

## Environmental Strategy

Addressing Nippon Paint Group’s most material sustainability impacts is a key imperative and priority for the organization to ensure MSV. Within the sustainability aspect of the environment, the identified priority material impacts for the business are Climate Change and Resources and Environment, especially waste and water.

How Shareholder Value Is Maximized » See pages 3-4.

	Our pursuit	Relevant financial information
Environment & Safety	Develop low-carbon/eco-friendly products + Ensure safe people and operations	Sales (contribute to new products/new markets) Expenses: Low-carbon raw materials, fuels, utilities, waste processing costs CF: Investments in renewable energy facilities and recycling facilities

### Our approach to achieving MSV

During 2023, each Partner Company Group (PCG: PC group by region/business) continued to make further progress on their individual ambitions, targets, and priorities within each of these material impact areas. This has continued to be supported by the global Environment & Safety Team comprising senior environment and safety leaders from each PCG, with a primary focus on benchmarking, sharing best practice, and establishing common performance metrics. Implementation of these metrics across all PCGs continued during the year, including additional businesses calculating their Scope 3 carbon footprints, and once these metrics are fully established they will provide improved understanding and oversight of climate and circularity impacts and performance. This includes carbon footprints, renewable energy and resources, waste recoveries, and high stress water consumption.

Supporting and enabling improved management and understanding of the impacts, risks, and opportunities for both Climate Change and Resources and Environment, will continue to be the primary focus of the Sustainability Team in the coming year, including reviewing best practice approaches for carbon and climate adaptation.

## Climate Change

Climate change is impacting our business, people, and communities. We will work to reduce our greenhouse gas emissions, manage climate-related risks, and capture climate-related opportunities.

### Reports based on TCFD recommendations

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



### Governance

The Environment & Safety Team, one of our Group's Sustainability Teams, reviews and discusses each partner company's climate change initiatives and reports the findings to

the Co-Presidents. The Co-Presidents then submit a report to the Board of Directors as necessary. This arrangement ensures that the Board of Directors can monitor the Materiality-related activities of the Environment & Safety Team.

### Strategy

The key risks and opportunities associated with climate change are summarized in Sustainability as the Prerequisite for MSV. There is some variation across individual PCGs, including in the associated identification of priority actions as part of their sustainability strategies and action plans.

Here we show the risks and opportunities based on the climate-related scenario analysis.

» For more information, please refer to "Strategies" under the "Climate change" section on our website.

### Climate-related scenario analysis

Variables	Risks		Opportunities
	1.5°C	4°C	
Changes in regulations and their impacts, such as carbon pricing and greenhouse gas emission reduction targets	Introduction of strict regulations	Regulations strengthened in limited areas	<b>Market growth for sustainable products</b> - 1.5°C scenario Growth of low-carbon products and enhanced performance - 4°C scenario Growth of low-carbon products against extreme weather and enhanced performance
Increase in supplier costs arising from climate adaptation and decarbonization actions	Large increase in supplier costs due to climate adaptation and decarbonization actions	Certain increase in supplier costs for climate adaptation as limited decarbonization measures are no longer sufficient	
Changes in customer and consumer expectations and behavior	Higher disposition for low-carbon products and lower demand for carbon products	Higher disposition for low-carbon products	<b>Development of new products and services to capture climate-related business opportunities</b> - Both for 1.5°C and 4°C scenarios
Higher temperatures affecting product functions	Occasional product claims and brand damage due to performance deterioration	Frequent product claims and brand damage due to performance deterioration or malfunction	
Increase in floods and/or water stress negatively affecting operations and supply chain	Occasional floods and/or water stress affecting operations and supply chain	Frequent floods and/or water stress routinely impacting operations and supply chain	

## Environmental Strategy

### Risk management

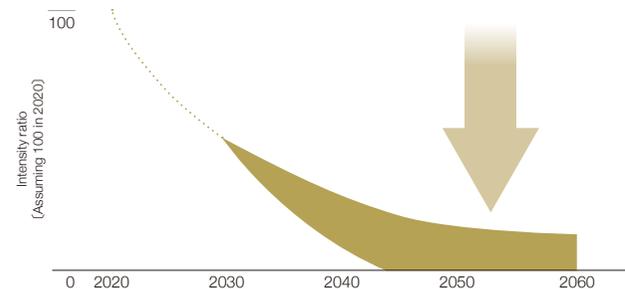
The Sustainability Team that works directly under the Co-Presidents identifies and assesses risks, including their importance, based on the criteria of factors directly related to our operations (e.g., raw materials, energy, and water consumption, greenhouse gas emissions) and our products and customers (e.g., product impacts, product application and feature needs).

» For more information, please refer to "Risk management" under the "Climate change" section on our website.

### Metrics and targets

Our PCGs continue to accelerate their response to climate change by identifying and progressing actions to achieve their net zero targets via reductions in carbon emissions and adaptation to a net zero future. Key actions currently being progressed across PCG businesses include energy efficiency initiatives, renewable power purchase, solar system installations, and transition planning for electric vehicle fleets. By taking these actions, our Japan Group and DuluxGroup businesses will achieve net zero for Scope 1 and 2 greenhouse gas emissions by 2050, and NIPSEA Group by 2060. Scope 3 emissions are currently calculated for Japan Group, DuluxGroup (Pacific), and the majority of NIPSEA Group, and is being progressively expanded across our remaining businesses, while some PCGs have also commenced development of potential Scope 3 emissions reduction plans.

