

# Corporate Social Responsibility of Nippon Paint Group

The Nippon Paint Group is committed to meeting its corporate social responsibility by uniting the efforts of the entire Group.

## Nippon Paint Group's CSR Management

Nippon Paint has strived to implement CSR activities by specifying the direction of its CSR management based on its Management Principles, Corporate Vision, and Code of Behavior.

To maintain acceptance by society and remain in business on a long-term basis, it is essential that all employees fully understand CSR issues and address

them on their own initiatives. Based on this belief, we have been working hard to establish a workplace environment that encourages our employees to achieve this end.

In fiscal 2008, we redefined the Nippon Paint Group's CSR and restructured the CSR management promotion system, which allowed us to stimulate our CSR efforts.

**Management Principles** The Nippon Paint Group is committed to contributing to the welfare of society as a whole through its business activities, working together for the mutual harmony and benefit of everyone.

### Corporate Vision

- The Company is working to expand globally as a specialty chemical company, offering high-value-added coatings.
- Our fundamental commitment is to become a trusted, eco-friendly company that helps protect the environment.

### Five Cs: Code of Behavior

- Credibility
- Customer-oriented
- Creativity
- Challenge
- Collaboration

## Direction for Nippon Paint Group CSR Management

|             |   |   |
|-------------|---|---|
| Economy     | 0 | Achieve yearly and long-term plans.   |
|             | 1 | Develop products and services that benefit society while incorporating full consideration for the environment and safety, and supply them in a timely and stable manner. The goal is to offer satisfaction to customers and consumers and earn their trust.   |
|             | 2 | In all business practices:<br>(1) Abide by applicable laws and regulations inside and outside Japan, and follow business ethics.<br>(2) Conduct appropriate business dealings based on fair, transparent and free competition.  |
|             | 3 | Respect individuality and diversity of employees and strive to create a safe, motivational and rewarding workplace. Under the basic policy of "a chance for capability and a reward for achievements," we will help employees lead comfortable and affluent lifestyles (demonstration of humanity).   |
| Society     | 4 | In global business activities:<br>(1) Respect local cultures, strive to maintain harmony with local economies and communities, and adopt disciplined, orderly behavior as a good corporate citizen.<br>(2) Gain full knowledge of local laws and regulations regarding labor-management relations as well as labor practices, and establish sound relations between employees and management.   |
|             | 1 | Aware that interactive communication with society is important for the Nippon Paint Group to serve as a socially beneficial entity:<br>(1) Release corporate information in a fair and timely manner.<br>(2) Promote proactive communication with shareholders as well as other stakeholders.<br>(3) Treat personal information and customer data with due care by taking appropriate security measures.  |
|             | 2 | Contribute to rectifying and solving societal issues that adversely impact the global environment, humans and local communities by serving as a responsible member of the global and local communities.   |
| Environment | 3 | Avoid any interaction whatsoever with antisocial groups or groups that threaten the public order and security, and stand firm against such groups if they make approaches.  |
|             | 1 | Aware that addressing environmental issues is an essential part of the Nippon Paint Group's existence and activities:<br>(1) Incorporate due consideration in all business practices to preserve the global environment and protect the ecological system, and strive to conserve energy and resources.<br>(2) Develop products with less impact on the environment and promote development of technologies for reducing environmental impact, while incorporating consideration for the environment, safety and health for a product's entire lifespan from development to final disposal.<br>(3) Work to reduce the environmental impact of business activities and maintain safety and health for the community and employees. |

### Nippon Paint Group's CSR

- **What is our CSR?**  
To contribute to society through our business operations
- **What are our CSR activities?**
  - Activities intended to fulfill our CSR
  - Activities intended to meet our stakeholders' expectations
  - Activities designed to secure and maintain safety and compliance
- **What is compliance?**  
We understand compliance in a broader sense, including not only observance of laws and regulations but also conformance with industrial standards, societal rules, company regulations and the like.

