged into sewer drains, which would affect the wellbeing of relevant areas.

[Details of whether we comply with the standards thus set]
We ensure compliance with regard to harmful substances and designated substances as specified in the Water Pollution Prevention Act by measuring and recording the levels of the aforementioned substances as stipulated therein and, when needed, appointing pollution prevention managers. We also have third parties audit our process pursuant to ISO 14001. In addition to ensuring compliance with the Water Pollution Prevention Act, every year we submit a report on the type of chemicals, their quantity, and the sources from which they are released into the environment, including water systems, or moved out of our plants as part of waste, as required by the PRTR system.

[Information on whether the policy and/or process differ between different parts of our value chain and if so, how]
The impact that our production processes and those of raw materials suppliers, who are upstream in our value chain, have on water systems is largely equivalent, but the same of production/post-manufacturing processes of users of our products can be different. We inform those downstream in our value chain of the potential risks associated with the use and storage of these harmful chemical substances by describing them in the safety data sheets (SDSs) of our products. With regard to chemical hazards, aquatic environmental toxicity (acute, chronic) is included for water, but their physical and chemical properties may differ depending on the conditions of use, storage, disposal, and transportation. Please note that the Basic Policy for Responsible Care covers any and all forms of a burden on the environment, and changes in physical properties will not affect the policy at all. One source of concern that has recently caught our attention is that plastics, including paints and coated goods, are required to be highly durable and so do not easily biodegrade and/or decompose, with the result that microplastics pollute the marine ecosystem, affecting water systems and human health.

W-CH3.1a

(W-CH3.1a) Describe how your organization minimizes adverse impacts of potential water pollutants on water ecosystems or human health. Report up to ten potential pollutants associated with your activities in the chemical sector.

Potential water pollutant	Value chain stage	Description of water pollutant and potential impacts	Management procedures	Please explain
Lead	Direct operations Product use	There is a concern that due to a lead spillage, it may be orally ingested into the human body via marine organisms, causing harmful bodily effects (neurotoxicity, carcinogenicity, etc.)	Compliance with effluent quality standards Measures to prevent spillage, leaching, and leakages R&D into less harmful alternative products	We have established management categories for the quality of our wastewater water in relation to potential water pollutants and regularly measure water quality items such as COD, total phosphorus, and total nitrogen. Furthermore, we have set voluntary standards for these criteria, which are stricter than the statutory standards, and through our monitoring, we have been able to confirm that our wastewater quality is continuously meeting the voluntary standards. These efforts are systematically undertaken by the RC Committee and RC targets of the Group, which set targets, monitor the results, and discuss improvement measures at least once a year. (Direct operations) As measures to prevent spillage from affecting human health, countermeasure materials have been installed, and treatment procedures established in preparation for leakage incidents. Emergency response drills are also conducted on a regular basis. These efforts, including setting zero leakage incidents as a criterion for success, are systematically addressed by the Group's RC Committee and RC targets, and targets are set, results are monitored, and improvement measures are discussed at least once a year. (Direct operations) As an evaluation of success, we set the lead content in product formulas to 0% and promoted the

				development of lead-free products, resulting in the volume of lead raw materials handled reaching 0 at the end of 2019. (Product use)

W3.3

(W3.3) Does your organization undertake a water-related risk assessment?

Yes, water-related risks are assessed

W3.3a

(W3.3a) Select the options that best describe your procedures for identifying and assessing water-related risks.

Value chain stage

Direct operations

Coverage

Full

Risk assessment procedure

Water risks are assessed in an environmental risk assessment

Frequency of assessment

Annually

How far into the future are risks considered?

3 to 6 years

Type of tools and methods used

Tools on the market
Enterprise risk management
Databases
Other

Tools and methods used

WRI Aqueduct
Regional government databases
Internal company methods
Nation specific databases, tools, or standards

Contextual issues considered

Water availability at a basin/catchment level
Water quality at a basin/catchment level
Implications of water on your key commodities/raw materials
Water regulatory frameworks

Status of ecosystems and habitats
Access to fully-functioning, safely managed WASH services for all employees

Stakeholders considered

Customers
Employees
Investors
Local communities

Comment

Through Aqueduct, the water risk at seven major sites in Japan was identified as Low-Medium. The company has created in-house risk assessment methods for evaluating water risks based on the Responsible Care Activity and ISO14001. In addition, physical risks that are considered high risk are assessed using hazard maps (local government database) based on the Flood Prevention Law.

Value chain stage

Supply chain

Coverage

Full

Risk assessment procedure

Water risks are assessed in an environmental risk assessment

Frequency of assessment

Annually

How far into the future are risks considered?

More than 6 years

Type of tools and methods used

Tools on the market
Databases
Other

Tools and methods used

WRI Aqueduct
Regional government databases
Internal company methods
Other, please specify
Supplier assessment of the UNGCNJ

Contextual issues considered

Water availability at a basin/catchment level
Water quality at a basin/catchment level
Water regulatory frameworks

Stakeholders considered

Customers
Employees
Investors
Suppliers

Comment

Value chain stage

Other stages of the value chain

Coverage

Partial

Risk assessment procedure

Water risks are assessed in an environmental risk assessment

Frequency of assessment

More than once a year

How far into the future are risks considered?

1 to 3 years

Type of tools and methods used

Databases
Other

Tools and methods used

Regional government databases
Internal company methods

Contextual issues considered

Water availability at a basin/catchment level
Water quality at a basin/catchment level
Implications of water on your key commodities/raw materials
Water regulatory frameworks
Status of ecosystems and habitats

Stakeholders considered

Customers
Other water users at the basin/catchment level

Comment

Through Aqueduct, the water risk at seven major sites in Japan was identified as Low-Medium. The company has created in-house risk assessment methods for evaluating water risks based on the Responsible Care Activity and ISO14001. In addition, physical risks that are considered high risk are assessed using hazard maps (local government database) based on the Flood Prevention Law.