### Our Group's GHG emissions reduction target (Scope 1 and 2)



### Climate Change-related targets

PCG	Targets*		Improvement priorities
	GHG emissions (Scope 1 and 2)	Energy consumption	
<b>NIPSEA Group</b>	2025: 15% reduction 2060: Net zero	2025: 8% energy consumption reduction	Additional solar installations and completion of air compressor and dust collector energy efficiency projects in China, plus calculation of Scope 3 emissions for 90% of the group.
<b>DuluxGroup</b>	2030: 50% reduction 2050: Net zero	2030: 50% renewable electricity consumption	Additional solar installations (Australia, Europe), continued renewable power purchase (Europe, New Zealand), site energy efficiency plans development, Scope 3 reduction planning including supplier consultations, and Scope 3 calculations commencement (Europe).
<b>Japan Group</b>	2030: 37% reduction 2050: Net zero	—	Increased renewable power purchase, continued focus on energy efficiency actions, and Scope 3 reduction planning including supplier consultations.
<b>Dunn-Edwards</b>	—	—	—

\* Baseline years for targets are 2021 for NIPSEA Group, 2020 for DuluxGroup, and 2019 for Japan Group

### Performance

In 2023, our greenhouse gas emissions (Scope 1 and 2) decreased 27% to 40.2 kilograms per tonne (kg/t) and total energy consumption decreased 10% to 0.46 gigajoules per tonne (GJ/t), driven by reductions across most of the larger businesses through energy efficiency and renewable electricity initiatives, together with changes in production mix across different business units and inclusion of recent acquisitions. Renewable energy consumption remained relatively steady at 5.7% of total energy consumption, while renewable electricity consumption decreased 1.5 percentage points (pp) to 8.7%

of total electricity consumption. These changes were driven by the same factors that impacted Scope 1 and 2 emissions and energy consumption performance, together with a decrease in renewable power purchase within Cromology in DuluxGroup (Europe). The Scope 3 emissions increased 3% to 8.4 million tonnes (Mt), reflecting increased production in NIPSEA Group and inclusion of additional business areas. While the Scope 3 emissions currently exclude DuluxGroup (Europe), smaller parts of NIPSEA Group (about 10%), and Dunn-Edwards, these businesses also are preparing to start calculating Scope 3 emissions.

### Metrics and results related to Climate Change (2023)

\* Figures in brackets indicate year-on-year change.

PCG	GHG emissions (Scope 1 and 2) (kg/t)	GHG emissions (Scope 3) (Mt)	Total energy consumption (GJ/t)	Renewable energy consumption (% of total)	Renewable electricity consumption (% of total)
<b>NIPSEA Group</b>	32.3 (-33%)	6.2 (+5%)	0.29 (-9%)	3.0% (+1.4 pp)	5.8% (+3.0 pp)
<b>DuluxGroup</b>	75.0 (-5%)	0.9 (-6%)	0.83 (-6%)	7.4% (-11.0 pp)	13.8% (-23.9 pp)
<b>Japan Group</b>	149.8 (-2%)	1.2 (+0%)	3.32 (+0%)	10.1% (+5.1 pp)	14.4% (+7.1 pp)
<b>Dunn-Edwards</b>	—	—	0.20 (+5%)	—	—
<b>Total</b>	40.2 (-27%)	8.4 (+3%)	0.46 (-10%)	5.7% (+0.1 pp)	8.7% (-1.5 pp)

» For data from 2022 and earlier, as well as other ESG data, please refer to the "ESG Data" section on our website.

## Environmental Strategy

### Our Sustainable Products

In the area of EV coating, Japan Group and NIPSEA have integrated functional coating technologies to create differentiated technologies that meet the needs of each module. We have been accelerating their market introduction in collaboration with EV module customers, like adhesion function, insulation, hydrophobic and flame resistance.

We aim to provide comprehensive solutions to this rapidly growing market. Some products have already been launched to this market, such as PD E-501 as insulating powder and SURFCOAT NRX for surface coating of battery packaging.



### Strategy

Establishing common metrics to improve understanding of circularity impacts and enable identification of risks and opportunities has been the foundation of the current strategy, and good progress is being made. Each PCG is also continuing to progress their individual waste, water, and environment improvement priorities, while circularity and nature-related targets and plans are expected to be developed in the medium term.

### Risk management

The key risks and opportunities for Resources and Environment are largely common across the consolidated group, though individual PCGs do have different focus areas and action priorities that reflect the local maturity of their improvement journeys.

### Metrics and targets

In 2023, our total waste generated decreased 7% to 14.7 kilograms per tonne (kg/t), while the hazardous waste proportion increased 3.3 percentage points (pp) to 36.6%. Waste recovered (recycled, reused) decreased 5.5 pp to 30.8% of total waste generated. These changes were driven by a combination of factors, including reduced generation and improved recovery through improvement initiatives in a number of businesses, increased production in NIPSEA Group, changes in production mix across different business units, and inclusion of recent acquisitions. These same factors also influenced water performance, where water withdrawal decreased 7% to 0.54 kiloliters per tonne (kL/t), while water consumed increased 20% to 0.47 kL/t. A new metric has been established to improve understanding of water consumption in regions of high or extremely high water stress, with 61% of total water consumption occurring in such regions during the year. This metric will help determine future priorities for improvement in sustainability impacts associated with water consumption.

## Resources and Environment

Our business and communities depend on the sustainable consumption of natural resources and protection of the environment and biodiversity. We will work to improve the life cycle and circularity impacts of our products and supply chain.

### Governance

Under the guidance of the Environment & Safety Team, we promote initiatives to address our specific targets and priorities related to this Materiality.

» For more information about the framework, please refer to the "Governance" under the "Climate Change" section on page 62.

### Metrics and results related to Resources and Environment (2023)

\* Figures in brackets indicate year-on-year change.

PCG	Waste			Water			Improvement priorities
	Total waste generated (kg/t)	Hazardous waste generated (% of total)	Waste recovered (% of total)	Total water withdrawn (kL/t)	Total water consumed (kL/t)	High stress regions water consumed (% of total)	
<b>NIPSEA Group</b>	10.4 (-1%)	46.8% (+3.6 pp)	11.0% (-9.9 pp)	0.49 (-6%)	0.48 (+26%)	66%	Implementation of local improvement projects, including a water project at the Shanghai factory that reduced water discharge by 90% via reuse in production. Water reduction target is 8% by 2025.
<b>Dulux Group</b>	40.1 (-13%)	26.6% (+1.8 pp)	52.5% (+15.0 pp)	0.55 (-11%)	0.34 (-10%)	36%	Implementation of landfill waste plans to achieve 2030 target of 50% reduction in DuluxGroup (Pacific), waste water treatment plant improvements (France, Italy), and implementation of waste and water metrics across recent acquisitions.
<b>Japan Group</b>	53.6 (+7%)	12.4% (-1.9 pp)	80.6% (-15.9 pp)	1.66 (+2%)	0.53 (-13%)	0%	Continued focus on waste separation for recovery and recycling of wash waters in paint manufacturing.
<b>Dunn-Edwards</b>	9.9 (-11%)	1.0% (+1.0 pp)	5.4% (-4.9 pp)	0.63 (+10%)	0.50 (-4%)	93%	—
<b>Total</b>	14.7 (-7%)	36.6% (+3.3 pp)	30.8% (-5.5 pp)	0.54 (-7%)	0.47 (+20%)	61%	Sharing of global best practice across the Group, including implementation support for new high stress region water consumption performance metrics.

