

Business Responsibility Report

SEBI, vide its Notification dated 22nd December 2015, amended Regulation 34 (2)(f) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, and made inclusion of a Business Responsibility Report (BRR) in the Annual Report mandatory for the top-500 listed companies based on market capitalisation as on 31st March of every year. KNPL comes in the list of top-500 listed companies based on market capitalisation. SEBI has suggested a format for the BRR, vide its circular CIR/CFD/CMD/10/2015 dated 4th November 2015. The Business Responsibility Report is based on the format suggested by SEBI.

SECTION A: GENERAL INFORMATION ABOUT THE COMPANY

- Corporate Identity Number (CIN) of the Company:**
L24202MH1920PLC000825
- Name of the Company:** Kansai Nerolac Paints Limited
- Registered Address:** Nerolac House, Ganpatrao Kadam Marg, Lower Parel, Mumbai-400 013
- Website:** www.nerolac.com
- Email ID:** investor@nerolac.com
- Financial Year reported:** 1st April 2020 to 31st March 2021
- Sector(s) that the Company is engaged in (industrial activity, code-wise)**

NIC Code of the product	Description
20221	Manufacture of paints and varnishes, enamels or lacquers
- Key product that the Company manufactures/ provides (as in the balance sheet):** Paints
- Total number of locations where business activity is undertaken by the Company:**

- Number of International Locations: The Company has three subsidiaries abroad, namely KNP Japan Private Limited in Nepal, Kansai Paints Lanka (Private) Limited in Sri Lanka and Kansai Nerolac Paints (Bangladesh) Limited, Bangladesh.

- Number of National Locations:
 - Manufacturing Facilities: 6
 - R&D Centre: 1
 - Depot/Sales Locations: 99 (At start of year was 107, Closed & Added during the year: {9&1})
 - Distribution Centres: 3
 - Divisional Offices: 6 (Pune, Ahmedabad, Mayapuri - Delhi, Gurugram, Kolkata, Patna)

- Markets served by the Company:** National and International

SECTION B: FINANCIAL DETAILS OF THE COMPANY

- Paid-up Capital: ₹ 53.89 Crores
- Net Revenue: ₹ 4,690 Crores
- Total Profit after Taxes: ₹ 530.99 Crores
- Total Spending on Corporate Social Responsibility (CSR) as a percentage of profit after tax: 2.70%
- List of Activities in which expenditure in 4 as above has been incurred:
 - Livelihood & Skill-Enhancement Programmes
 - Preventive Health-Care & Sanitation
 - Rural/Community Development
 - Promoting Education
 - Ensuring Environmental Sustainability
 - Restoration of Buildings and Sites of Historical Importance

SECTION C: OTHER DETAILS

During FY 2020-21, the Company, Kansai Nerolac Paints Limited (KNPL), had six subsidiaries (3 Domestic and 3 International). KNPL encourages its subsidiary companies to adopt its policies and practices.

SECTION D: BUSINESS RESPONSIBILITY (BR) INFORMATION

1. Details of Director responsible for BR

(a) Details of the Director responsible for implementation of the BR policy:

1. DIN Number: 00306084
2. Name: Mr H. M. Bharuka
3. Designation: Vice-Chairman and Managing Director

(b) Details of the BR head:

No.	Particulars	Details
1	DIN Number (if applicable)	-
2	Name	Mr Jason S. Gonsalves
3	Designation	Director - Corporate Planning, IT, and Materials
4	Telephone Number	022 - 2499 2520
5	Email ID	jasongonsalves@nerolac.com

2. Principle-wise [as per National Voluntary Guidelines (NVGs)] BR policy/policies

Business Responsibility Report

This BR Report follows the National Voluntary Guidelines on social, environmental and economic responsibilities of business, as notified by the Ministry of Corporate Affairs, Government of India, which laid down the following principles:

(a) Details of compliance (Reply in Y/N):

Questions	P1	P2	P3	P4	P5	P6	P7	P8	P9
1 Do you have a policy / policies for...?	Y	Y	Y	Y	Y	Y	Y	Y	Y
2 Has the policy been formulated in consultation with the relevant stakeholders?	Y	Y	Y	Y	Y	Y	Y	Y	Y
3 Does the policy conform to any national / international standards? If yes, specify. (50 words)	Y	Y	Y	Y	Y	Y	Y	Y	Y
	Policies have been formulated taking into consideration the laws of the land, environmental and safety norms. The policies are based on and are in compliance with applicable regulatory requirements								
4 Has the policy been approved by the Board? If yes, has it been signed by MD/Owner/CEO/ appropriate Board Director?	Y	Y	Y	Y	Y	Y	Y	Y	Y
	Policies are prepared and discussed with management committee and approved								
5 Does the Company have a specific committee of the Board/Director/Official to oversee the implementation of the policy?	Y	Y	Y	Y	Y	Y	Y	Y	Y
6 Indicate the link for the policy to be viewed online	Links for the policies are mentioned in the table below								
7 Has the policy been formally communicated to all relevant internal and external stakeholders?	Y	Y	Y	Y	Y	Y	Y	Y	Y
8 Does the Company have in-house structure to implement the policy / policies?	Y	Y	Y	Y	Y	Y	Y	Y	Y
9 Does the Company have a grievance redressal mechanism related to the policy/policies to address stakeholders' grievances?	Y	Y	Y	Y	Y	Y	Y	Y	Y
10 Has the Company carried out independent audit/ evaluation of the working of this policy by an internal or external agency?	Y	Y	Y	Y	Y	Y	Y	Y	Y

