



# Nippon Paint Group Medium-Term Plan (FY2021-2023) Progress Report

March 16, 2022  
Yuichiro Wakatsuki  
Representative Executive Officer & Co-President  
Nippon Paint Holdings Co., Ltd.

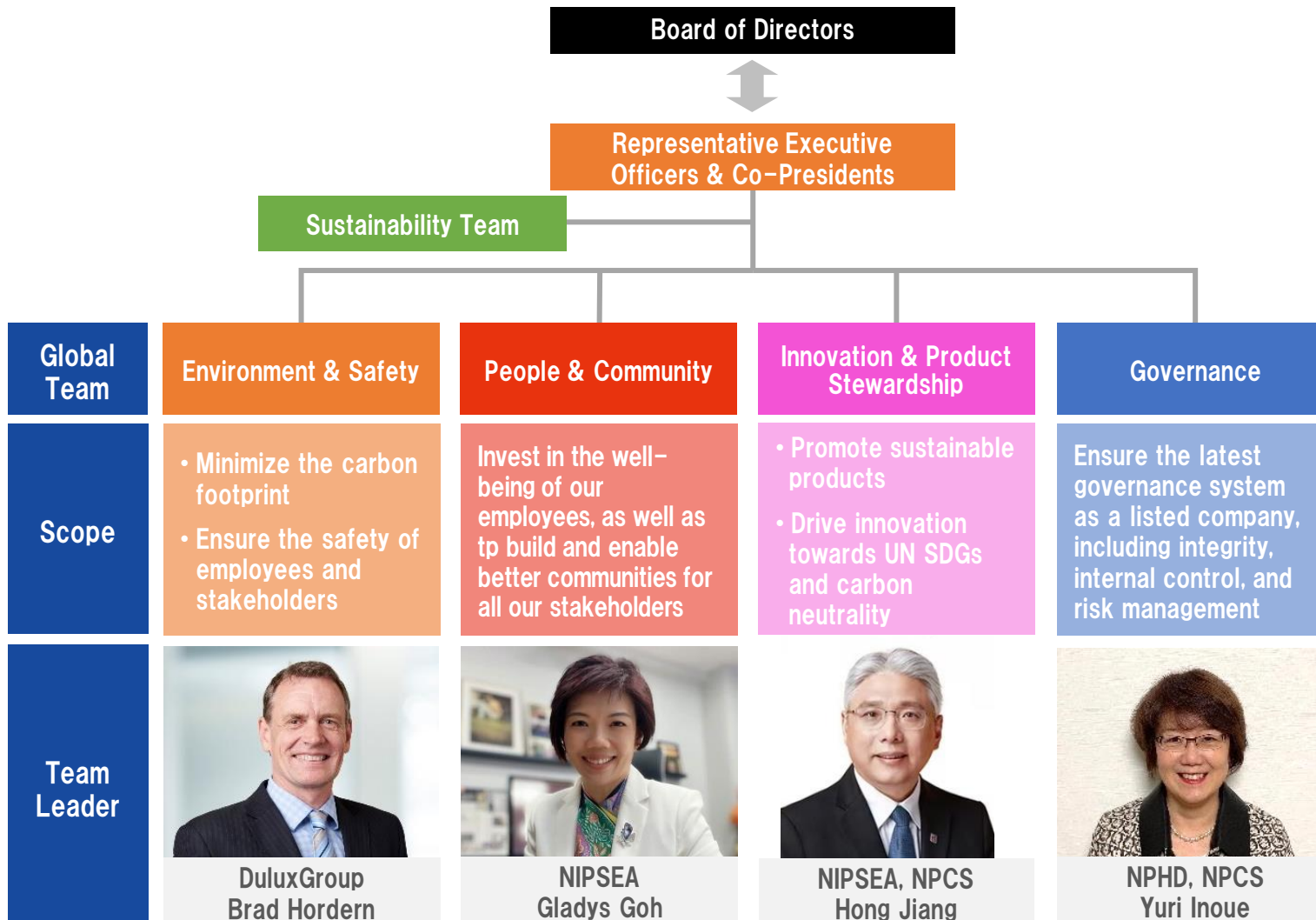


### 3. Sustainability Strategy



# 3-1. Establishing an Autonomous Sustainability Structure

Strengthen the link between autonomous sustainability activities and business operations