» For data from 2022 and earlier, as well as other ESG data, please refer to the "ESG Data" section on our website.

## Human Resource Strategy

As a Japan-origin global corporate group operating in 47 countries worldwide, including in China and other parts of Asia, Nippon Paint Group is committed to contributing to MSV by leveraging the diversity and strengths of its human capital, as well as fulfilling its obligations to stakeholders, which is the premise of MSV.

How Shareholder Value Is Maximized » See pages 3-4.

	Our pursuit	Relevant financial information
People & Community	Recruit/train diverse employees + Earn the trust of stakeholders	Sales (contribute to new markets, productivity) Expenses: Labor, training, hiring

### Our approach to achieving MSV

People play a vital role in an organization as they are the driving force behind business growth. In successful partner companies, powerful teams consisting of diverse individuals, along with excellent leadership teams, act as the driving force. It's important to recognize that achieving goals cannot be done alone.

Given that the market undergoes long-term changes, we need a human resource base that can not only adapt to these changes but also capitalize on them with agility. People can embrace change and seize opportunities, even if they encounter failures while taking risks to pursue their objectives, as long as they accept and learn from those failures.

To attain MSV, it is crucial to foster a dynamic and open corporate culture, as well as a pleasant and rewarding work environment that encourages every employee to take on challenges and fully showcase their unique qualities and abilities in generating new value and businesses.

## Human Resource Development

### Governance

In our Group, which values the autonomy of partner companies and operates on autonomous and decentralized management principles, each PCG takes the lead in investing in human capital. Each partner company within PCGs initiates programs for employee competency development tailored to their specific needs, nurturing a diverse and self-reliant human resource pool.

» For more information, please refer to "Nippon Paint Group Statement regarding Employee Development" under the "Human Resource Strategy" section on our website.

### Strategy

Our primary approach in our human resource strategy to achieve MSV is to build a strong and diverse organization with excellent human capital. This will enable us to consistently achieve strong growth. We will make appropriate investments in human capital to establish an organization that can grow sustainably. From a technological standpoint, this means investing in human capital with a long-term perspective towards developing innovative and productive technologies, while also implementing tailored personnel systems.

» For more information and details of respective partner company's initiatives, please refer to "Human resource development measures essential for achieving MSV" under the "Human Resource Strategy" section on our website.

### Training programs

	Overview
<b>NIPSEA Group</b>	<p><b>To ensure the holistic development of our employees, our learning and development plans are designed at country level to meet the specific needs of the local workforce</b></p> <ul style="list-style-type: none"> <li>Group Level development programs including Leadership Development (LEAD), Leadership Competencies (AGILE), LFG Values (VITALS), Women Mentorship</li> <li>Country level programs that include functional training, health safety &amp; environment, information technology &amp; wellness programs</li> <li>Equipping countries with essential tools, resources, and initiatives for effective development (Learning Management System, development programs, etc.)</li> </ul>
<b>Dulux Group</b>	<p><b>Comprehensive learning program covering leadership, professional skills</b></p> <ul style="list-style-type: none"> <li>Residential programs, external programs, virtual programs, livestreams and podcasts</li> <li>"Learning Festival" – three days of learning on a broad range of topics</li> <li>Cromology and JUB offer relevant learning programs to support the business and professional skills of their employees</li> </ul>
<b>Japan Group</b>	<p><b>In 2023, Japan Group started to substantiate talent management of senior and mid-level managers</b></p> <ul style="list-style-type: none"> <li>Started a unique career program to augment the expertise mainly for technology and manufacturing</li> <li>Offers training for all employees, such as training by job level according to the expected roles and career stages of individual employees (new employee orientation training for new grads and mid-careers, follow-up training, new manager training, and annual training)</li> <li>HR department conducted a communication program (1-on-1 meeting, feedback, coaching)</li> </ul>
<b>Dunn-Edwards</b>	<p><b>Develop and deliver programs that empower team members' long-term professional development</b></p> <ul style="list-style-type: none"> <li>Leverage both technology (learning management systems, interactive programs, etc.) and current training techniques (micro learning, hands-on sessions, etc.) to build successful careers in an ever-evolving workplace</li> <li>New-hire orientations</li> <li>Position-specific programs in Sales, Product Performance, Retail and Business Management, Labor Law, Harassment Prevention, Risk Management, Safety, Hazardous Materials (HAZMAT), Diversity and Inclusion and more</li> </ul>

## Human Resource Strategy

### Risk management

Increasing employee engagement will lead to creating an environment where excellent human resources can consistently perform to their fullest potential. We regularly monitor and survey employee satisfaction levels of partner companies that join the Group under our Asset Assembler model.

The survey results of each partner company will be compared and analyzed using benchmarks, such as the peer average in the same region, and historical data to examine actions necessary to improve employee satisfaction levels.

»» For information and details of respective partner company's initiatives, please refer to "[Benefits expected from improving employee satisfaction levels](#)" under the "Human Resource Strategy" section on our website.

### Metrics and actions of engagement

	Overview
<b>NIPSEA Group</b>	<ul style="list-style-type: none"> <li>NIPSEA Group aims to energize its employees and improve engagement and retention through stepping up communication efforts by senior leaders, focusing on aspects such as development and recognition of employees, and streamlining processes (most recent score is 75% in FY2022).</li> <li>NIPSEA Group will continue to focus on Senior Leaders' communication with employees about business objectives, performance updates, and company initiatives and implement employee development programs comprising of leadership, soft skills, technical, functional, and wellness programs while focusing on employee retention by communicating about career, skill gaps, and growth opportunities.</li> </ul>
<b>DuluxGroup</b>	<ul style="list-style-type: none"> <li>DuluxGroup focuses on ongoing monitoring of employee engagement through its leaders. Most recent engagement survey (80% satisfaction in FY2021) shows world-class engagement scores.</li> <li>DuluxGroup will continue to equip leaders to take up their role to lead and engage our people and reinforce connection to their purpose, as well as to their Values and Behaviors in different countries and business units.</li> </ul>
<b>Japan Group</b>	<ul style="list-style-type: none"> <li>Japan Group embraces employees' engagement as an important management issue and has started in FY2024 the survey adopting NIPSEA's framework. Japan Group will address the issues identified in the survey for future improvement.</li> </ul>

## Diversity, Equity, and Inclusion (DE&I)

### Governance

As one of the Sustainability Teams, the People & Community Team discusses policies and initiatives concerning human resources activities of each partner company and reports updates to Co-Presidents. Then, Co-Presidents will submit reports to the Board of Directors whenever necessary. In this manner, Materiality-related activities of the People & Community Team are overseen by the Board of Directors.