Principle	Applicable Policies	Policy link
Principle 1 Businesses should conduct and govern themselves with Ethics, Transparency and Accountability	a) Code of Conduct	https://www.nerolac.com/corporate-sustainability/downloads.php
	b) Code of Conduct for Directors and Senior Management	https://www.nerolac.com/financial/policies.html
	c) Code of Practices and Procedures for Fair Disclosure of Unpublished Price-Sensitive Information	https://www.nerolac.com/financial/policies.html
	d) Whistle-blower Policy	https://www.nerolac.com/financial/policies.html
Principle 2 Businesses should provide goods and services that are safe and contribute to sustainability throughout their life cycle	a) Occupational Health, Safety & Environment Policy	https://www.nerolac.com/financial/policies.html
Principle 3 Businesses should promote the well-being of all employees	a) Code of Conduct	https://www.nerolac.com/corporate-sustainability/downloads.php
	b) Code of Conduct on Affirmative Action	https://www.nerolac.com/financial/policies.html
	c) Occupational Health, Safety & Environment Policy	https://www.nerolac.com/financial/policies.html
	d) Code of Social Conduct at the Workplace	Available on the Employee Workline Portal
	e) Prevention of Sexual Harassment	Available on the Employee Workline Portal
	f) Mediclaim Policy	Available on the Employee Workline Portal
	g) Maternity Policy	Available on the Employee Workline Portal
Principle 4 Businesses should respect the interests of, and be responsive towards, all stakeholders, especially those who are disadvantaged, vulnerable and marginalised	a) CSR Policy	https://www.nerolac.com/financial/policies.html

Principle	Applicable Policies	Policy link
Principle 5 Businesses should respect and promote human rights	a) Code of Conduct on Affirmative Action	https://www.nerolac.com/financial/policies.html
	b) Occupational Health, Safety & Environment Policy,	https://www.nerolac.com/financial/policies.html
	c) Policy on Health Related Ailments	https://www.nerolac.com/corporate-sustainability/downloads.php
	d) Prevention of Sexual Harassment	Available on the Employee Workline Portal
Principle 6 Businesses should respect, protect and make efforts to restore the environment	a) Occupational Health, Safety & Environment Policy	https://www.nerolac.com/financial/policies.html
Principle 7 Businesses, when engaged in influencing public and regulatory policy, should do so in a responsible manner	a) Policy regarding Advocacy of Public & Regulatory Policies	https://www.nerolac.com/financial/policies.html
Principle 8 Businesses should support inclusive growth and equitable development	a) CSR Policy	https://www.nerolac.com/financial/policies.html
	b) Code of Conduct on Affirmative Action	https://www.nerolac.com/financial/policies.html
Principle 9 Businesses should engage with, and provide value to, their customers and consumers in a responsible manner	a) Quality Policy	https://www.nerolac.com/financial/policies.html

b) If answer to the question at serial number 1, against any principle, is 'No', please explain why (Tick up to 2 options)

Questions	P1	P2	P3	P4	P5	P6	P7	P8	P9
1 The Company has not understood the principles	-	-	-	-	-	-	-	-	-
2 The Company is not at a stage where it finds itself in a position to formulate and implement the policies on specified principles	-	-	-	-	-	-	-	-	-
3 The Company does not have financial or manpower resources available for the task	-	-	-	-	-	-	-	-	-
4 It is planned to be done within the next 6 months	-	-	-	-	-	-	-	-	-
5 It is planned to be done within the next 1 year	-	-	-	-	-	-	-	-	-
6 Any other reason (please specify)	-	-	-	-	-	-	-	-	-

3. Governance Related to BR

- a) The Board of Directors assesses the BRR performance of the Company annually and the Management Committee reviews the BRR Performance quarterly.
- b) The Company publishes the information on BRR, which forms part of its Annual Report.

The Company has been publishing the Sustainability Report since 2012, in FY 2018-19, the Sustainability Report formed a part of its Annual Report. From FY 2019-20, the Company started publishing its Annual Report in the Integrated Report format. The Annual Report is available on the Company's website at www.nerolac.com.

SECTION E: PRINCIPLE-WISE PERFORMANCE

Principle 1: Businesses should conduct and govern themselves with ethics, transparency and accountability

Does the policy relating to ethics, bribery and corruption cover only the Company? Yes/No

Does it extend to the Group/Joint Ventures/Suppliers/Contractors/NGOs/Others?

A Board-approved policy provides the framework for the KNPL Corporate Governance philosophy, which covers Directors, Senior Management and all employees. It addresses conflicts of interest; corporate opportunities; confidentiality; related-party transactions; insider trading; compliance with laws, rules & regulations; protection and proper use of Company assets; fair dealing; and ethical business practices. It encourages reporting of any illegal or unethical behaviour, amongst others. The provisions are available on the Company website.

KNPL's Whistle-Blower Policy encourages employees & business associates to bring to the Ethics Committee's notice any instances of unethical behaviour, actual or suspected fraud or violation of the Company's Code of Conduct or Ethics policies. The provisions are available on the Company's website. Whistle-Blower complaints are reviewed by the Audit Committee of the Board.

The Code of Conduct policy extends to the Company's subsidiaries. The policy coverage on acts such as deception, bribery, forgery, extortion, corruption is applicable to any irregularity involving employees in their dealings with any external entities. Fraud detection is part of the Statutory Audit committee and the Risk Management committee.