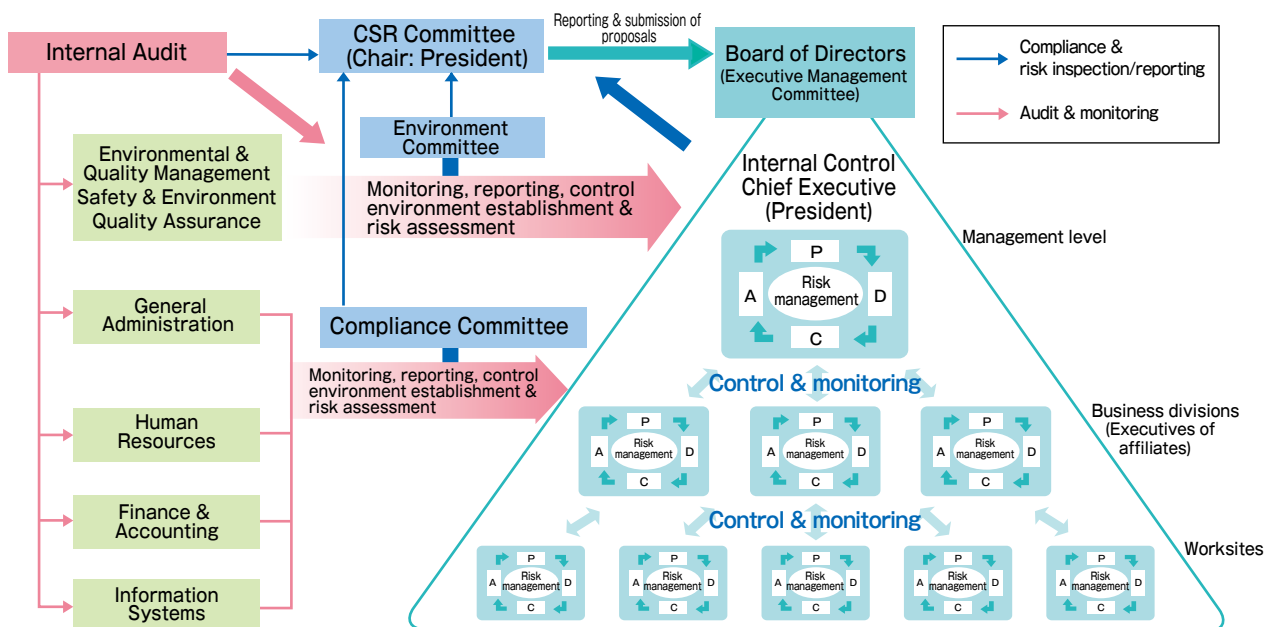
## CSR Management Promotion Structure and Risk Management Activities

To appropriately promote CSR management, internal controls must be operating effectively to begin with. To ensure effective operation of internal controls, risk management, in turn, must function effectively.

Based on this belief, and to ensure that risk

management is implemented steadily and independently at each workplace, we are promoting CSR management based on the structure in which our internal control system supports risk management.

### CSR Management Promotion Structure



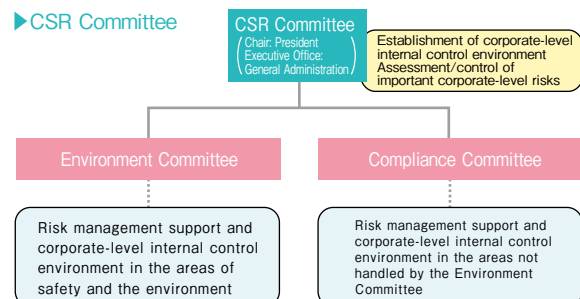
## CSR Committee

Chaired by the President, the CSR Committee has overall control over the establishment of an internal control environment and risk management, which form the platform of our CSR activities. The Committee is responsible for assessment of important corporate-level risks, as well as determination of countermeasures and implementation.