### Strategy

Building up human capital with diversity serves as one of the most critical cornerstones of our Asset Assembler model. To this end, we foster the promotion of human resources with a diverse background and of education and awareness of diversity, equity, and inclusion; eliminate the discrimination, harassment, and violence based on race, gender, religion, and any other form of diversity in the workplace; and create a more welcoming work environment where everyone feels welcomed and respected. Each of our partner companies is building up human capital by taking actions that are suitable for the country and region where it conducts business activities.

»» For more information, please refer to "[Building up human capital with diversity](#)" under the "Diversity and Inclusion" section on our website.

### Risk management

The Nippon Paint Group [Global Code of Conduct](#), which was established in January 2022, articulates our focus on diversity and respect for human rights. In addition, our partner companies around the world carry out human resource management activities designed to secure and increase diversity. Moreover, our [Corporate Governance Policy](#) stipulates that the Group values ensuring diversity.

## Human Resource Strategy

### DE&I promotion program

Overview	
<b>NIPSEA Group</b>	<p><b>Fostering a diverse and inclusive workforce that embraces people of different genders, generations, nationalities, and expertise</b></p> <ul style="list-style-type: none"> <li>• D&amp;I committee continues to champion initiatives focused on promoting diversity and inclusion</li> <li>• Successfully completed Group-level women mentoring program, fostering empowerment and providing support to mentees in establishing local women mentorship program</li> <li>• Introduced D&amp;I policy and campaigns in NIPSEA countries</li> </ul>
<b>DuluxGroup</b>	<p><b>Focused on creating an environment where everyone feels they belong and can do their best work</b></p> <ul style="list-style-type: none"> <li>• Through a focused effort in our recruiting strategies, our talent management processes and development of our people, we have increased female representation at all levels of the organization, particularly in leadership</li> <li>• Promoting career development opportunities and a compelling employee value proposition, including flexible work arrangements</li> </ul>
<b>Japan Group</b>	<p><b>Fostering next-generation leaders</b></p> <ul style="list-style-type: none"> <li>• As part of the activities of D&amp;I Committee Japan launched in July 2022, in FY2023 we selected approximately 50 female candidates for next-generation leaders and provided support and programs for their career development</li> </ul> <p>»» For case studies of D&amp;I initiatives within Japan Group, please refer to <a href="#">"Examples of the Japan Group D&amp;I Initiatives"</a> under the "Diversity and Inclusion" section on our website.</p>
<b>Dunn-Edwards</b>	<p><b>Fostering an inclusive and diverse environment, where all employees feel welcomed and valued, and where everyone has equal access to opportunities, guidance, and support</b></p> <ul style="list-style-type: none"> <li>• Expanded resources for career development and career pathing</li> <li>• Launched a DE&amp;I training curriculum for team members</li> <li>• Launched a new Intranet and communication strategy to improve transparency across the organization</li> </ul>

### Metrics and targets

#### Roadmap

	2023	2024	2025
<b>DE&amp;I</b>	<p><b>Launched D&amp;I training in each PCG</b></p> <ul style="list-style-type: none"> <li>• NIPSEA Group: Launched Women Mentorship Program</li> <li>• Dunn-Edwards: Launched DE&amp;I curriculum for all employees at all levels</li> </ul> <p><b>Launched D&amp;I working group in each PCG</b></p> <ul style="list-style-type: none"> <li>• NIPSEA Group: Launched D&amp;I across NIPSEA Group</li> <li>• DuluxGroup: Talent and Diversity Council meets quarterly to review progress of key diversity areas</li> </ul>	<ul style="list-style-type: none"> <li>• NIPSEA Group: Develop the 1st batch of mentees to become mentors in their respective NPX</li> <li>• DuluxGroup: Leader-led approach driving toward gender balance</li> <li>• Dunn-Edwards: Continue the hiring and promotion of women</li> <li>• Japan Group: Plan to create a development program targeting junior and middle level employees</li> </ul>	<ul style="list-style-type: none"> <li>• NIPSEA Group: Implement and monitor progress of roadmap towards the goal of achieving 35% female representation in both management and emerging leader category</li> <li>• DuluxGroup: Continue to drive toward our ambition of gender balance across the group</li> <li>• Dunn-Edwards: Continue the hiring and promotion of women</li> <li>• Japan Group: Increase the ratio of women in managerial positions to 10%</li> </ul>

### Metrics and results related to human capital (2023)

	NIPSEA Group	DuluxGroup	Japan Group	Dunn-Edwards	Total
<b>Ratio of female employees</b>	25.2%	33.4%	22.0%	30.0%	26.9%
<b>Ratio of women in managerial positions</b>	26.6%	30.5%	5.3%	35.0%	26.5%
<b>Ratio of full-time employees leaving the company at their own discretion</b>	-	13.1%	3.6%	22.0%	—

»» For data from 2022 and earlier, as well as other ESG data, please refer to the ["ESG Data"](#) section on our website.

## R&D Strategy

The world is seeing the emergence of numerous problems that are difficult to solve by using methods of prior years. To help solve these problems, we will use many partnerships to further upgrade our ability to create innovative ideas.

**How Shareholder Value Is Maximized** » See pages 3-4.

	Our pursuit	Relevant financial information
Innovation & Product Stewardship	Develop sustainable products (NPSI) / monitor LCA + Chemicals of concern	Sales (contribute to new products/new markets) Expenses: R&D Assets, Intangible assets (patents, etc.)

### Our approach to achieving MSV

Our technology mission is to drive and sustain growth and market share in Japan and globally as a leading technology organization for coatings and adjacent markets. We have formulated our innovation strategy with three pillars: 1) build an adaptive organization; 2) develop core enabling technology competency; and 3) expand into adjacencies and emerging markets. These are initiatives for MSV from a technology perspective. We believe that our technology organization's culture of being customer-centric, socially responsible and collaborative is the key driver to success.