Business Associates, Contractors and Suppliers are governed by the Supplier Code of Conduct.

All new joiners are inducted on the KNPL Code of Conduct as well as the Whistle-Blower Policy. The Company's Code of Conduct is the part of the new-joiner kit and Corporate Orientation programme. An Induction Confirmation Undertaking (ICU) is received from all new joiners.

Training Provided on Topics	% New Employees Covered
Code of Conduct	100%
Whistle-Blower Policy	100%

It is the Company's policy to provide full, fair, accurate and timely disclosures to statutory authorities and to the stock exchanges where the Company is listed. The Company is conscious of price-sensitive information in accordance with SEBI (Prohibition of Insider Trading) Regulations, 2015. KNPL also has a "Code of Practices and Procedures for Fair Disclosure of Unpublished Price-Sensitive Information" to address related requirements.

How many stakeholder complaints have been received in the past financial year and what percentage was satisfactorily resolved by the management? If so, provide details thereof, in about 50 words or so.

KNPL has institutionalised various mechanisms to receive and resolve complaints from its stakeholders. There are dedicated resources to respond to the complaints in a time-bound manner.

During FY 2020-21, KNPL received 1 (one) shareholder complaints and 0 (zero) whistle-blower complaints. One shareholder complaint has been resolved and none is under investigation.

No (0) staff or employee has been dismissed / disciplined for corruption-related activity.

Principle 2: Businesses should provide goods and services that are safe and contribute to sustainability throughout their life cycle

List up to 3 of your products or services whose designs have incorporated social or environmental concerns, risks and/or opportunities.

KNPL endeavours to embed the principles of sustainability, as far as practicable, into the various stages of its product or service life cycle, including procurement of raw material/

service, manufacturing of product or delivery of service, transportation of raw materials and finished goods, and disposal by consumers.

The Company has a sustainability agenda which highlights its commitment to creating value through the reduction or elimination of hazardous substances. It has been taking all possible measures to reduce Volatile Organic Compounds (VOCs).

The Company's philosophy of product design is to have products which are heavy-metal free by design and conforming to applicable sustainability standards. Necessary care is taken as part of the new-product design process at the design stage itself to adhere to relevant sustainability requirements. Its range of Decorative Products are heavy-metal free by design, with low VOC. In Industrial Products, KNPL has focussed on introducing or extending technology products that enable VOC reduction, energy saving and process-time reduction. The Company continues to conduct research and introduce sustainable products and solutions for its customers.

Some of the latest offerings in FY 2020-21 are:

Superior powder coating for painting two-wheeler parts

KNPL developed and introduced a special powder-coating product with superior performance for two-wheeler manufacturers and helped them transition from liquid paints to powder coatings for components. This transition has also resulted in zero VOC due to powder usage.

Unique low bake temperature coating for plastic and metals for 2W:

In the two-wheeler segment, KNPL has developed a unique Low-Bake Coating. The coating helps lower the baking temperature and enables plastic and metal components to be coated and baked on the same line, thereby eliminating the need to have a separate painting line for plastics apart from resulting in savings in costs and energy.

Low formaldehyde coating and high solids coating

We have implemented low formaldehyde coatings at one of our prestigious Passenger Vehicle manufacturers. This coating would help reduce health concerns of the applicators. Also we have introduced a high solids version with a better aesthetic system for plastic components for car exteriors, which has reduced VOCs by 15%.

KNPL as part of its Sustainability Agenda continues to make progress on measurement of the carbon footprint index (kg of CO₂ equivalent per tonne of finished product).

For each such product, provide the following details in respect of resource use (energy, water, raw material, etc.) per unit of product (optional):

- a) Reduction during sourcing/production/distribution achieved since the previous year throughout the value chain

KNPL as part of its Sustainability Agenda continues to make progress on measurement of the carbon-footprint index (kg of CO₂ equivalent per tonne of finished product). Steps to reduce the carbon-footprint index are undertaken, wherever possible, by pursuing energy efficiency in operations and adopting renewable energy. Details are provided under the Natural Capital Section of the Annual Report.

Products are designed without Persistent Organic Pollutants (POPs), which are synthetic organic chemicals which are persistent in the environment, accumulate in the food chain and are known for their acute toxicity.

Paint production is done by KNPL on flexible production lines with multiple brands produced on same line. Besides, common infrastructure is used to produce and distribute different paints. So, there is the practical difficulty of isolating data on resource utilisation for the above-mentioned products.

Through a combination of 99 depots and Information Technology systems, KNPL has ensured that kilometres covered by the finished goods are minimised. KNPL has also taken various measures to ensure that spillages and damages incurred during transportation are minimised.

At the plants, various initiatives are undertaken systemically to reduce wastage, like residual raw materials in bags and barrels, and solvents used for cleaning, amongst others. Details are provided under the Natural Capital Section of the Annual Report.

Resource use across the value chain for the products mentioned:

Superior powder coating for painting two-wheeler parts

The powder coating, a monocoat system, has eliminated base-coat manufacturing and reduced solvent consumption. The number of coats has reduced from two to one, helping reduce additional raw material handled by customers.

Unique low-bake-temperature coating for plastic and metals for two-wheelers:

The products TSA and PU were used for metal and plastic parts, respectively. This has now reduced to one product (PU), leading to reduction of raw material, packing material and number of production batches.