The Environment Committee is in charge of the internal control environment related to safety and the environment, as well as risk management support in these areas. The Compliance Committee, in turn, is in charge of the internal control environment and risk management

support in other areas. These two committees consist of members armed with expert knowledge on related legislation and other matters to assist the CSR Committee.

### CSR Committee



## Crisis Management System

Based on Nippon Paint Crisis Management Rules and Operational Procedures for Head Office/Regional Emergency Headquarters, we have a management system in place and regularly conduct drills to prepare for

anticipated hazards or disasters that may occur within the company facilities or in the neighborhood.

Moreover, we have specified the Safety and Health Regulations for Expatriates to respond to country-specific risks accompanying Nippon Paint Group's global business expansion and local natural disaster risk.

# Corporate Social Responsibility of Nippon Paint Group

## FY2008 CSR Activities

Based on the predetermined direction for Nippon Paint Group CSR management, the CSR Committee selected 20 focus programs for fiscal 2008. Of these, 11 were related to the economy, 3 to society, and 6 to the environment. Implementation was charged to the Global Environment Committee, Compliance Committee and other departments (see pg. 17).

As in fiscal 2007, Nippon Paint continued to organize employee training sessions and meetings with executives of affiliates and department managers to further promote CSR practices. In particular, information regarding important matters was shared among all employees through internal newsletters and other media. These include the establishment of internal control rules and regulations in response to the J-SOX Law, establishment of regulations to prevent insider trading, and contingency measures against the new influenza pandemic.

In light of Japanese Corporate Law's requirement for a solid internal control system, and responding to the

intent of the Whistleblower Protection Law, Nippon Paint has established a hotline for whistleblowers to report risk issues or seek advice. Aiming to disseminate this system more widely, the internal procedures to manage the whistleblower system were established in February 2009.

To further promote and instill new CSR activities determined after a review conducted in fiscal 2008, and to examine employee awareness, we conducted a CSR questionnaire survey targeting all Group employees. This survey drew 2,642 replies, which represented a response rate of 61%. Although the survey results revealed that employees generally have a high level of awareness regarding CSR activities and prevention of violations of laws/regulations, various insufficiencies were also discovered. These included the need for more penetration of the whistleblower system, more employee awareness regarding insider trading, and the need for continuing instruction from managers and awareness-raising activities in order to efficiently promote new CSR activities. In fiscal 2009, we will carry out improvement activities to address these issues.

## Corporate Governance for Nippon Paint Group

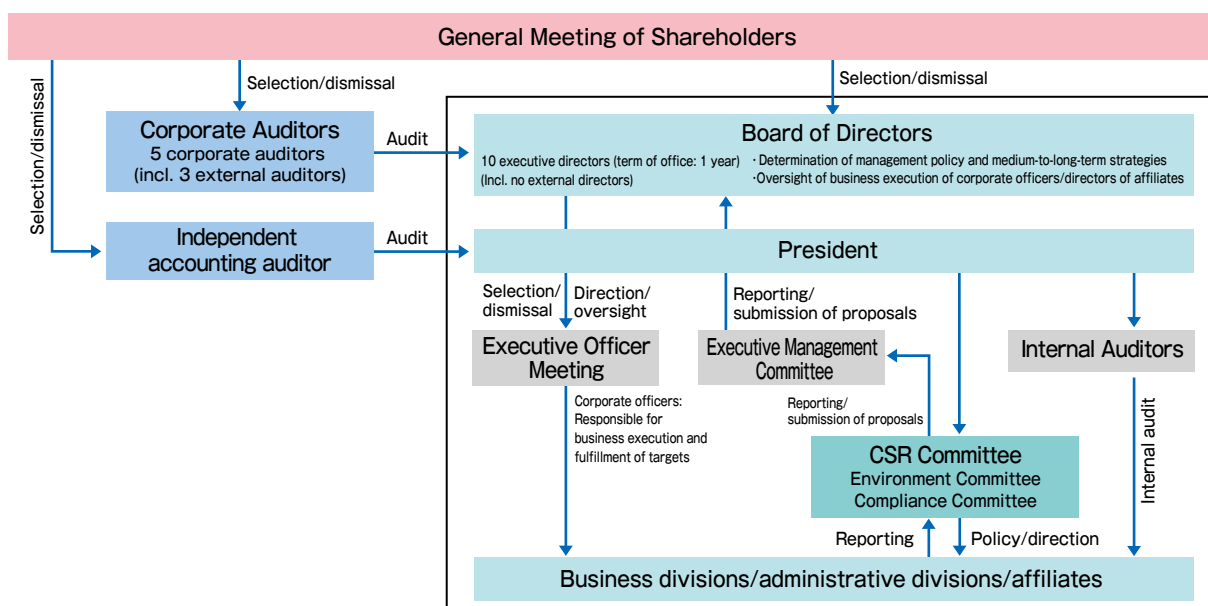
Under a corporate auditor system, corporate auditors oversee the Board of Directors' fulfillment of duties.