## Aim of Restructure

- Form four global teams with experts from each partner company who have business expertise
- Direct reporting line to the Co-Presidents
- Self-motivated sharing of best practices from each country and each partner company's
- Sustainability team to share the capital markets and legal disclosure trends

## Outline of New Structure

- Global team
  - ✓ based on materiality\*
- Global team leaders
  - ✓ directly report to the Co-Presidents, who report to the Board of Directors
  - ✓ promote various initiatives involving the partner company representatives

\*Governance team to discuss the best direction for enhancing our good governance and autonomy in line with each materiality

## 3-2. Progress & Further Plan of Materiality ①

Deepen our activities based on the progress made in FY2021

Materiality	Risk	Opportunity	Progress	Further plan
Climate change	<ul style="list-style-type: none"> <li>Enforcement/change of policies and legal regulations such as introduction of a carbon tax</li> <li>Impact on production and shipment from extreme weather, such as typhoons and heavy rainfalls, that are becoming increasingly common in recent years</li> <li>Changes in customer behavior toward transition to a decarbonized society</li> </ul>	<ul style="list-style-type: none"> <li>Expansion of the market for environmental products, such as products contributing to decarbonization</li> <li>Development of new businesses through research and development</li> </ul>	<ul style="list-style-type: none"> <li>Endorsed the TCFD final report recommendations and commenced disclosure in accordance with the framework</li> <li>Calculated the potential financial impact of a carbon tax</li> <li>Agreed global target for GHG emissions reduction<sup>※1</sup> via each partner company developing targets that meet or exceed local government targets</li> <li>Calculated Scope 3 GHG emissions<sup>※2</sup></li> </ul>	<ul style="list-style-type: none"> <li>Identify each partner company's top climate change risks and opportunities (high level scan) and potential actions</li> <li>Identify each partner company's carbon reduction action plans and develop consolidated group view (H1 2022)</li> <li>Agree objectives for common priority focus areas (e.g. energy efficiency, renewable electricity sourcing, vehicle fleet replacement) and implement</li> </ul>
Resources and environment	<ul style="list-style-type: none"> <li>Impact on business activities from depletion of energy and water resources</li> <li>Tightening of regulations on wastes and increase of waste disposal cost</li> <li>Changes in customer needs related to raw materials</li> </ul>	<ul style="list-style-type: none"> <li>Expansion of the market for environmental products</li> <li>Enhanced competitiveness by advancing recycling technologies, improving resource efficiency, and utilizing diverse raw materials</li> </ul>	<ul style="list-style-type: none"> <li>Developed and disclose global policy statement for resources and environment (e.g. waste and effective use of resources, water)</li> </ul>	<ul style="list-style-type: none"> <li>Identify each partner company's top resources and environment impacts, improvement priorities, and performance measures</li> <li>Agree common priority focus areas (e.g. waste reduction) and objectives for 2022/2023 and implement</li> </ul>
Safe people and operations	<ul style="list-style-type: none"> <li>Significant impact on operations if a major accident occurs at a production site</li> <li>Impact on safety assurance due to changes in manufacturing processes accompanying substantial increases in production</li> </ul>	<ul style="list-style-type: none"> <li>Improving worksite safety and hygiene by sharing best practices and education plans from around the world</li> <li>Improving employee motivation and Company competitiveness for acquiring human resource talent</li> </ul>	<ul style="list-style-type: none"> <li>Developed global policy statement for safe people and operations (e.g. occupational safety and health)</li> </ul>	<ul style="list-style-type: none"> <li>Identify each partner company's top safety risks, improvement priorities, and performance measures</li> <li>Agree common priority focus areas (e.g. fire and fatality prevention) and objectives for 2022/2023 and implement</li> </ul>