Low formaldehyde coating and high solids coatings:

Low formaldehyde and high solids coatings for passenger vehicle help reduce solvent sourcing and consumption by approximately 10% at our manufacturing sites.

b) Reduction during use by consumers (energy, water) achieved since the previous year

Actual change in use by consumers/customers varies, depending on area of application, method of application, type of line, operating conditions and a host of other variables.

Superior powder coating for two-wheeler components:

For two-wheelers child parts converted liquid painting to powder coating helps eliminate VOCs. This has eliminated solvent consumption, as powder coating is VOC-free. This system has shifted from multi-coat to single-coat application at customer end, resulting in cost and energy savings.

Unique low bake temperature coating for plastic and metals for two-wheelers:

The products TSA and PU were used for metal and plastic parts respectively. This has now reduced to one product (PU). Low-bake PU for sheet metal and plastic has reduced the baking temperature

from 140°C to 80°C, helping in energy saving of about 20%.

Low formaldehyde coating and high solids coatings for passenger vehicles:


Low-formaldehyde coating and high solids coating for passenger vehicles helps reduce VOCs by 15%. The reduction in exposure to formaldehyde helps applicators' health.

Does the Company have procedures in place for sustainable sourcing (including transportation)? If yes, what percentage of your inputs was sourced sustainably? Also, provide details thereof, in about 50 words or so.

KNPL encourages suppliers to adhere to green procurement guidelines. More than 60% of sourcing is done from manufacturers who have a formal sustainability programme.

KNPL believes in using safer chemicals in its products and is committed to reduce and phase out hazardous substances in the products. KNPL uses raw materials which are heavy-metal-free by design (Decorative – 100%, Automotive – 100%, Powder Coating – 94%, Performance Coating – 82%). The Company is focussed on identifying and implementing material processed through the bio-route.

KNPL encourages suppliers to provide raw material and transportation & storage solutions, which reduce emissions or energy consumption directly or indirectly. Rail transportation of imported cargo is also adopted for inland transportation. Most of the packing material used is sourced from suppliers within 10-kilometre radius of production sites to minimise transportation. There is zero procurement and use of packing material less than 50 microns.



>60%
sourcing is done from manufacturers who have a formal sustainability programme.

KNPL encourages its suppliers to commit to protection of environment with respect to energy use, climate including GHG emissions, water use, pollution, waste reduction and resource use as part of its Supplier Code of Conduct.

Has the Company taken any steps to procure goods and services from local and small producers, including communities surrounding their place of work? If yes, what steps have been taken to improve the capacity and capability of local and small vendors?

Most packing material used is sourced from local and/or small suppliers within a 10-kilometre radius of production sites. KNPL actively encourages and works with local and small producers to improve their capability and capacity through quality programmes, suggestions, price competitiveness feedback, vendor ratings, and audits at supplier factories by purchase, as well as interaction with senior management.

KNPL has collaborated with suppliers to set up units next to its production sites and worked with a set of suppliers to augment capacity.

KNPL has also engaged with suppliers to develop local substitutes for imported raw materials and participated with them to improve quality aspects as part of their capability-enhancement initiative.

Does the Company have a mechanism to recycle products and waste? If yes, what is the percentage of recycling of products and waste (separately as <5%, 5-10%, >10%)? Also, provide details thereof, in about 50 words or so.

KNPL has a robust mechanism in place to ensure that products and waste are efficiently recycled. KNPL has zero liquid discharge at six of its facilities. For all new project expansions, a zero-effluent-discharge facility is part of the plant design. A standard process to recycle products is followed across all the plants, where the technical team advises recycling of products based on their chemical composition. Tracking mechanism is put in place for batch-wise tracking of recycling of the products.

Along with recycling of products, KNPL also ensures that all waste is recycled and reused in the plants. A Solvent Recovery Unit (SRU) is installed at each plant to distill solvents. SRU removes sludge in the used

solvent, thus making it reusable. Recycling of products and waste is tracked.

Percentage of recycling of products: >10%

Percentage of waste recycled: >10%

Principle 3: Businesses should promote the well-being of all its employees.

Please indicate the total number of employees.

KNPL views employees as a key stakeholder. Their well-being is a core component of KNPL's philosophy and this is reflected in the approach toward health and safety of employees at the workplace. KNPL has 2,889 permanent employees as on 31st March 2021. This diverse workforce comprises different age groups, gender, religion, nationality, intellectual abilities and professional backgrounds.

KNPL focusses on creating a stimulating work environment, supported by a caring and compassionate work ethos to enable employees to thrive and deliver winning performance. Multiple processes and systems have been designed and implemented in order to simplify the jobs of employees and create an atmosphere of "trust, confidence and transparency".

KNPL provides the following employee benefits:

1. Welfare facilities like subsidised food, bus service, medical check-up, amongst others, for its workmen. KNPL also provides mediclaim facility to employees.
2. Employees' Group Insurance Policy (EGI): In the unfortunate event of the demise of a permanent employee, the family of the deceased employee will be supported financially by the policy. The EGI policy proposes an assured financial assistance as 'sum assured' which becomes applicable in the event of an unfortunate death of the employee whilst in service and is payable to the grantees of the benefit of the Beneficiary of the employee.
3. At manufacturing locations, programmes like investment opportunities, career options, health & hygiene practices, etc., are held for employees and their family members.
4. Industry experts are also invited to share their knowledge and experience for the benefit of the employees.

Further details on initiatives of FY 2020-21 have been given in Human Capital and Management Discussion and Analysis (People section).