W3.3b

(W3.3b) Describe your organization’s process for identifying, assessing, and responding to water-related risks within your direct operations and other stages of your value chain.

In fiscal 2020, the ESG Committee was commissioned by the Board of Directors to develop the Group's strategy, policies, and action plans related to ESG and sustainability, including climate change issues, and to evaluate and promote their implementation. The Environmental Subcommittee, a subordinate entity of the ESG Committee, identifies and assesses risks and opportunities associated with water and maps out a course of action for material risks and opportunities thus identified. In fiscal 2021, as in fiscal 2020, the ESG Committee continued to meet at least twice, and the Environmental Subcommittee met four times.

The Environmental Subcommittee, which includes the heads of the Corporate Planning, Safety & Environment, R&D, and ESG Promotion Departments of NPHD and the Responsible Care* managers of the Group's operating companies, identifies and assesses a wide range of environmental risks and opportunities, including water risks.

The risks and opportunities identified and assessed by the Environmental Subcommittee, and the action plans drafted for them, are proposed to the ESG Committee. The ESG Committee then deliberate on each risk and opportunity to determine company-wide targets and action plans and proceed to report them to the Board of Directors.

[Application of Water Risk Assessment Tool]

For water risk assessments, we use WRI Aqueduct's Chemicals (e.g., Base Line Water Stress) indexes to evaluate major plants in Japan and determine current and projected information. In order to assess water risk in detail for each plant location, hazard maps from local government databases can be used to confirm the details, but as the assessment criteria differ, uniform assessment is not possible through that method. For this reason, we use both the commercially available tool AQUEDUCT and local government database. The company also monitors regulatory trends through ISO 14001 and RC activities.

[How the evaluation results are utilized in decision-making]

Per the results of the assessment, in the short term of direct operations, water quality deteriorates, which increases the burden on recycling equipment and increases maintenance costs; in the mid- to long-term, the Company is considering the possibility of addressing these issues through capital investment plans for wastewater treatment technology and equipment that can respond to increases in banned substances and stricter wastewater standards due to stricter wastewater regulation standards, or through operational changes.

In the value chain, we check the regulatory requirements such as effluent standards in local government hazard maps and regulatory databases; mainly at the locations/plants where our products are used by our major customers, and provide them with advice such as precautions for use that match the composition and properties of our products to help them avoid risks.

(*) Responsible Care = Voluntary activities in the chemical industry to implement and improve environmental and safety measures, focusing on environmental conservation, security and disaster prevention, occupational health and safety, chemical and product safety, logistics safety, and communication.

[Explanation of the contextual issues considered.
Regarding "water availability at the watershed/reservoir level," water is essential to our manufacturing process and for the raw materials in paint.
With regard to "water quality at the watershed/reservoir level," it is essential to confirm the quality of water at our manufacturing sites, as industrial and tap water is used for manufacturing raw materials. Therefore, water quality is always incorporated into the evaluation due to compliance with environmental regulations on effluent standards, such as effluent and leakage from plants.
When it comes to "stakeholder conflicts regarding water resources at the watershed/reservoir level," although water resources are essential for our business, we do not have any conflicts with stakeholders regarding water resources, such as rivers near our business sites and plants. The company has set and manages voluntary emission standards that are lower than national and regional emission standards. At manufacturing sites, the company monitors plant effluent for pH, suspended solids, oil content, etc., and manages to stay within the water quality standards of the region in which each site is located. In addition, as a plant, we volunteer to clean up rivers and seashores near our business sites from the viewpoint of coexistence with the community.
With regard to "water related to major commodities and raw materials," many of the raw materials used in our paints are derived from petroleum-based materials, such as toluene and xylene, which require large amounts of water in the distillation and refining processes, including boiler water and cooling water. If suppliers' operations are affected by water shortages, our material procurement will also be affected. Water is also used as part of raw materials, for example in emulsions, and we recognize the importance of water in the supply chain (indirect use). Moreover, our products also use a large amount of water for manufacturing processes and raw materials, so the risk of water on raw materials and key products is always taken into account in our assessments.
Regarding the "water regulatory framework," wastewater discharged from the paint manufacturing process must comply with local wastewater/water quality standards. If water-related regulations/effluent standards become more stringent in the area where each plant is located, additional capital investment may be required to comply with the standards. Recently, an increasing number of municipalities in Japan are raising water rates to accommodate aging water supply facilities, and any increase in capital investment/expenses may affect the earnings of our business.
With regard to "ecosystem and habitat conditions," at some of our plants, wastewater used for paint production is either outsourced for treatment as waste or treated at our own wastewater treatment plant before being discharged into public waters/sewage systems, and we regularly monitor the amount of wastewater discharged from each plant. In the event that a controlled substance exceeds the standard value and is discharged from the plant to somewhere beyond its premises, there is concern about the destruction of the ecosystem in public water bodies, and the impact will be investigated.
Regarding "access to properly functioning and safely managed water, wastewater, and sanitation (WASH) services for all employees," the Responsible Care Policy stipulates that the safety and health of employees associated with our operations must be ensured, and the provision of safe water for all employees is considered essential. Because our operations use a large amount of organic solvents, in accordance with the law, we have installed emergency

shower booths (a device used to wash off hazardous chemicals such as organic solvents on the spot as a first aid measure in the event of exposure).

[Description of Stakeholders Considered]
Overview of each stage in the value chain:
For direct operations, for example, if our plant is flooded or submerged due to flooding, there is a risk that paint production will be impacted, operations will be suspended, and suppliers will be affected, which may affect sales due to business losses. For other steps in the value chain, for example, flooding could affect our operations and delay shipments, which in turn could affect our customers' ability to improve their manufacturing.