LSI (Leveraging, Sharing, and Integration) is a collaborative activity within our global R&D partner companies. It involves 14 projects from multiple regions or segments, with a projected business impact of USD530 million over the next three years. In addition to these projects, the technology teams in decorative paints have established a global technical community to exchange best practices and leverage research capabilities in joint technology development projects as part of LSI. These initiatives aim to break down silos, encourage collaboration, and optimize the organization's collective expertise and assets for MSV.

### Governance

Nippon Paint Group has approximately 4,300 technical staff globally, including about 990 in Japan. They are the driving force of our powerful innovation and core enabler of competitiveness for achieving sustainable business growth.

We have established a framework that allows the reinforcement of global technology collaboration for increasing the added value of intellectual property. For instance, technology teams in decorative paints have formed a global technology community to share best practices and leverage research capabilities in joint technology projects, which have produced successful outcomes in addressing the needs of customers in each market. We have also started LSI (Leverage, Share & Integrate) activity aimed at driving technology sharing and capability enhancement among partner companies to facilitate technology exchange platforms and cross-organizational projects among partner companies.

Nippon Paint Group manages intellectual property by classifying its core technologies involving paint and coatings in 12 categories: polymer chemistry, color science, formulation, curing technology, dispersion technology, application technology, process technology, rheology, weathering and corrosion, measurement science, AI and sustainability. Experts in each core technology field are working in core R&D teams in the R&D centers and collaborating with scientists from the global network of technical centers to support product development across the Group.

### Strategy

#### Innovation initiatives

We developed the New Product Sales Index (NPSI) as one of the indicators for measuring the sales volume of products produced using innovative technologies, as part of our efforts to foster innovation. Nippon Paint Group has defined NPSI as the percentage of sales revenues generated from new products commercialized in the past three years to the total sales revenues. NIPSEA Group started using the NPSI in 2018 and Japan Group in 2022. Japan Group and NIPSEA Group achieved a combined NPSI of 25% and launched approximately 10,000 new products in 2023.

#### Sustainability of our products

We define sustainable products and technologies by aligning with the United Nations Sustainable Development Goals (SDGs) and adopting a portfolio sustainability assessment (PSA) process to enable identification of sustainable products. This encompasses a systematic approach that includes main lifecycle stages of a product: Product feedstock, Production, Applications and End of life. At each of these stages, we evaluate how our paint and coatings products outperform market products by mapping specific SDG targets to their attributes. To support this sustainable framework, we have developed the Sustainability Scoreboard, an assessment tool now integrated into the NPSI systems of our partner companies in Japan Group and most NIPSEA Group partner

### Our sustainable products

AQUATERRAS is an innovative marine coating product from Nippon Paint Marine that improves ship operations, fuel and cost efficiency and reduces CO<sub>2</sub> emissions in the marine industry. This product, a biocide-free self-polishing coating (SPC), took eight years to be developed and tested, and can reduce ship friction by approximately 15% and fuel consumption and CO<sub>2</sub> emissions by approximately 10%. Applying cutting-edge medical antithrombotic polymer technology, the hydrophilic and hydrophobic microdomain structure prevents biological adhesion. This effectively prevents marine organisms from attaching to and growing on the ship's hull, contributing to the efficient operation of the ship.

» For more information on our sustainability innovations, please visit "[Results of sustainable products](#)" under the "Creation of Sustainable Products" section on our website.



## R&D Strategy

companies. Moreover, we have established the "Green Design Review" within our R&D project management systems, which serves as a process to assess each project's contribution towards building a sustainable society.

### Risk management

In 2021, Japan Group launched the "Green 30" chemicals management system to minimize the impact of chemicals on the environment and public health. This system is designed to manage Chemicals of Concern (CoC) based on regulations or treaties such as REACH regulations in EU, TSCA in the USA and CSCL in Japan. We classify chemical risks into three categories (Rank A, Rank B, Rank C) according to the laws and regulations in the countries where we operate. Japan Group started using this system in 2021 and the system is being expanded to our partner companies outside Japan.

Alkylphenol ethoxylates (APEs) are mainly used for surfactants and include the subcategory of nonylphenol ethoxylates (NPEO/NPE). Nonylphenols (NP), raw materials for NPE, are regulated by REACH and TSCA. Nippon Paint Group has been steadily phasing out APEs-containing surfactants.

In addition, we have been replacing UV absorbers such as UV-328 and UV-327 that are considered as persistent organic pollutants (POPs) with other substances. In Japan Group, the phase-out of UV-328 was completed by the end of 2023. Moreover, in Japan we are reducing the use of chlorinated paraffins, including other POPs, medium-chain chlorinated paraffins (MCCP, with carbon chain lengths in the range C14-17 and chlorinated content of 45% by weight or more).

\* The definitions of categories

Rank A (Prohibited): Prohibition of introduction

Rank B (Restricted for new introduction): Prohibition of new introduction with some exceptions

Rank C (Avoid new introduction): Decide whether or not to introduce based on regulatory trends, environmental impact, and the business environment

No rank: No impact on raw material introduction

» For our risk management initiatives, please refer to "Initiative" under the "Management of chemical substances" section on our website.