Please indicate the total number of employees hired on a temporary/contractual/casual basis: Total number of employees hired on temporary/contractual/casual basis:

4,369

Please indicate the number of permanent women employees: The number of permanent women employees:

50 (1.73%)

KNPL has set a target to increase this to up to 2.5% by Mar'24.

Please indicate the number of permanent employees with disabilities:

KNPL follows a policy of equal opportunity to everyone and does not discriminate between any individual, and evaluates strictly on merit to decide suitability for a job. We have set a target of representation of disabled workforce up to 0.25%

Please indicate the number of complaints relating to child labour, forced labour, involuntary labour, sexual harassment in the last financial year and pending, as at the end of the Financial Year.

No.	Category	No. of complaints filed during FY 2020-21	No. of complaints pending as at end-FY 2020-21
1.	Child labour/forced labour/involuntary labour	0	0
2.	Sexual harassment	0	0
3.	Discriminatory employment	0	0

What percentage of your under-mentioned employees were given safety & skill upgradation training in the last year?

(a) Permanent Employees

(b) Permanent Women Employees

(c) Casual/Temporary/Contractual Employees

(d) Employees with Disabilities

Skill Development	Percentage (%)
Permanent	92
Permanent Women Employees	92
Casual/Temporary/Contractual Employees	88
Employees with Disabilities	Not Applicable

Safety Training	Percentage (%)
Permanent	94
Permanent Women Employees	100
Casual/Temporary/Contractual Employees	98.5
Employees with Disabilities	Not Applicable

of White Collar manpower by March'24. We are in the process of defining a policy and assessment of resources to achieve this.

Do you have an employee association that is recognised by the management?

KNPL has Operators' Trade Unions at each of its plant locations. The management discusses and settles issues pertaining to wages and service conditions with these Unions.

What percentage of your permanent employees are members of this recognised employee association?

KNPL's trade unions represent 100% of its workers, which is about 23% of the permanent employees of KNPL. There were no (0) grievances on labour practices filed through formal grievance mechanism during the reporting year.

Principle 4: Businesses should respect the interests of, and be responsive towards all stakeholders, especially those who are disadvantaged, vulnerable and marginalised

Has the Company mapped its internal and external stakeholders? Yes/No

The Company has mapped its internal and external stakeholders and believes that an effective stakeholder engagement process is necessary to achieve its sustainable goal of inclusive growth.

Internal stakeholders:



External stakeholders:



Out of the above, has the Company identified the disadvantaged, vulnerable & marginalised stakeholders?

The Company has put in place systems and procedures to identify, prioritise and address the needs and concerns of its stakeholders, across businesses and units, in a continuous, consistent and systematic manner.

The Company will undertake its CSR for overall betterment of the community with special emphasis on activities for the benefit of the poor and needy segments of society. The Company aims at overall national and community development; at the same time, it would give preference to local areas around which it operates.

The Company has various initiatives in place to cover local communities in and around the plants. Construction of toilets, providing dustbins, conducting health camps and medical facilities, building classrooms, beautification of the surroundings, plantation of trees, construction of bore wells and providing pipelines for water are some of the activities that the Company engages in.

The Company also conducts training programmes for people engaged in the painting profession to enhance their skills and capabilities such as:

1. Under the Recognition of Prior Learning (RPL), more than 8,000 painters were trained in collaboration with the Paints & Coatings Skill Council.
2. More than 32,000 painters were given advanced training in paint application through classroom sessions or by using a Mobile Training Academy (mini-van)
3. Fumigation Training through class-room sessions for more than 12,000 painters.

More details are covered in the Social & Relationship Capital of the Annual Report & Annexure 1 to the Board's Report pertaining to CSR.

Are there any special initiatives taken by the Company to engage with the disadvantaged, vulnerable and marginalised stakeholders? If so, provide details thereof, in about 50 words or so.

KNPL's CSR programme covers the vulnerable sections of society as part of the overall scope.

The five main CSR areas related to vulnerable sections of society are:

1. Rural / Community Development (in villages around the Company's facilities)
2. Livelihood & Skill Enhancement (national level)
3. Promoting Education
4. Healthcare & Sanitation
5. Environment Sustainability

Stakeholder engagement activities and matters relevant to stakeholders are presented in the table in the section Stakeholder Engagement.

The Company has put in place systems and procedures to identify, prioritise and address the needs and concerns of its stakeholders, across businesses and units, in a continuous, consistent and systematic manner.

Principle 5: Businesses should respect and promote human rights

Does the policy of the Company on human rights cover only the Company or extend to the Group/Joint Ventures/Suppliers/Contractors/NGOs/Others?

KNPL has policies on Human Rights, which are applicable to all its employees and value chains. The said policies and their implementation are directed toward adherence to applicable laws and to upholding the spirit of human rights. KNPL also actively tracks contractor obligations to ensure necessary payments to contract employees.

KNPL encourages the practice of the principles of human rights, such as collective bargaining, non-discrimination, gender equality, appropriate conduct as outlined in the Code of Conduct, prevention of sexual harassment, occupational safety, employee health and well-being and respect for the environment.

The Company shall ensure no discrimination in employment in any form, i.e., working age, gender, nationality, race, religion, disabilities and sexual orientation.

KNPL shall ensure prevention of child labour, forced labour or any form of involuntary labour, paid or unpaid in any of its offices, units/ depots/ subsidiaries/ contractors/ suppliers/ joint ventures.