Explanation for each stakeholder

For our customers, we include them in our risk assessment because water use is essential as a raw material for our products and during manufacturing, and in the event of drought, flooding, etc., if shipments are not possible or are delayed, it could lead to a decrease in sales and earnings. Additionally, when customers use our products, the ingredients and application conditions may affect the wastewater standards of the customer's manufacturing operation. Failure to provide products that meet customer needs or provide accurate information is included in the risk assessment because it would result in loss of business confidence and reduced sales revenue.
Regarding employees, employees always need safe and hygienic water for drinking, hand washing, and other uses, and the company considers the supply of such water to be its responsibility.
For investors, the use of water as a raw material for products and in manufacturing is essential, and in the event of droughts, floods, etc., if shipments cannot be made or are delayed, this will lead to a decrease in sales revenue, and is therefore included in the risk assessment. Since a decrease in sales and earnings can also affect investment analysis, decision-making, and, in some cases, shareholder behavior, the company recognizes the need to ensure that investors understand how the company is addressing water issues from their perspective, and to reflect their feedback in its water risk reduction efforts.
Regarding local communities, pollution of rivers and other waterways due to plant effluent can be a major risk to local communities.
With regard to NGOs, their opinions are important when considering initiatives to address water issues, as they offer a different perspective than companies and identify issues in their business activities.
As for regulatory body, wastewater discharged from the paint manufacturing process must comply with local wastewater/water quality standards. If water-related regulations/effluent standards become more stringent in the area where each plant is located, additional capital investment will be required to comply with the standards, which poses a financial risk. In addition, an increasing number of municipalities in Japan are raising water rates in order to accommodate aging water supply facilities, and any increase in capital investment and costs could have a negative impact on the profitability of our business.

Regarding suppliers, many suppliers use water as a raw material and during manufacturing. Many of the raw materials for our paints are derived from petroleum-based raw materials, such as toluene and xylene, and the distillation and refining process requires large amounts of water,

including boiler water and cooling water. Water is also used as part of the raw materials for emulsions and other products, and we recognize the importance of water in the supply chain (indirect use).
For water utilities at the local level, local water supply/industrial water contracted by the site is essential to provide sufficient supply of quality water for the manufacturing process and employees. Therefore, the risk assessment includes the development of water service providers at the regional level, as supply forecasts/limitations and price revisions will affect business activities. Water quality is also essential to monitor for production and employee health maintenance.
For other water users in the river basin/catchment, pollution of our rivers and other water bodies by plant effluent can be a major risk to other user communities in the same water system/river basin. We use local government data to understand the uses of other users in the same river basin, etc.

W4. Risks and opportunities

W4.1

(W4.1) Have you identified any inherent water-related risks with the potential to have a substantive financial or strategic impact on your business?

Yes, both in direct operations and the rest of our value chain

W4.1a

(W4.1a) How does your organization define substantive financial or strategic impact on your business?

[Definition of Significant Financial and Strategic Impact]
Damage to the Nippon Paint Group's consolidated net assets, consolidated net sales, or consolidated ordinary profit.

[Threshold for Significant Change]
(1)A loss in excess of 3% of the consolidated net assets of the Group in the reporting boundary
(2) Compared to the relevant fiscal year forecast, a fluctuation of 10% or more in the consolidated net sales of the Group's reporting boundary
(3) Compared to the relevant fiscal year forecast, a fluctuation of 30% or more in the consolidated ordinary profit of the Group's reporting boundary

[Explanation of quantitative indicators used to define financial or strategic impact]
The Nippon Paint Group Risk Management Committee, chaired by the Representative Executive Officer & Co-President, deliberates on the management of material risks related to safety, climate change, environment, compliance, etc., and conducts ongoing reviews and improvements of internal control systems. While considering the overarching effect, depending on the occurrence, impact, and severity of the risks, the company classifies significant financial/strategic impacts on the business. This classification and criteria are reviewed on a regular basis.

[Whether the definition applies to the operating sites and/or the supply chain]
In principle, the definition applies to both operating sites and the supply chain, but because of the limited information available on the supply chain, other influencing factors are also taken into account when determining an impact.

[One or more instances of significant impact taken into account]
Considering direct operations and the value chain, the company is planning to relocate plant functions from coastal locations (western Japan) to inland locations to avoid damage from typhoons and flooding. (Specific plant names are not to be disclosed.)

W4.1b

(W4.1b) What is the total number of facilities exposed to water risks with the potential to have a substantive financial or strategic impact on your business, and what proportion of your company-wide facilities does this represent?

	Total number of facilities exposed to water risk	% company-wide facilities this represents	Comment
Row 1	1	1-25	

W4.1c

(W4.1c) By river basin, what is the number and proportion of facilities exposed to water risks that could have a substantive financial or strategic impact on your business, and what is the potential business impact associated with those facilities?

Country/Area & River basin

Japan

Other, please specify

Kinugawa River

Number of facilities exposed to water risk

1

% company-wide facilities this represents

1-25

% company's total global revenue that could be affected

11-20

Comment

W4.2

(W4.2) Provide details of identified risks in your direct operations with the potential to have a substantive financial or strategic impact on your business, and your response to those risks.

Country/Area & River basin

Japan

Other, please specify

Kinugawa River

Type of risk & Primary risk driver

Acute physical

Pollution incident

Primary potential impact

Fines, penalties or enforcement orders

Company-specific description

The Tochigi Plant manufactures surface treatment agents using raw materials that fall under the category of toxic substances. In the event of an acute physical risk such as a typhoon or torrential rain, the wastewater treatment facilities would stop functioning, and in the unlikely event that wastewater treatment was not carried out properly and toxic substances leaked outside the plant, the plant could be subject to penalties from the government. Penalties for violations of the Water Pollution Prevention Act and the Sewerage Law include "imprisonment for no more than six months or a fine of no more than 500,000 yen." Violations may result in the payment of the aforementioned fines, restrictions on operations until improvements are made, and expenditures on countermeasures.