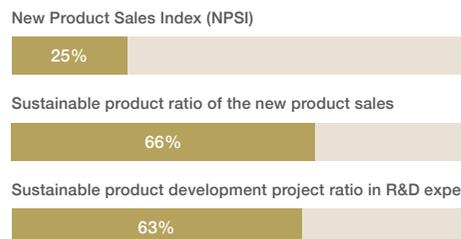
## Metrics and targets

### Roadmap

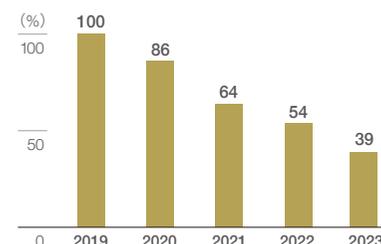
	2023	2024	-2030
<b>Sustainable Products</b>	<ul style="list-style-type: none"> <li>Life Cycle Assessment (LCA) of selected products can be calculated at each PCG</li> <li>DuluxGroup: Implementation of sustainable product sales and packaging roadmaps</li> </ul>	<ul style="list-style-type: none"> <li>Develop methodologies and modeling of LCA (PCF<sup>1</sup>, software, database)</li> <li>IT Tool implementation for product sustainability scoring in system</li> <li>Sustainable products portfolio optimization</li> <li>DuluxGroup:                             <ul style="list-style-type: none"> <li>Develop recommendation for Scope 3 reduction target and roadmap</li> <li>Continue implementation of sustainable products sales and packaging roadmaps</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Manage the performance of Sustainability Scoreboard of each PCG every quarter</li> <li>Promote creation of more innovative sustainable products</li> <li>Implement sustainable products and Scope 3 reduction roadmaps</li> <li>DuluxGroup: Deliver 2030 Best in Class sustainable product sales target</li> </ul>
<b>Chemicals of Concern (CoC)</b>	<ul style="list-style-type: none"> <li>The execution of the phase-out plan of CoC in each PCG</li> <li>NIPSEA Group: Focus on 4 hazardous heavy metals<sup>2</sup></li> <li>DuluxGroup: Completed position statements for 75% of CoC and developed a structured program of CoC in Europe</li> </ul>	<ul style="list-style-type: none"> <li>Proceed with the CoC phase-out plan by regions and business units based on local status</li> <li>Continuously evaluate other CoC restriction requirements and implementing action plans</li> <li>DuluxGroup: Continue development of positions statement for 95% of CoC</li> </ul>	<ul style="list-style-type: none"> <li>Create sustainable products based on phase out plan</li> <li>Phase-out 4 heavy metals before the end of 2030 globally</li> </ul>
<b>R&amp;D</b>	<ul style="list-style-type: none"> <li>R&amp;D activities for sustainable products from PCG beyond Japan and NIPSEA, e.g., DuluxGroup, Dunn-Edwards, etc.</li> </ul>	<ul style="list-style-type: none"> <li>Initiate and drive flagship projects in sustainability</li> <li>Create sustainable project portfolio and drive sustainable business growth</li> </ul>	<ul style="list-style-type: none"> <li>Drive innovation towards UN SDGs and carbon neutrality</li> </ul>
<b>Product Stewardship</b>	<ul style="list-style-type: none"> <li>Identified inquiry items</li> <li>Stakeholder questionnaire</li> <li>NIPSEA Group: Reinforced PS&amp;RA<sup>3</sup> team</li> <li>DuluxGroup: Implemented Product Vision to help with formulation management and regulatory tracking</li> </ul>	<ul style="list-style-type: none"> <li>Monitor, record and communicate the change of global regulations</li> <li>Assess raw materials introduction, register new substances and ensure SDS and GHS label generation, registration hazard chemical permits correctly and precisely</li> <li>Respond to customers' requests, i.e., RoHS, IMDS etc.</li> </ul>	<ul style="list-style-type: none"> <li>Implement inquiry management database</li> <li>Inquiry response training</li> <li>Training for customers and business partners</li> <li>DuluxGroup: Implement packaging roadmaps</li> </ul>

\*1 Product Carbon Footprint \*2 Lead, Chromate (Cr6+), Cadmium, and Mercury \*3 Product Stewardship & Regulatory Affairs

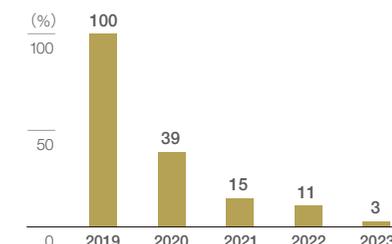
### Sustainable products data (2023)



### Chlorinated paraffins usage (2019=100)



### UV-328 usage (2019=100)



## Safe People and Operations

Managing significant safety and health risks effectively to ensure the protection of our people, operations, and communities is a key imperative and priority for the organization. Given the high-consequence disaster and fatality risks associated with our operating plants in particular, this is a material sustainability impact for Nippon Paint Group and a critical focus to ensure our maximization of shareholder value.

**How Shareholder Value Is Maximized** » See pages 3-4.

	Our pursuit	Relevant financial information
Environment & Safety	Develop low-carbon/eco-friendly products + Ensure safe people and operations	Sales (contribute to new products/new markets). Expenses: Low-carbon raw materials, fuels, utilities, waste processing CF: Investments in renewable energy facilities and recycling facilities

### Our approach to achieving MSV

During 2023 each Partner Company Group (PCG) made further progress on their individual improvement priorities for Safe People and Operations, including both high-consequence risks and everyday injury risks. This has continued to be supported by the global Environment & Safety Team comprising senior environment & safety leaders from each PCG, with a primary focus on benchmarking, sharing best practice, and establishing common performance metrics. Implementation of these metrics across all PCGs continued during the year, and once fully established will provide improved understanding and oversight of high-consequence risk management, including process safety events (e.g., flammable solvent losses of containment) and high potential incidents (e.g., serious near misses involving fatality risks).

Improving the effectiveness of high-consequence risk management will continue to be the key focus of the Sustainability Team in the coming year, including reviewing and establishing common standards for process safety risk management.

### Governance

Under the guidance of the Environment & Safety Team, one of our five Sustainability Teams, we promote initiatives to address our specific targets and priorities related to this Materiality.

» For more information about the framework, please refer to "Governance" under the "Climate Change" section on page 62.

### Strategy

**There are significant safety and health risks in our business that could impact our people, supply chain, and communities. We will work to manage these risks effectively and prevent harm, with a priority focus on high consequence risks.**

### Risk management

While key risks and opportunities with Safe People and Operations are largely common across the consolidated group, individual PCGs do have different focus areas and action priorities that reflect the local maturity of their safety and health risk management improvement journeys.

### Performance

There were no fatalities across the Group during the year, which is the second consecutive year following the occurrence of two fatalities in 2021. Process safety incident reporting was implemented during the year and four Tier 1 and 2 process safety events occurred, compared with three events in the prior year. This new metric enables an improved focus on management of high-consequence safety risks and will be further supported by a high potential incident metric in the near future.

The recordable case rate for employees and contractors decreased 7% to 0.84 recordable injuries and illnesses per 200,000 hours worked, while the lost workday case rate for employees and contractors decreased 6% to 0.50 lost time injuries and illnesses per 200,000 hours worked. These changes were primarily associated with performance improvement across DuluxGroup and Dunn-Edwards, together with inclusion of recent acquisitions.

### Metrics and results related to Safe People and Operations (2023)

\* Figures in brackets indicate year-on-year change.