KNPL ensures and emphasises that any verbal or physical conduct of any employee that harasses, disrupts or interferes with another's work performance or that creates an intimidating, offensive or hostile environment is not acceptable.

KNPL provides various mechanisms to ensure that an employee's voice is heard through the grievance redressal mechanism, as well as emails and direct interaction with employees through forums like open house, functional connects conducted by HR and workshops.

Alignment with UNGC Principles

UNGC Principle	Description	Policy / Reference	Link
Principle 1	Businesses should support and respect the protection of internationally proclaimed human rights	a) Code of Conduct on Affirmative Action	https://www.nerolac.com/financial/policies.html
		b) Code of Conduct	https://www.nerolac.com/corporate-sustainability/downloads.php
		c) Occupational Health, Safety and Environment Policy	https://www.nerolac.com/financial/policies.html
		d) Policy on Health-Related Ailments	https://www.nerolac.com/corporate-sustainability/downloads.php
		e) Code of Social Conduct at the Workplace	Available on the Employee Workline Portal
		f) Prevention of Sexual Harassment	Available on the Employee Workline Portal
Principle 2	Businesses should make sure they are not complicit in human rights abuses	a) Code of Conduct on Affirmative Action	https://www.nerolac.com/financial/policies.html
		b) Code of Social Conduct at the Workplace	Available on the Employee Workline Portal
		c) Prevention of Sexual Harassment	Available on the Employee Workline Portal
		d) Supplier Code of Conduct	https://www.nerolac.com/financial/policies.html
Principle 3	Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining	BRR – Principle 3 & 7	Business Responsibility Report of the Annual Report
		Supplier Code of Conduct	https://www.nerolac.com/financial/policies.html

UNGC Principle	Description	Policy / Reference	Link
Principle 4	Businesses should uphold the elimination of all forms of forced and compulsory labour	a) Code of Conduct on Affirmative Action	https://www.nerolac.com/financial/policies.html
Principle 5	Businesses should uphold the effective abolition of child labour	a) Code of Conduct on Affirmative Action	https://www.nerolac.com/financial/policies.html
Principle 6	Businesses should uphold the elimination of discrimination in respect of employment and occupation	a) Code of Conduct on Affirmative Action	https://www.nerolac.com/financial/policies.html
Principle 7	Businesses should support a precautionary approach to environmental challenges	a) Occupational, Health & Safety and Environmental Policy	https://www.nerolac.com/financial/policies.html
		b) Product Innovation	Annual report- BRR Intellectual Capital
		c) Corporate Sustainability Web link & Natural Capital	https://www.nerolac.com/corporate-sustainability.html Natural Capital Section of the Annual Report
Principle 8	Businesses should undertake initiatives to promote greater environmental responsibility	a) Occupational, Health & Safety and Environmental Policy	https://www.nerolac.com/financial/policies.html
		b) Product Innovation	Annual report- BRR Intellectual Capital & Natural Capital Section of the Annual Report
		c) Corporate Sustainability Web link & Natural Capital	https://www.nerolac.com/corporate-sustainability.html Natural Capital Section of the Annual Report
Principle 9	Businesses should encourage the development and diffusion of environmentally friendly technologies	a) Occupational, Health & Safety and Environmental Policy	https://www.nerolac.com/financial/policies.html
		b) Product Innovation	Annual report - BRR Intellectual Capital & the Natural Capital Section of the Annual Report
		c) Corporate Sustainability Web link & Natural Capital	https://www.nerolac.com/corporate-sustainability.html Natural Capital Section of the Annual Report
Principle 10	Businesses should work against corruption in all its forms, including extortion and bribery	a) Code of Conduct	https://www.nerolac.com/corporate-sustainability/downloads.php
		b) Supplier Code of Conduct	https://www.nerolac.com/financial/policies.html
		c) Code of Conduct for Directors and Senior Management of Kansai Nerolac Paints, Ltd	https://www.nerolac.com/financial/policies.html
		d) Whistle-blower Policy	https://www.nerolac.com/financial/policies.html

How many stakeholder complaints have been received in the past financial year and what percent was satisfactorily resolved by the management?

KNPL received 0 (zero) stakeholder complaints regarding human rights during the reporting period.

Principle 6: Business should respect, protect, and make efforts to restore the environment

Does the policy related to Principle 6 cover only the Company or extend to the Group/Joint Ventures/Suppliers/Contractors/NGOs/Others?

KNPL has a well-defined Occupational, Health & Safety and Environmental Policy (OHS&E) extended to the Group/Joint Ventures/Suppliers/Contractors. KNPL has been disclosing various initiatives under the sustainability programme in accordance with the GRI guidelines for the last nine years in its Sustainability Report, which is available on the website. From FY 2018-19, this is being published as part of the Integrated Annual Report. In this report, it is covered in the Natural Capital part of the Annual Report.

KNPL submits the EHS Performance every quarter to the Board. In addition, a comprehensive review of the EHS is done to the Board annually.

KNPL continuously upgrades its customers on new technology products which are environment-friendly. KNPL conducts various VAVE (Value Analysis / Value Engineering) activities for its automotive customers to explore projects jointly, to reduce energy needs. KNPL's plants are ISO 14001 certified.

Does the Company have strategies/initiatives to address global environmental issues such as climate change, global warming, etc.? Y/N. If yes, please give hyperlink for webpage, etc.