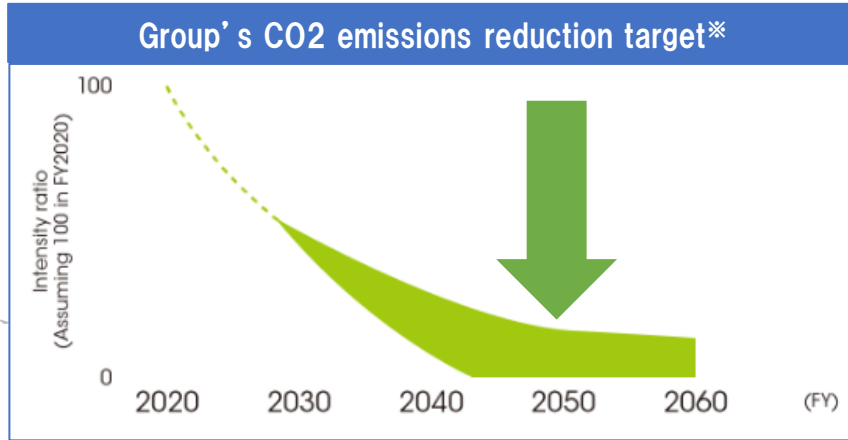
## 3-3. Progress & Further Plan of Materiality ②

Deepen our activities based on the progress made in FY2021

Materiality	Risk	Opportunity	Progress	Further plan
Diversity & Inclusion	<ul style="list-style-type: none"> <li>Difficulty of securing human resources that satisfy diversity requirements with a decrease in the university graduated population</li> <li>Slowing of business activities that reflect diversity in customer needs</li> </ul>	<ul style="list-style-type: none"> <li>Securing diverse and competent human resource talent as a global company</li> <li>Creating wealth for companies, workers, and local communities by creating diverse and inclusive organizations</li> </ul>	<ul style="list-style-type: none"> <li>Confirmed the difference of the situation by each country and region</li> <li>Disclosed the educational programs on a global basis</li> </ul>	<ul style="list-style-type: none"> <li>Formulation of human rights policy</li> <li>Implementation of human rights risk assessment</li> <li>Global data aggregation for the human capital management disclosure</li> </ul>
Growth with communities	<ul style="list-style-type: none"> <li>Significant damage to the corporate brand if the company is not perceived as a corporate citizen by local communities</li> <li>Damage to the public image of the paint industry caused by inadequate activities oriented toward the local community</li> </ul>	<ul style="list-style-type: none"> <li>Improving public awareness of the corporate brand through value chain investment in communities</li> <li>Promoting the sound growth of communities through social contribution activities to increase the positive public view of our Group</li> </ul>	<ul style="list-style-type: none"> <li>Established "NIPPON PAINT Group Global Outreach Program" as common framework followed NIPSEA CSR</li> <li>NIPSEA established the concept "Colouring Lives" to have a bigger impact for the whole CSR activities as a group</li> </ul>	<ul style="list-style-type: none"> <li>Promote quantification of activities</li> <li>Promote CSR activities and data aggregation under the NIPSEA's concept "Colouring Lives" globally</li> </ul>
Innovation for a sustainable future	<ul style="list-style-type: none"> <li>Significant hindering to future corporate earnings owing to inability to generate innovation due to slow response to new markets</li> </ul>	<ul style="list-style-type: none"> <li>Expansion of market for products that contribute to controlling and adapting to climate change</li> <li>Products and services that address social issues contribute significantly to society and help boost corporate earnings in the long term</li> </ul>	<ul style="list-style-type: none"> <li>Aggregated the sustainable products globally in 2021</li> <li>Developed the Anti-Viral Paint Products across the group</li> <li>Promoted open innovation with several 3rd parties</li> <li>Initiatives regarding Chemicals of concern/LCA<sup>※1</sup> in some companies</li> </ul>	<ul style="list-style-type: none"> <li>Define the sustainable product</li> <li>Develop and implement Green Design Review<sup>※2</sup></li> <li>Formulate strategy and roadmap</li> <li>Strengthen the control of Chemicals of concern</li> <li>Develop and leverage LCA<sup>※1</sup> capability</li> </ul>