The basic policies for Nippon Paint Group's corporate governance are as follows:

- (1) Strive to cultivate a healthy and sound Group culture based on common Group-wide values and guidelines

that are composed of the Management Principles, Corporate Vision and Code of Behavior.

- (2) Ensure that Nippon Paint's management policy is strictly followed by appointing Nippon Paint's directors or corporate officers as directors of its important affiliates.



## CSR Focus Programs

The following action programs were selected by the CSR Committee as focus areas of activities requiring Group-wide efforts.

| Domain      | Category <sup>1</sup>   | FY09 action programs   | Committee in charge of programs <sup>2</sup>  | FY08 action programs   | FY08 programs carried forward to next year | FY08 programs completed   | Implementation of FY08 action programs  | Page        |
|-------------|---|--|---|--|--|---|---|-------------|
| Economy     | 1   | Reduction of products containing substances impacting health (formaldehyde, organic solvents, heavy metal, etc.) | Environment   | Reduction of products containing substances impacting health (formaldehyde, organic solvents, heavy metal, etc.) | ○  |   | See pg. 20-21   | P.22-23, 26 |
|             | 1   | Identification of factors causing complaints and counteraction   | Environment   | Identification of factors causing complaints and counteraction   | ○  |   | Began identification of serious claims and causes, and review of related regulations and their use.   |             |
|             | 1   | Appropriate indication of product information on product literature  | Compliance  | Appropriate indication of product information on product literature  |  | ○   | Improved product literature check function in cooperation with related departments. Conducted education and awareness-raising activities for sections in charge of product literature creation.                   |             |
|             | 1   | Response to delivery certificate issue   | Compliance  |  | ○  |   | Improved delivery certificate issuing system and established related rules.   |             |
|             | 2   | Prevention of insider trading  | Compliance  | Prevention of insider trading  |  | ○   | Totally revised internal regulations and familiarized all employees with revised regulations. Established a report system for the company's stock purchase/sale and promoted its awareness among Group employees. | P.16        |
|             | 2   | Appropriate JIS labeling   | Environment   | Appropriate JIS labeling   |  | ○   | Revised printed cans, labels and brochures to comply with new JIS standards before the completion of transition period for revised JIS implementation, and eliminated former JIS-compliant labels/brochures.      |             |
|             | 2   | Proper response to Construction Industry Law   | Compliance  | Proper response to Construction Industry Law   |  | ○   | Checked law compliance status of Group companies and took necessary measures.   |             |
|             | 2   | Compliance with Subcontract Act  | Compliance  | Compliance with Subcontract Act  | ○  |   | Offered education for production staff and managers and confirmed their level of understanding.   |             |
|             | 2   | Measures against long hours of labor   | Compliance  | Measures against long hours of labor   |  | ○   | Checked overtime agreement compliance status at labor-management councils in various districts and urged all managers to reduce employees' overtime work and encourage efficient business operations.             |             |
|             | 2   | Response to issues related to temporary workers, contract workers and subcontractors                             | Compliance  |  |  |   |   |             |
|             | 2   | Improvement of information storage system  | Compliance  | Improvement of information storage system  |  | ○   | Identified statutory documents and made locations/methods of storage visible (documentation).   |             |
|             | 2   | Reconstruction of basic policy for information handling  | CSR   |  |  |   |   |             |