Timeframe

More than 6 years

Magnitude of potential impact

Low

Likelihood

Very unlikely

Are you able to provide a potential financial impact figure?

Yes, an estimated range

Potential financial impact figure (currency)

Potential financial impact figure - minimum (currency)

500,000

Potential financial impact figure - maximum (currency)

300,000,000

Explanation of financial impact

The penalties for violations of the Water Pollution Control Law and the Sewerage Law are "imprisonment for not more than six months or a fine of no more than 500,000 yen." Violations may result in the burden of the fine described at left, as well as restrictions on operations until improvements are made and expenditures for countermeasures. We assume that the Tochigi Plant's operations are temporarily suspended (for one month) due to a violation. For confidentiality reasons, average unit sales prices for all products included in our business were used. The impact is estimated to be 300 million yen (about 0.2%) of Nippon Paint's sales in Japan.

Primary response to risk

Improve pollution abatement and control measures

Description of response

Costs related to pollution prevention and control measures, such as repair of deteriorating areas in facilities or ancillary equipment, such as piping that caused/became a cause of leakage, equipment measures, such as leakage prevention measures, around the Tochigi plant facility and into the Kinugawa River, and training costs to prevent recurrence in case of human error. These measures began before 2021 and were continued in 2021 as well.

Cost of response

90,000,000

Explanation of cost of response

Based on the approximate costs that would have incurred if the Chiba Plant facilities were renovated in 2018, if only pollution and control measures were taken into account, the figure was estimated at around 10% of those expenses. 900 million yen x 0.1 = 0.09 billion yen

W4.2a

(W4.2a) Provide details of risks identified within your value chain (beyond direct operations) with the potential to have a substantive financial or strategic impact on your business, and your response to those risks.

Country/Area & River basin

Japan

Other, please specify

Arakawa River

Stage of value chain

Supply chain

Type of risk & Primary risk driver

Acute physical
Flood (coastal, fluvial, pluvial, groundwater)

Primary potential impact

Supply chain disruption

Company-specific description

A plant for the main raw material of paints is located along the Ara River. According to expert analysis, in the worst-case scenario, the "Arakawa River" could have burst its banks in Typhoon No. 19 in 2019. The frequency and severity of record-breaking rainfall increases every year. If a supplier's plant were to be inundated or submerged due to a river collapse, it would be impossible to receive raw materials, which could affect our manufacturing, shut down operations, and impact our suppliers, resulting in business losses that could affect sales. Even if we procure the raw materials from other manufacturers, there is a risk that our earnings will suffer due to price hikes and increased procurement costs. We estimate that price hikes and increased procurement costs will be equivalent to 10% of the current procurement value of raw materials for the relevant paints. As a result, 1,400 million yen is more than 10% of our operating profit in Japan and is considered a risk to us.

Timeframe

4-6 years

Magnitude of potential impact

Low

Likelihood

Unlikely

Are you able to provide a potential financial impact figure?

Yes, a single figure estimate

Potential financial impact figure (currency)

1,400,000,000

Potential financial impact figure - minimum (currency)

Potential financial impact figure - maximum (currency)

Explanation of financial impact

We listed the procurement costs of major suppliers located in the applicable regions. Using that list as a base, the total estimated amount of the most recent year's performance was recorded.

Primary response to risk

Upstream
Increase supplier diversification

Description of response

Our response would be to switch to other suppliers outside the Arakawa River basin that are not affected and procure raw materials. However, raw materials would be expected to be in short supply, resulting in price hikes and prospective procurement source costs. The amount equivalent to 10% of the current procurement costs of raw materials for the paint in question was calculated based on the expectation of price hikes and increased procurement costs. This has been addressed prior to 2021 and is the same in 2021.

Cost of response

140,000,000

Explanation of cost of response

The current cost for procurement of raw materials for the paint in question was tabulated and multiplied by the estimated price increase and procurement cost increase equivalent to 10% of the total amount of the current procurement. 1.4 billion yen x 0.1 = W140 million yen.

W4.3

(W4.3) Have you identified any water-related opportunities with the potential to have a substantive financial or strategic impact on your business?

Yes, we have identified opportunities, and some/all are being realized

W4.3a

(W4.3a) Provide details of opportunities currently being realized that could have a substantive financial or strategic impact on your business.

Type of opportunity

Efficiency

Primary water-related opportunity

Other, please specify

Promote efficient use of water resources and reduce water usage in customers' painting processes

Company-specific description & strategy to realize opportunity

i) Explanation of why this opportunity is strategic for the company: The need for products and coating equipment that use less water during the coating process is increasing among customers due to heightened environmental awareness, which is expected to expand the sales opportunity.

ii) Description of actions to realize the opportunity: We are discussing what we can do as a paint manufacturer from a future-oriented perspective to realize the society we want to be in 2030. In March 2019, we established a definition of environmentally friendly products, which includes five definitions, of which the ones related to water are: "products that significantly improve resource use efficiency (including water) and enable the application of environmentally friendly technologies and industrial processes," and

"reduce the release of chemical substances into the environment during coating and surface treatment processes". Through the development and promotion of these environmentally friendly products, we are striving to contribute to the sustainable development of society. The company strives to contribute to the sustainable development of society through the development and promotion of these environmentally friendly products.

iii) Case studies or examples of strategies in action: The following initiatives are examples of what has been achieved through the development and diffusion of products.
Situation) Cold-rolled steel sheets, galvanized steel sheets, and aluminum sheets are used for automobile bodies. Prior to the electrodeposition coating process, a washing process is used to remove oil and metal powder and a conversion treatment is used to improve paint film adhesion and corrosion resistance.
Task) To solve the customer's problem, we must commercialize an environmentally friendly paint conversion agent for automobile bodies that simultaneously reduces hazardous substances and industrial waste, and drastically cuts water consumption.
Action) We will develop an environmentally friendly chemical conversion agent that has the same performance as commonly used zinc phosphate but does not contain heavy metals or phosphorous compounds that have a negative impact on the environment. We will promote research and development for use by various customers.
Response) As a result of research and development, we have succeeded in commercializing an environmentally friendly next-generation conversion agent for automobile bodies. Compared to zinc phosphate, this conversion agent requires no surface preparation process, produces very little sludge byproduct during the conversion reaction, and significantly reduces the amount of water used during treatment. The total R&D expenditure in the region in 2021 was approximately 5.8 billion yen, including this chemical conversion system.