In pursuit of its Occupational Safety and Health Policy commitments, KNPL has established management systems, certified by accredited agencies in line with international standards. Over the years, KNPL has taken various measures towards improving the carbon and water footprint through optimal utilisation of natural resources. There are defined processes and systems in order to identify, quantify and reduce the impact on the environment, including the carbon, water, energy and waste footprint. It is covered in the Natural Capital of the Annual Report.

KNPL has a well-defined Occupational, Health & Safety and Environmental Policy (OHS&E) extended to the Group/Joint Ventures/Suppliers/Contractors.

Information on detailed initiatives can also be accessed at <https://nerolac.com/corporate-sustainability/environmental-performance.html>.

Does the Company identify and assess potential environmental risks? Y/N

KNPL has a formal mechanism to identify and assess potential environmental risks. KNPL has taken multiple initiatives to mitigate those risks, details of which are covered in the Natural Capital section of this Annual Report.

Does the Company have any project related to a Clean Development Mechanism? If so, provide details thereof, in about 50 words or so. Also, if yes, whether any environmental compliance report has been filed?

KNPL has undertaken various emission-reduction initiatives to minimise its carbon footprint. Currently, no project is registered under the Clean Development Mechanism. However, detailed information on greenhouse-gas emissions and emission reduction is covered in the Natural Capital section in this Annual Report.

Has the Company undertaken any other initiatives on – clean technology, energy efficiency, renewable energy, etc.? Y/N. If yes, please give hyperlink for web page, etc.

KNPL has increased its renewable energy portfolio. Reduction of carbon footprint, reduction and reuse of waste generated, rainwater harvesting and use of natural sunlight are amongst the various initiatives undertaken by it.

Clean technology	Initiatives are taken by the R&D facility to produce products with less VOCs as compared to the previous year.
Energy efficiency	Details are mentioned under the subtopic, Natural Capital section of this Annual Report.

Renewable energy: 46% of our total energy (power + fuel) consumed is from renewable sources.

Our long-term goal is to achieve 70% of renewable energy in our overall power mix (solar energy, wind energy).

Information on detailed initiatives are covered in the Natural Capital section of this Annual Report and can also be accessed at <https://nerolac.com/corporate-sustainability/environmental-performance.html>

Are the Emissions/Waste generated by the Company within the permissible limits given by CPCB/SPCB for the financial year being reported?

The emissions/waste generated by KNPL are within the permissible limits given by CPCB/SPCB for FY 2020-21. These are being monitored continuously through online monitoring systems installed at all the manufacturing sites of KNPL. All the manufacturing facilities are Zero Liquid Discharge. Initiatives are being carried out for EPR (Extended Producer Responsibility) in collaboration with third-party vendors for recycling post-consumer plastic waste. Also, initiatives are being taken to reduce incoming packaging (plastic) waste.

Emissions:

The Company monitors Scope 1, Scope 2, Scope 3 emissions. Reduction of emissions over LY is as follows:

Emission Type	Reduction over LY
Scope 1	23%
Scope 2	13%
Scope 3	13%

We are complying with the National Ambient Air Quality Standards (NAAQS), 2009, to ensure ambient air-quality parameters.

In FY 2020-21, we planted 7,537 trees, of which 4,120 were planted within factory premises while 3,417 were planted outside factory premises. Also, we completed the “Carbon Sequestration Study Report”, delineating carbon sequestered and the carbon-sequestration rate through full-/medium-grown trees within factory premises.

Waste:

Waste Management

Specific Hazardous Waste	FY 19-20	FY 20-21	Reduction
Kg/KL of FG	2.7	2.47	8.5%

Information on detailed initiatives are covered in the Natural Capital section of this Annual Report and can be accessed at <https://nerolac.com/corporate-sustainability/environmental-performance.html>

Number of show-cause/legal notices received from CPCB/SPCB which are pending (i.e., not resolved to satisfaction) as at the end of the Financial Year.

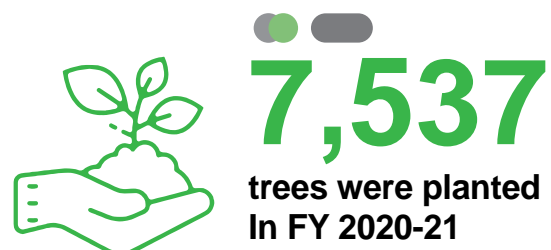
No show-cause notices from SPCB or CPCB have been received or are pending at end-FY 2020-21

Principle 7: Businesses, when engaged in influencing public and regulatory policy, should do so in a responsible manner

Is your Company a member of any trade and chamber or association? If Yes, name only those major ones that your business deals with.

KNPL engages with the public and regulatory bodies in a responsible manner. It participates in the same on a need basis. KNPL is a member of the following trade associations:

- Indian Paint Association
- Employer’s Federation of India
- Bombay Management Association
- Indian Chemical Council
- Bombay Chamber of Commerce & Industry
- Maharashtra Economic Development Council
- National Safety Council
- Confederation of Indian Industry
- The Colour Society
- Advertising Standards Council of India



Have you advocated/lobbied through the above associations for the advancement or improvement of public good? Yes/No; if yes, specify the broad areas (drop box: Governance and Administration, Economic Reforms, Inclusive Development Policies, Energy Security, Water, Food Security, Sustainable Business Principles, Others)

Various government authorities and departments invite opinion from the public and industry members regarding various regulations and policies under their jurisdictions.

During the year, KNPL provided inputs on matters concerning business and society in general through trade and chamber associations.