PCG	Process safety incidents (Tier 1 and 2)	Fatalities	Recordable case rate (per 200,000 hours)	Lost workday case rate (per 200,000 hours)	Improvement priorities
<b>NIPSEA Group</b>	3 (±0)	0 (±0)	0.41 (-0%)	0.27 (+0%)	Regular meetings involving all businesses to share experiences and knowledge in risk mitigation actions, incident learnings, and specific safety themes.
<b>Dulux Group</b>	1 (+1)	0 (±0)	1.60 (-13%)	1.18 (-2%)	Implementation of actions from new process safety hazard studies, fatality prevention lead scorecard reviews, and significant risk audits of recently acquired sites.
<b>Japan Group</b>	0 (±0)	0 (±0)	0.62 (+59%)	0.19 (+138%)	Sharing of incident learnings and corrective actions with all businesses, together with a focus on forklift safety training.
<b>Dunn-Edwards</b>	0 (±0)	0 (±0)	4.72 (+3%)	1.42 (-29%)	Implementation of a comprehensive site audit program, plus a focus on driver safety awareness.
<b>Total</b>	4 (+1)	0 (±0)	0.84 (-7%)	0.50 (-6%)	Sharing of global best practice across the group, including implementation support for new process safety event and high potential incident performance metrics.

» For data from 2022 and earlier, as well as other ESG data, please refer to the "ESG Data" [section](#) on our website.

## Growth with Communities

Based on our CSR framework and long-term community engagement strategy, we will build a better community that includes all stakeholders and achieve sustainable business growth.

How Shareholder Value Is Maximized » See pages 3-4.

	Our pursuit	Relevant financial information
People & Community	Recruit/train diverse employees + Earn the trust of stakeholders	Sales (contribute to new markets, productivity) Expenses: Labor, training, hiring

### Our approach to achieving MSV

Since its inception, our Company has been dedicated to creating innovative solutions that bring colors and joy to people’s everyday lives. As part of our commitment to sustainable development, the Group strives to support and promote the well-being of communities through our business activities. To achieve this, we have established three priority areas known as the “Three Es” under Nippon Paint Group’s global CSR initiative, “Coloring Lives. The main activities of these “Three Es” are described as follows.

- Education: Activities for children and students who are our future potential customers or employees
- Empowerment: Support activities and vocational training for socially vulnerable people, and activities to find talented individuals
- Engagement: Collaborations with local communities and stakeholders, cooperation with NGOs, and disaster relief

### Governance

As one of the Sustainability Teams, the People & Community Team discusses policies and initiatives concerning human resources and community outreach activities of each partner company and reports updates to Co-Presidents. Then, Co-Presidents will submit reports to the Board of Directors whenever necessary. In this manner, Materiality-related activities of the People & Community Team are overseen by the Board of Directors.

### Strategy

Investing in society presents potential opportunities for the Group, such as increased business prospects in thriving local communities, enhanced employee engagement and commitment to our Group companies, and stronger connections with local communities, all of which contribute to our mission of MSV.

Conversely, neglecting our obligations to stakeholders poses potential risks. These risks include a loss of trust from local communities, resulting in diminished ability to attract and retain talented employees and reliable business partners, reduced consumer and customer loyalty, and ultimately, a decline in shareholder confidence and the opportunity to fulfill our promise of MSV.

### Risk management

We recognize that while our social contribution activities hold the potential for immense positive change, they are not immune to risks. Therefore, we employ a comprehensive risk management approach that begins with thorough identification and assessment of potential risks and uncertainties. This includes considering factors such as negative public perception, resource constraints, regulatory hurdles, and external factors. Once risks are identified, we develop and implement mitigation strategies tailored to each specific challenge, leveraging our commitment to transparency, stakeholder engagement, and compliance with regulations. Additionally, we continuously monitor and evaluate our social impact of our projects, remaining agile and adaptable in the face of evolving circumstances. By proactively managing risks, we not only safeguard the success of our initiatives but also maximize their

long-term impact, ensuring they contribute meaningfully to the betterment of society and the communities we serve.

### Metrics and targets

#### Investment in social contribution activities and their results and impacts (2023)

<b>Number of projects</b>		> 540
<b>Resources input</b>	<b>Monetary donation to beneficiaries</b>	> USD950,000
	<b>Time spent on the activities</b>	> 180,000 hours
	<b>Employees and volunteers who participated in the activities</b>	> 56,000 participants
	<b>Paint used in the activities</b>	> 460,000 liters
<b>Results and impacts</b>	<b>People impacted</b>	> 15.07 million

» See the "ESG Data" section on our website.

### Performance

In 2023, our Group carried out about 540 social contribution activities, targeting approximately 15.07 million people worldwide. The total amount of donations to beneficiaries and organizations exceeded USD950,000.

As an example of these initiatives, the "AYDA Awards" hosted by NIPSEA Group, is highly regarded as a global competition in the interior design and architecture sectors held in 20 countries and regions, deepening relationships with global stakeholders. In DuluxGroup's "Color your Club," we are partnering with AFL (Australian Football League) clubs to support the upgrade of local sports facilities through paint donations.

These initiatives demonstrate the Group's dedication to making a meaningful difference in various communities and exemplify our commitment to fostering sustainable development and social well-being.

» For more information, please refer to "Pillars of social contribution activities and examples of activities" posted in the "Growth with communities" section on our website.

# Sustainable Procurement

Nippon Paint is firmly committed to doing business ethically and responsibly. Sustainable Procurement is the integration of Nippon Paint's ESG principles into our procurement processes and decisions while maximizing shareholder value.

**How Shareholder Value Is Maximized** » See pages 3-4.

	Our pursuit	Relevant financial information
Sustainable Procurement	Low-cost and sustainable procurement + Reduce environmental and human rights risks	Sales (contribute to new products/new markets) Expenses: Raw materials, shipment Assets: Inventories

## Our approach to achieving MSV

We engage our suppliers to ensure the sustainable procurement of products and services through environmentally, socially and economically responsible processes. Nippon Paint has in place the Supplier Code of Conduct 2022 to clarify our global expectations for suppliers in the areas of compliance, environment, social and governance. We will conduct a survey for existing and new suppliers to understand their commitment to the ESG principles set forth in our Supplier Code of Conduct.

Suppliers are our important partners in our ESG journey, and we encourage them to adopt progressive practices that align with our approach to ESG. A sustainability audit for on-site audit is to be developed. This will help to identify areas for improvement in our supply chain.