Estimated timeframe for realization

1 to 3 years

Magnitude of potential financial impact

Low-medium

Are you able to provide a potential financial impact figure?

Yes, a single figure estimate

Potential financial impact figure (currency)

300,000,000

Potential financial impact figure – minimum (currency)

Potential financial impact figure – maximum (currency)

Explanation of financial impact

Advancement of water-saving technology will reduce the amount of water used in the Company and lower costs by reducing water usage fees. Furthermore, by advancing water-saving technology in customers' painting processes, the Company can strengthen its competitiveness and increase its market share and sales. If the product is highly evaluated by customers and leads to a 0.5% increase in sales of the relevant paint division in Japan, sales will increase by about 300 million yen.

W5. Facility-level water accounting

W5.1

(W5.1) For each facility referenced in W4.1c, provide coordinates, water accounting data, and a comparison with the previous reporting year.

Facility reference number

Facility 1

Facility name (optional)

Nippon Paint Co., Ltd. Tochigi Plant

Country/Area & River basin

Japan

Other, please specify

Kinugawa River

Latitude

36.544581

Longitude

139.99125

Located in area with water stress

No

Total water withdrawals at this facility (megaliters/year)

84.4

Comparison of total withdrawals with previous reporting year

Much higher

Withdrawals from fresh surface water, including rainwater, water from wetlands, rivers and lakes

0

Withdrawals from brackish surface water/seawater

0

Withdrawals from groundwater - renewable

0

Withdrawals from groundwater - non-renewable

0

Withdrawals from produced/entrained water

0

Withdrawals from third party sources

84.4

Total water discharges at this facility (megaliters/year)

67.1

Comparison of total discharges with previous reporting year

Much higher

Discharges to fresh surface water

0

Discharges to brackish surface water/seawater

0

Discharges to groundwater

0

Discharges to third party destinations

67.1

Total water consumption at this facility (megaliters/year)

17.3

Comparison of total consumption with previous reporting year

Much lower

Please explain

Tap water (11.1 ML) and industrial water (73.3 ML) are used in paint production and technical research.

W5.1a

(W5.1a) For the facilities referenced in W5.1, what proportion of water accounting data has been third party verified?

Water withdrawals – total volumes

% verified

Not verified

Please explain

Water withdrawals – volume by source

% verified

Not verified

Please explain

Water withdrawals – quality by standard water quality parameters

% verified

Not verified

Please explain

Water discharges – total volumes

% verified

Not verified

Please explain

Water discharges – volume by destination

% verified

Not verified

Please explain

Water discharges – volume by final treatment level

% verified

Not verified

Please explain

Water discharges – quality by standard water quality parameters

% verified

Not verified

Please explain

Water consumption – total volume

% verified

Not verified

Please explain

W6. Governance

W6.1

(W6.1) Does your organization have a water policy?

Yes, we have a documented water policy that is publicly available

W6.1a

(W6.1a) Select the options that best describe the scope and content of your water policy.

	Scope	Content	Please explain
Row 1	Company-wide	Description of business dependency on water Description of business impact on water Company water targets and goals Commitment to align with public policy initiatives, such as the SDGs Commitments beyond regulatory compliance Commitment to water stewardship and/or collective action	[Grounds of the scope selected] The entire Nippon Paint Group, from the perspective of the chemical sector, is dependent on water and at the same time recognizes that water has an impact on its business, and therefore, while relating it to the SDGs, has positioned the efficient use of water as "resources and environment" in its Materiality (key issues) as the core of its management. The company-wide Materiality was discussed at the ESG Committee meeting in July 2020 and finally approved by the Board of Directors in August 2020. In addition, the Group endorses the Responsible Care initiative, which was launched in Canada in 1985 and established in 1990 through the International Council of Chemical Associations (ICCA) and is being implemented in more than 50 countries around the world. Through this initiative, we have established a Responsible Care policy, which outlines qualitative and quantitative water-related targets, and a voluntary water quality management standard that is stricter than regulations that contributes to environmental protection activities, including water conservation. [Overview of the policy selected] In 2020, the Company set "resources and environment" as a company-wide materiality and disclosed it in the Integrated Report in order to promote efforts to prevent environmental pollution through the effective use of resources such as water, energy, and raw materials. Currently, we are in the process of setting KPIs for six material issues, including "Resources and environment,"

			and the Board of Directors plans to manage and supervise the progress of these KPIs. Our Japanese operations have established and disclosed an Environmental Responsible Care Policy. In this basic policy, the Company states that it will give consideration to the environment and reduce its impact on the environment, and the policy includes water-related matters. In addition, as a specific activity of the policy, Responsible Care Goals (Group RC Goals) have been established, and activities are being carried out to achieve them. Responsible Care activities include water-related targets (quantitative and qualitative targets), with specific goals set for compliance with voluntary water quality management standards, zero incidents of groundwater pollution control, and reduction of PRTR substances (air and water emissions). The dependence on water in our business is that water is used as a raw material for our products and is indispensable for the advancement of our business, such as the production of water-based paints. The impact on business water has been that it is closely related to business continuity, for example, the shutdown of our plants due to flooding and other water risks. The quantitative and qualitative water-related goals of the Company are being addressed as part of the RC activities of the Group. Our commitment to public policy initiatives such as the SDGs is linked to our Materiality and Group RC activities, and we consider our involvement with industry associations such as the Japan Chemical Industry Association to be a part of these initiatives. The Group's commitment goes beyond regulatory compliance, and is reflected in the goals set at the Company's sites beyond legal compliance. The commitment to water stewardship and/or joint action is implemented through the aforementioned collaboration with the Japan Chemical Industry Association, among others.