Principle 8: Businesses should support inclusive growth and equitable development

Does the Company have specified programmes/initiatives/projects in pursuit of the policy related to Principle 8? If yes, details thereof.

KNPL has specific programmes to support inclusive growth and equitable development. Driven by its Corporate Social Responsibility policy, KNPL engages in various activities which support inclusive growth and development of all. The broad areas of work are Livelihood and Skill Development, Preventive Health Care and Sanitation, Promoting Education, Rural and Community Development.

Details are covered in the Social & Relationship Capital of the Annual Report and Annexure 1 to the Board's Report pertaining to CSR.

KNPL ensures all community development initiatives make an impactful and effective contribution to society at large, with involvement and engagement of its employees, along with partnerships with local and government bodies.

Are the programmes/projects undertaken through the in-house team/own foundation/external NGOs/government structures/any other organisation?

The projects are undertaken through a combination of all. CSR activities will be undertaken either by the Company itself or through a Trust/Section 8 company (under The Companies Act, 2013) to be established by the Company. CSR activities shall be implemented by the Management of the Company. KNPL takes various measures to involve employees in CSR activities and charitable work. Approximately 5% of the employees would be involved in charitable work and we intend to increase it to 8%.

Have you done any impact assessment of your initiative?

KNPL has constituted a CSR Committee of the Board consisting of a judicious combination of independent and non-independent directors with the majority being independent. KNPL carries out an assessment before starting an initiative and constantly monitors it at various stages. The number of beneficiaries through CSR activity is also monitored. An impact assessment of CSR projects is done annually. The CSR Committee of the Board provides strategic direction to the Company's CSR agenda and monitors outcomes and impacts of the initiatives.

What is your Company's direct contribution to community development projects? Amount in ₹ and details of the projects undertaken.

An amount of ₹14.33 Crores was spent towards various CSR projects during FY 2020-21.

Have you taken steps to ensure that this community development initiative is successfully adopted by the community? Please explain in 50 words.

KNPL ensures all community development initiatives make an impactful and effective contribution to society at large, with involvement and engagement of its employees, along with partnerships with local and government bodies. The number of beneficiaries of the CSR activities is also monitored. Details of the CSR initiatives undertaken by KNPL are set out in Annexure 1 to the Board's Report. More than 70,000 beneficiaries have received benefits from different activities under CSR programmes such as construction of classrooms, labs, toilets, setting up health camps, tree plantation, digging bore-wells, etc.

Principle 9: Businesses should engage with and provide value to their customers and consumers in a responsible manner

What percentage of customer complaints/consumer cases are pending as at the end of the Financial Year?

KNPL's R&D team works with OEM customers to develop long-term product roadmaps. Various colour presentations and trainings are provided to OEM customers as needed. KNPL seeks to align the supply chain with some of its large customers to ensure minimal inventory at the customer's end. KNPL also allows its OEM customers to audit its manufacturing facilities.

KNPL's uncompromising commitment to providing world-class products and services to customers is supported by its concern for the safety of its customers/consumers. The technical and production teams work together to ensure that a customer's concern is successfully resolved. If needed, teams from Kansai Paint Co., Ltd., Japan are also involved.

KNPL provides technical sales service personnel who are stationed at customer lines for automotive and certain Industrial Original Equipment Manufacturer (OEM) customers to ensure that the product provided by it runs smoothly on the line. These personnel are available to support customer lines round the clock and provide various value analysis and value engineering activities to customers.

All customer product complaints are recognised and recorded in the IT system. Each complaint has a unique reference number. They are then tracked to closure at the customer end by the Quality Assurance function as per internally laid-down timeline norms. Most products are batch-managed and KNPL conducts root-cause analysis to ascertain the issue with a product when needed.

KNPL extends this rigour of monitoring and control of quality to its suppliers as well.

KNPL has set up a dedicated consumer helpline, 1800-209-2092, for consumers to record their issues. Consumer-

related issues are also tracked to successful resolution. In addition, dealers can call up KNPL and record any grievance they may have regarding the company. These are then tracked to successful resolution.

There are 12 consumer-related cases and 16 (2.2%) customer complaints pending at the end of the Financial Year.

Does the Company display product information on the product label over and above what is mandated as per local laws? Yes/No/N.A./Remarks (additional information)

The products of KNPL display all information mandated by law, including directions for use. Product information is available on the Product Data sheet, and the MSDS (Material Safety Data Sheet) is available with customers of the company and on the website of the Company, as applicable.

Is there any case filed by any stakeholder against the Company regarding unfair trade practices, irresponsible advertising and/or anti-competitive behaviour during the last five years and pending as on end of Financial Year? If so, provide details thereof, in about 50 words or so.

There are no cases filed by any stakeholder against the Company regarding unfair trade practices, irresponsible advertising and/or anti-competitive behaviour during the last five years and pending at the end of FY 2020-21.

Did your Company carry out any consumer survey / consumer satisfaction trends?

KNPL regularly engages with customers to get their feedback on products and gauge their satisfaction level. Engagement mechanisms include brand track, customer meets, customer satisfaction feedback and surveys, customer and product training at the customer's end. For its customers, detailed customer surveys are carried out. Based on the feedback received, KNPL undertakes and tracks various initiatives to ensure that the overall satisfaction level of a customer is improved. For customer satisfaction surveys conducted during the year, scores indicate a positive upward trend.

For and on behalf of the Board

H. M. Bharuka

Vice-Chairman and Managing Director

Mumbai, 7th May, 2021