|             | 3   | Measures against new influenza viruses   | CSR   | Measures against new influenza viruses   | ○  |   | Established Group contingency policy and measures for pandemic influenza. Also stockpiled food and other necessary items and enhanced employee awareness.   | P.16, 33    |
| 3           | Instillation/dissemination of CSR management across the Group using educational tools | CSR  | Instillation/dissemination of CSR management across the Group using educational tools |  | ○  | Organized employee training and interviews with affiliated company directors and department managers, placed CSR-related information in internal magazines, conducted questionnaire survey for monitoring CSR management penetration. | P.16  |             |
| Society     | 1   | Preparatory measures for J-SOX Law (assurance of financial reporting reliability)                                | Compliance  | Preparatory measures for J-SOX Law (assurance of financial reporting reliability)                                |  | ○   | Conducted self-assessment to check establishment and usage of rules/regulations at the entire Nippon Paint Group worldwide.   | P.15, 16    |
|             | 1   | Proper response to Chemical Substances Control Law <sup>3</sup>  | Environment   |  |  |   |   | P. 24       |
|             | 1   | Proper response to PRTR Law <sup>4</sup>   | Environment   |  |  |   |   | P.24, 26    |
|             | 1   | Proper response to Energy Saving Law   | Environment   |  |  |   |   | P. 27       |
|             | 1   | Proper response to REACH   | Environment   |  |  |   |   | P. 25       |
|             | 1   | Assurance of customer safety   | Environment   |  |  |   |   | P.10-11     |
|             | 1   | Information system for preventing recurrence of hazards  | Environment   |  |  |   |   | P.32, 33    |
|             | 2   | Promotion of local community beautification  | CSR   | Promotion of local community beautification  | ○  |   | More than 2,000 employees participated in painting/cleanup activities for local communities.  | P.35-38     |
|             | 3   | Measures against anti-social groups  | Environment   | Measures against anti-social groups  | ○  |   | Defined antisocial groups, identified the scope of elimination, and studied measures against antisocial forces.   |             |
| Environment | 1   | Development and marketing of eco-friendly products   | Environment   | Development and marketing of eco-friendly products   | ○  |   | See pg. 20-21   | P.22-23, 26 |
|             | 1   | CO <sub>2</sub> emissions reduction  | Environment   | CO <sub>2</sub> emissions reduction  | ○  |   | See pg. 20-21   | P.27        |
|             | 1   | Reduction of energy consumption and usage per unit of production   | Environment   | Reduction of energy consumption and usage per unit of production   | ○  |   | See pg. 20-21   | P.27        |
|             | 1   | Promotion of zero emissions  | Environment   | Promotion of zero emissions  | ○  |   | See pg. 20-21   | P.28        |
|             | 1   | Reduction of total PRTR substance emissions  | Environment   | Reduction of total PRTR substance emissions  | ○  |   | See pg. 20-21   | P.26        |
|             | 1   | Implementation of green procurement  | Environment   | Implementation of green procurement  | ○  |   | Promoted green procurement through voluntary Green Standards and Green Procurement Guidelines.  | P.29        |

<sup>1</sup> Classification according to "Direction for Nippon Paint Group CSR Management" on page 14.

<sup>2</sup> CSR: CSR Committee, Environment: Environment Committee, Compliance: Compliance Committee

<sup>3</sup> Law concerning the Evaluation of Chemical Substances and Regulation of Their Manufacture, etc.

<sup>4</sup> Act on Confirmation, etc. of Release Amounts of Specific Chemical Substances in the Environment and Promotion of Improvements to the Management Thereof.

Note: We will continue to promote programs completed in fiscal 2008, or implement additional measures at relevant departments by taking a PDCA approach.