W6.2

(W6.2) Is there board level oversight of water-related issues within your organization?

Yes

W6.2a

(W6.2a) Identify the position(s) (do not include any names) of the individual(s) on the board with responsibility for water-related issues.

Position of individual	Please explain

President	・The Representative Executive Officers & Co-Presidents are the chief executives for water issues, and are placed above the four Global Teams working on sustainability to oversee them as their chief executives. ・In our corporate governance policy, the company recognizes issues surrounding sustainability, including water risk, as important management issues, examines issues to be addressed for sustainable social growth from a global perspective, and promotes actions in the areas of the environment, society, and governance based on such examination. Based on these considerations, the Company will take action in the areas of environment, society, and governance. ・The four leaders will lead the Global Teams under the leadership of the Co-Presidents to address sustainability, which is a priority business issue for the Company, based on Materiality, including water risk. While taking a central role, the Company is promoting initiatives on a global basis. In terms of governance regarding sustainability, each leader reports directly to the Co-Presidents, and the Co-Presidents report their progress and suggestions to the Board of Directors as needed (about twice a year), thereby allowing the board to oversee sustainability. ・As an example of a water-related decision, in July 2020, the ESG Committee identified six material issues and discussed the establishment of efficient use of resources, including water, and prevention of pollution as the materiality of "resources and environment" as a key issue in our business environment, and in August the Board of Directors gave final approval.

W6.2b

(W6.2b) Provide further details on the board's oversight of water-related issues.

	Frequency that water-related issues are a scheduled agenda item	Governance mechanisms into which water-related issues are integrated	Please explain
Row 1	Scheduled - some meetings	Reviewing and guiding major plans of action Reviewing and guiding risk management policies Reviewing and guiding strategy	The Global Teams report directly to the Co-Presidents on environmental strategies, policies, and issues, including water-related issues, as well as targets and progress toward these goals. The Board of Directors receives and oversees these reports from the Co-Presidents from time to time (approximately twice a year). The Board of Directors also receives and supervises reports from the Audit Committee and other committees approximately four times a year.

W6.2d

(W6.2d) Does your organization have at least one board member with competence on water-related issues?

	Board member(s) have competence on water-related issues	Criteria used to assess competence of board member(s) on water-related issues
Row 1	Yes	Extensive experience in creating long-term value for companies with respect to water risk, for example, at a consulting firm.

W6.3

(W6.3) Provide the highest management-level position(s) or committee(s) with responsibility for water-related issues (do not include the names of individuals).

Name of the position(s) and/or committee(s)

President

Responsibility

Assessing water-related risks and opportunities
Managing water-related risks and opportunities

Frequency of reporting to the board on water-related issues

Quarterly

Please explain

・In our corporate governance policy, the Company recognizes issues surrounding sustainability, including water risk, as important management issues, examines issues to be addressed for sustainable social growth from a global perspective, and promotes actions in the areas of the environment, society, and governance based on such examination. Based on these considerations, the Company will take action in the areas of environment, society, and governance.
・The four leaders will lead the Global Teams under the leadership of the Co-Presidents to address sustainability, which is a priority business issue for the Company, based on materiality, including water risk. While taking a central role, the Company is promoting initiatives on a global basis. In terms of governance regarding sustainability, each leader reports directly to the Co-Presidents, and the Co-Presidents report their progress and suggestions to the Board of Directors as needed (about twice a year), thereby allowing the board to oversee sustainability. Other reports are also made through the Audit Committee, etc., and the Board of Directors receives and oversees these reports about four times a year.

W6.4

(W6.4) Do you provide incentives to C-suite employees or board members for the management of water-related issues?

	Provide incentives for management of water-related issues	Comment
Row 1	Yes	

W6.4a

(W6.4a) What incentives are provided to C-suite employees or board members for the management of water-related issues (do not include the names of individuals)?

	Role(s) entitled to incentive	Performance indicator	Please explain
Monetary reward	Corporate executive team	Improvements in efficiency - direct operations Improvements in wastewater quality - direct operations Implementation of employee awareness campaign or training program	All selected performance indicators are considered important to our business. Compensation for Executive Officers other than the Directors, Representative Executive Officers & Co-Presidents (Co-Presidents) is composed of "Job-based compensation," "performance-linked compensation," and "long-term incentives." The ratio of the base amount of "Job-based compensation," "performance-linked compensation," and "long-term incentives-based" is set at a basic ratio of 1:1:0.6, which is appropriate in consideration of the position and type of work. In addition, a new cash-based compensation as "Long-term Incentives" for Executive Officers was introduced from fiscal 2022, and the granting of restricted stock was abolished. Specifically, the new compensation is a cash-based compensation in which a standard payment amount corresponding to the position and responsibilities is paid in thirds over three years at the end of each fiscal year, and the amount of the three payments will fluctuate within a range of 50% to 150% based on the evaluation each fiscal year of the Group's contribution to improving sustainability, including the water issue.
Non-monetary reward	Other, please specify Employees	Improvements in efficiency - direct operations Improvements in efficiency - supply chain Improvements in efficiency - product-use	All selected performance indicators are considered important to our business. As a result of research and technology development activities, including water issues, the Company selects particularly outstanding research and technology reports and presents them with "Engineering Awards" and "Special Award" in the name of the President. The purpose of this award is to foster a corporate culture that emphasizes technological development activities as a group and to invigorate technological development activities.