## Governance

As one of the Sustainability Teams, the Sustainable Procurement Team discusses policies and initiatives concerning procurement of each partner company and reports updates to the Co-Presidents. The Co-Presidents will submit reports to the Board of Directors whenever necessary. In this manner, Materiality-related activities of the Sustainable Procurement Team are overseen by the Board of Directors.

## Strategy

### Our approach to GHG emissions in procurement

The significant contribution of raw materials to our greenhouse gas emissions (Scope 3) is an important issue that we believe needs to be addressed, not just by procurement, but in collaboration with our technical team. We will consider using biomass materials and fuels in response to customer requirements.

### Our approach to raw material procurement

Our Group's businesses depend on the supply of a broad range of products and services, such as raw materials, equipment, other materials, and information services. Maintaining and building strategy relationships with key suppliers is essential for the sustainable growth of our businesses.

## Enhancing awareness and understanding of sustainable procurement

Our Group has a [Group Procurement Policy](#) that is aligned with our basic approach to business transactions. Our goal is to have all group employees and suppliers understand and comply with this policy.

Japan Group has established Procurement Guidelines, which define the Procurement Policy in more detail and clearly set rules and procedures to be followed by our Group and suppliers for responsible procurement. The guidelines are consistent with major international frameworks and standards for social activities, including frameworks for the respect for human rights.

### Engaging suppliers on sustainability

Suppliers are important partners, and we encourage them to align with our approach to ESG. Our global Supplier Code of Conduct 2022 was developed to define our expectations for suppliers on sustainability. The Supplier Code of Conduct covers four main areas: compliance, environment, social and governance. Since then, we have been surveying our suppliers on their level of sustainability globally.

A Supplier Sustainability Questionnaire in 5 languages (English, Chinese, Serbian, Slovenian and Turkish) based on our Supplier Code of Conduct was used for the survey. The survey provides visibility to our supply chain with regards

## Key items of the Supplier Code of Conduct

Compliance	Environment	Social	Governance
<ul style="list-style-type: none"> <li>• Legal Compliance</li> <li>• Subcontractor Compliance</li> <li>• Environment, Health and Safety Compliance</li> </ul>	<ul style="list-style-type: none"> <li>• Minimize Impact</li> <li>• Waste Management</li> </ul>	<ul style="list-style-type: none"> <li>• Child Labor</li> <li>• Forced Labor</li> <li>• Discrimination</li> <li>• Working Conditions</li> <li>• Conflict Minerals</li> <li>• Product Safety and Compliance</li> <li>• Safety Training</li> <li>• Freedom of Association</li> </ul>	<ul style="list-style-type: none"> <li>• Anti-Corruption</li> <li>• Gifts and Entertainment</li> <li>• Conflict of Interest</li> <li>• Confidentiality</li> <li>• Record Keeping</li> <li>• Fair Competition</li> <li>• International Trade</li> <li>• Subcontractor ESG Compliance</li> </ul>

## Sustainable Procurement

to sustainability and identifies areas for improvement. For suppliers who are assessed not to comply with our Supplier Code of Conduct, we will conduct supplier engagement activities for risk improvement.

An ESG component will be developed and incorporated to the supplier audit program to further intensify our sustainability focus. The supplier audit program may include an on-site audit where deemed necessary.

### Risk management

The Group conducts supplier risk assessment at each partner company using the questionnaire sheet based on the Code of Conduct. For suppliers who are deemed not to have complied with the criteria, we conduct supplier engagement activities for risk improvement.

NIPSEA Group and Japan Group adopted the Supplier Sustainability Questionnaire to standardize survey methods globally. If nonconformance is found at a supplier site, we discuss and work with the supplier in question on corrective actions to be implemented within a specified period of time.

DuluxGroup manages modern slavery risks throughout its supply chain through its Supplier Procurement Program. The program is designed to accord with standard global supply chain systems and guidance, including International Labour Organization (ILO) conventions, the Ethical Trading Initiative (ETI) base code, ISO 14001 and the SEDEX code, with the aim of identifying and addressing modern slavery risks and maintaining a responsible and transparent supply chain. In addition, DuluxGroup is currently reviewing options for third-party audit providers, to gain further assurance for suppliers deemed to be high risk.

Dunn-Edwards partners with suppliers that share the same values, working together to ensure the supply chain is free from forced labor, child labor, human trafficking and slavery. This effort includes initiatives aimed to clearly articulate our shared expectations and audit for compliance through our Supplier Code of Conduct initiative.

## Metrics and targets

### Roadmap

	2023	2024	2025
<b>Strengthen internal mindset and enhance understanding of sustainable procurement</b>	<ul style="list-style-type: none"> <li>Explored sustainable projects</li> <li>Established indicators</li> </ul>	<ul style="list-style-type: none"> <li>Support Group Environment, Health, and Safety (EHS) to compile Scope 3 for the NIPSEA group progressively</li> <li>Improve understanding of Scope 3/ ESG among the group's procurement through training</li> <li>Develop supplier ESG audit program with NIPSEA China</li> </ul>	<ul style="list-style-type: none"> <li>Conduct supplier ESG assessment</li> <li>Refine Scope 3 disclosure (raw materials related)</li> </ul>
<b>Sustainable procurement actions with suppliers</b>	<ul style="list-style-type: none"> <li>Conducted supplier questionnaire (target 40% by value)</li> </ul>	<ul style="list-style-type: none"> <li>Conducted supplier questionnaire (target 75% by value)</li> <li>Engage suppliers to provide primary data to improve Scope 3 data quality</li> </ul>	<ul style="list-style-type: none"> <li>Conducted supplier questionnaire (target 90% by value)</li> </ul>

### Performance

The Supplier Sustainability Questionnaire survey started from October 2022, and to date more than 1,181 suppliers have responded in agreement to our Supplier Code of Conduct. These suppliers are deemed approved, representing about 84% of our group's total procurement value.

Our target is to reach more than 90% of procurement value by 2025 and we will continue to work with our suppliers to enhance their engagement.

### Results of Supplier Sustainability Questionnaire (2023)\*1

	NIPSEA Group	DuluxGroup	Japan Group	Dunn-Edwards	Total*2
<b>Total number of approved suppliers</b>	812	273	272	106	<b>1,181</b>
<b>Ratio to the total procurement value</b>	82%	89%	88%	74%	<b>84%</b>

\*1 Exclude Cromology, JUB, NPAAE, Alina

\*2 The total figure for each partner company is a unique value without double counting