## 3-4. Specific Initiatives for Net Zero CO2 Emissions

### Identify specific issues and measures in each region toward net zero target



#### Dunn-Edwards (U.S.)

- Discussed scope, financials, and timeline for new corporate office to operate on generated renewable energy
- Committed to reducing energy usage at new corporate office through efficient lighting, EnergyStar™ equipment, and enhanced systems
- Committed to providing electric vehicle charging resources to select facilities within the next 4 years
- Committed to adopting software by Q2 2022 to track company-wide Scope 1, 2, and 3 emissions in order to achieve true metrics for net zero carbon\* by 2050

#### Japan

- Agreed Japan targets of 37% carbon\* reduction by 2030 from 2019 levels, plus net zero carbon\* by 2050
- Purchase renewable energy in Japan. (100% renewable energy at Osaka headquarters in FY2021, approx. 7% of electricity used in Japan in FY2022. Afterwards, increase gradually)
- Consider energy-saving and use of renewable energy to reduce the impact of carbon taxes
- Implement energy-saving (ex: heavy oil to LNG)

#### NIPSEA Group (Asia)

- Formulated NIPSEA Green Plan 1.0, the movement to advance the agenda on sustainable development – Profit, People, Environment
- Carbon intensity (kgCO2/ton) reduced by 15% in 2021 mainly by the new solar projects and less energy consumption
- Installed solar panel in several plants in FY2021 and saved cost. Other plants follow
- Implemented the green production including batch cycle time reduction, maximization of batch size

#### DuluxGroup (Oceania)

- Achieved a 5% reduction in energy consumption and 5% reduction in carbon\* emissions, our lowest levels on record
- Agreed DGL targets of 50% renewable energy consumption and 50% carbon\* reduction by 2030, plus net zero carbon\* by 2050
- Commenced development of detailed action plans to achieve the 2030 targets, with plans to be finalised early 2022
- Commenced pilot program of specialist energy efficiency studies at 2 factories to identify reduction opportunities

## 3-5. Specific Initiatives for Innovation

### Anti-Viral Paint Products in the Nippon Paint Group that contribute to our business

2020 2Q

2020 3Q

2020 4Q

2021 1Q

#### ► Singapore

VirusGuard<sup>+</sup> Antiviral Coating



Target Virus: 229E/H1N1

#### ► Malaysia

VirusGuard Anti-viral Coating



Target Virus: 229E/H1N1/Coxsackie A16

#### ► Japan

PROTECTON series

INTERIOR PAINT PREMIUM (PIAJ※1)  
 INTERIOR WALL VK-200 (PIAJ/SIAA※1)  
 INTERIOR WALL VK-200 FOR DIY (PIAJ※1)  
 INTERIOR WALL VK-500 (PIAJ/SIAA※1)  
 BARRIERX SPRAY (PIAJ/SIAA※1)  
 INTERIOR WALL VK COAT  
 FLOOR VK CLEAR  
 CAR INTERIOR VK COAT



#### ► China

ClearShield



Target Virus:  
 229E/FCV/H3N2/EV71/SARS-CoV-2

※1 Certification  
 SIAA (Society of Industrial-Technology for Antimicrobial Articles)  
 PIAJ (Photocatalysis Industry Association of Japan)

※2 Certification  
 CIAA (Chinese Industry alliance for Antimicrobial Materials and Products)





**<Contact>**

**NIPPON PAINT HOLDINGS CO., LTD.**

**Investor Relations**

**Email: [ir\\_kouhou@nipponpaint.jp](mailto:ir_kouhou@nipponpaint.jp)**

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