W6.5

(W6.5) Do you engage in activities that could either directly or indirectly influence public policy on water through any of the following?

Yes, trade associations

W6.5a

(W6.5a) What processes do you have in place to ensure that all of your direct and indirect activities seeking to influence policy are consistent with your water policy/water commitments?

The Nippon Paint Group belongs to the Japan Chemical Industry Association (JCIA), which ensures that the company's strategy is aligned with its policies. In addition, our major direct and indirect external activities are reported to the ESG Committee on a quarterly basis to ensure that they are consistent with Nippon Paint's water resource strategy. In order to ensure consistency in our efforts, the ESG Promotion Department, the secretariat of the ESG Committee, checks each time whether the answers are consistent with our water strategy and discusses important items with the subcommittee and global team. The ESG Promotion Department, the secretariat of the ESG Committee, checks each time whether the responses are consistent with the Company's water strategy, and consults with the subcommittee and the Global Teams on important items. In the unlikely event that inconsistencies are found, the process is repeated until consistency is ensured through re-consultation with the Company's stakeholders involved in the policy. For items requiring approval, the ESG Committee discusses them and then they go through the Board of Directors' approval process to ensure that they are consistent with the Company's water strategy.

W6.6

(W6.6) Did your organization include information about its response to water-related risks in its most recent mainstream financial report?

Yes (you may attach the report - this is optional)

W7. Business strategy

W7.1

(W7.1) Are water-related issues integrated into any aspects of your long-term strategic business plan, and if so how?

	Are water-related issues integrated?	Long-term time horizon (years)	Please explain
Long-term business objectives	Yes, water-related issues are integrated	11-15	[Integrated water issues] The company is currently considering reducing the water content per product by developing/replacing high heating

			residue products in paints, although the increase in water intensity is considered unavoidable as the amount of water used as a raw material (water withdrawal) is increasing with the shift to water-based paints. [Examples of integration into each aspect of strategic business plans] In the automotive coatings field, we are working on the development and market introduction of environmentally friendly paints such as low-solvent paints and water-based paints. In addition, the Company is shifting to environmentally friendly products such as powder paints and water-based paints by launching products compliant with domestic and overseas regulations (e.g., Special Chemicals Regulations, RoHS Directive, SVHC, etc.). In the decorative (construction) paints market, water-based high-design coatings that can produce a glossy appearance on exterior walls were launched in response to the diversification of designs, and in the automotive refinish field, next-generation water-based coatings with viscosity control technology were introduced to the market and have received high acclaim. In addition, we have also launched water-based paints with workability comparable to that of solvent-based paints.
Strategy for achieving long-term objectives	Yes, water-related issues are integrated	5-10	[Integrated water issues] Expansion of sales opportunities of water-based paints amid growing environmental awareness Creation of innovations that solve social issues through paints and surface treatment agents (e.g., significantly reducing the amount of water consumed while in use and for treatment, etc.) [Examples of integration into each aspect of strategic business plans] In setting targets for CSR activities, we used two yardsticks of "degree of importance to stakeholders" and "degree of importance to business" so that we can prioritize material issues. As a result, we have identified "resources and environment" as one of the material issues (materiality) that the Nippon Paint Group should address, and we are promoting the effective use of water and prevention of environmental pollution. At the same time, we have also set "Innovation for a sustainable future" as a material issue and will continue to develop technologies and products that meet the market needs for water-based paints through research and development, while at the same time developing high

			value-added products (e.g., products that can express various unconventional properties that contribute to labor and manpower saving by extending the life of industrial products, and products with excellent durability, such as), which contribute to labor and manpower saving by extending the service life of industrial products.
Financial planning	Yes, water-related issues are integrated	5-10	[Integrated water issues] Expansion of sales opportunities of water-based paints amid growing environmental awareness Creation of innovations that solve social issues through paints and surface treatment agents (e.g., significantly reducing the amount of water consumed while in use and for treatment, etc.) [Examples of integration into various aspects of strategic business planning] Investments necessary to address future long-term water-related issues are being considered as part of company-wide capital investment and R&D investment plans.

W7.2

(W7.2) What is the trend in your organization's water-related capital expenditure (CAPEX) and operating expenditure (OPEX) for the reporting year, and the anticipated trend for the next reporting year?

Row 1

Water-related CAPEX (+/- % change)

-30

Anticipated forward trend for CAPEX (+/- % change)

-79

Water-related OPEX (+/- % change)

6

Anticipated forward trend for OPEX (+/- % change)

5

Please explain

In fiscal 2021, CAPEX expenditures were lower than last year due to the postponement of some wastewater treatment upgrades, while in fiscal 2022, investments are expected to decrease due to the completion of ongoing wastewater facility upgrades at business sites and wastewater piping work at plants. As for OPEX, the amount of water, sewage, and industrial water consumption decreased from the previous year, resulting in lower

expenditures, but overall expenditures increased due to a slight increase in overall production volume and higher wastewater treatment costs, such as sludge treatment and chemical costs. From the next fiscal year onward, operating expenses are expected to trend upward due to an increase in water consumption and related overhead expenses in anticipation of a post-COVID 19 recovery and an increase in sales revenue under the new Medium-Term Plan.

W7.3

(W7.3) Does your organization use scenario analysis to inform its business strategy?

	Use of scenario analysis	Comment
Row 1	No, but we anticipate doing so within the next two years	NPHD has yet to analyze water-related scenarios as we failed to adequately recognize the risks associated with water stress. As we strengthen our ESG initiatives, we have been able to increase our recognition of water risks. We will start analyzing water-stress-related scenarios by the end of the next fiscal year and complete the process within two years.

W7.4

(W7.4) Does your company use an internal price on water?

Row 1

Does your company use an internal price on water?

No, but we are currently exploring water valuation practices

Please explain

We did not feel the need to conduct water pricing due to a lack of risk awareness regarding water stress, excluding wastewater. We are currently identifying risks and opportunities related to water, but based on the discussion thus far, we do not feel the need to conduct water pricing within two years at this time and have no plans to do so.

W7.5

(W7.5) Do you classify any of your current products and/or services as low water impact?

	Products and/or services classified as low water impact	Definition used to classify low water impact	Please explain
Row 1	Yes	Criteria and thresholds: When our product is used at a customer's production plant, the amount of water	Assuming that each process uses the same amount of water, our product can reduce one

		consumed can be reduced by shortening the process when the conventional product is used as a baseline and replaced with this product. Prior to the electrodeposition coating process, a cleaning process is used to remove adhered oil and metal powder, and a chemical conversion treatment is used to improve paint film adhesion and corrosion resistance. An environmentally friendly chemical conversion treatment uses a chemical conversion agent that has the same performance as the commonly employed zinc phosphate, but does not contain heavy metals such as nickel and manganese or phosphorous compounds that have a negative impact on the environment. Compared to zinc phosphate, it does not require a surface preparation process, generates very little byproduct (sludge) during the conversion reaction, and significantly reduces the amount of water used during treatment.	process, e.g., six processes required for the conventional product can be reduced to five processes using our product, resulting in a 10-20% reduction in water consumption.

W8. Targets

W8.1

(W8.1) Describe your approach to setting and monitoring water-related targets and/or goals.

	Levels for targets and/or goals	Monitoring at corporate level	Approach to setting and monitoring targets and/or goals
Row 1	Business level specific targets and/or goals Activity level specific targets and/or goals Site/facility specific targets and/or goals Country level targets and/or goals Basin specific targets and/or goals	Targets are monitored at the corporate level Goals are monitored at the corporate level	Both qualitative and quantitative Responsible Care targets are set. The Responsible Care (RC) Committee regularly confirms the setting and progress of targets at meetings. Targets (compliance with voluntary standard values) are set in accordance with the Water Pollution Prevention Act of Japan, and the status of compliance is periodically checked. Target substances: Hazardous substances and other items specified in the Water Pollution Prevention Act of Japan Voluntary standard values: Stricter levels than the legal standard values specified in the Water Pollution Prevention Act of Japan

			Soil and groundwater pollution incidents are set by number of cases.

W8.1a

(W8.1a) Provide details of your water targets that are monitored at the corporate level, and the progress made.

Target reference number

Target 1

Category of target

Water pollution reduction

Level

Site/facility

Primary motivation

Reduced environmental impact

Description of target

Soil and groundwater contamination incidents: 0.
Many of our products, such as paints and raw materials, are in liquid form, and many of them are hazardous, poisonous, or controlled substances under the law. In the event of a leakage of liquid hazardous materials, there is a risk that they may diffuse directly into soil and groundwater, which would have a significant environmental impact. Therefore, the company has set a goal of zero pollution incidents. The reason for selecting the site/facility is that it is at the site of operation and our facilities that these risks occur, and accidents during the transportation of our products and raw materials are also included in this target.

Quantitative metric

Other, please specify

Zero soil and groundwater contamination incidents

Baseline year

2017

Start year

2018

Target year

2021

% of target achieved

100

Please explain

Our products, paints and raw materials, are often in liquid form, and many of them are hazardous, toxic, or controlled substances under the law. In the event of a leakage of liquid hazardous materials, there is a risk that they may diffuse directly into soil and groundwater, which would have a significant impact on the environment. For this reason, the company has set a goal of zero pollution incidents.

W8.1b

(W8.1b) Provide details of your water goal(s) that are monitored at the corporate level and the progress made.

Goal

Improve wastewater quality beyond compliance requirements

Level

Site/facility

Motivation

Reduced environmental impact

Description of goal

i) Details of why this goal is important to the company
In accordance with the Responsible Care Policy, activities centered on the original operations will encourage employees to become self-reliant and operate effectively and efficiently, and the PDCA cycle will be used to set standards that are more stringent than those of the national and local governments to improve the system. This goal is important for continuous improvement.

ii) How the company implements the goal through the selected level
Each district/plant will work to achieve the goal through the RC management program, taking into account the substance properties and hazards in terms of protective actions, monitoring system, and instruction system based on the evaluation table of Responsible Care.

Baseline year

2017

Start year

2018

End year

2021

Progress

-Description of indicators used to evaluate progress
We set and comply with voluntary standard values that are stricter than national, local, and regional regulations. For water, set internal standards for water pollution (COD, total phosphorus, and total nitrogen).

-The threshold of success and how you work toward it
We conduct interim evaluation, share the status of target achievement and activities in the first half targets, and then clarify issues and response plans for the second half. In 2021, each plant and office achieved the target with regard to water conservation.

W9. Verification

W9.1

(W9.1) Do you verify any other water information reported in your CDP disclosure (not already covered by W5.1a)?

No, but we are actively considering verifying within the next two years

W10. Sign off

W-FI

(W-FI) Use this field to provide any additional information or context that you feel is relevant to your organization's response. Please note that this field is optional and is not scored.

W10.1

(W10.1) Provide details for the person that has signed off (approved) your CDP water response.

	Job title	Corresponding job category
Row 1	General Manager, Sustainability	Environment/Sustainability manager

W10.2

(W10.2) Please indicate whether your organization agrees for CDP to transfer your publicly disclosed data on your impact and risk response strategies to the CEO Water Mandate's Water Action Hub [applies only to W2.1a (response to impacts), W4.2 and W4.2a (response to risks)].

No