

NEROLAC



Taking Proactive Steps Towards ESG



Brief Introduction to KNP

1920

FOUNDED IN



Unveiled new corporate
identity of Nerolac
(2020- 100th Year)

74.99%

OWNERSHIP

Subsidiary of
Kansai Paint Co.
Ltd., Japan



MARKET POSITION
One of India's largest
Paint company:
Leader in industrial
paints



NET SALES (₹)
(Standalone)
5,948.9 Cr
(FY21-22)



EBITDA (%)
(Standalone)
10.9%
(FY 21-22)



MARKET CAP
25,178 Cr
(31st March'22)

Leadership in Sustainable Products

Our Edge: Pioneer in developing **Best in Class Sustainable Products with Superior Technology and State of the Art Manufacturing Facilities (6 Plants & 99 Depots)**



**NEROLAC
PAINT+**

Introduced Environment friendly & safe paints

- ✓ Lead free
- ✓ Low VOC
- ✓ Healthy Home Paints
- ✓ Paint + (Unique value proposition)



Key Technology Differentiators

- ✓ Acrylic CED
- ✓ 3 Coat 1 Bake (3C1B)
- ✓ Low VOC
- ✓ Medium High Solids
- ✓ Direct to Metal
- ✓ Unique Flexible film



Investments in Sustainability

- ✓ Digital & Modular Plant
- ✓ Closed Loop System
- ✓ Safety Interlocks
- ✓ Zero Liquid Discharge
- ✓ Solvent Recovery Unit

Annual Report - Financial, Environmental Social Responsibility
(1st To publish when there was no standard)



Till
2011

Sustainability Report with GRI G4 Guidelines - Core



2012-
2013

2014-
2017



Sustainability Report GRI G3.1 Guidelines

Integrated Report in line with IIRC Framework
(Chapter added on ESG in 21-22)



2018-
2019

2020-
22



Integrated Report Transitioned to GRI Standards

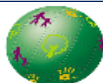
Recognition and Participation

Recognition



An S&P Global Company

CRISIL ESG Gauge
Recognized in the
“**Leadership**” Category by
CRISIL in its Sustainability
Yearbook 2022



FTSE4Good

FTSE4Good
Ranked in the **Top Quartile** of
FTSE4Good Emerging Index
June 2022 Review

**S&P Dow Jones
Indices**

A Division of **S&P Global**

S&P
Featured in the **Top Quartile**
of Global Chemical Industry
S&P ESG Index in CSA 2021



An S&P Global Company

CRISIL ESG Gauge
Recognised in **Top Quartile** in
manufacturing space on ESG
performance in the CRISIL
compendium 2021 and rated
#1 in Paint Sector

Participation



CDP

Responded to the CDP for
Climate Change & Water
Security

3rd Party Assurance

Our disclosures on Key ESG parameters are independently assured by a third-party external agency based on International Standard on Assurance Engagement (ISAE) 3000.

Additionally, the assurance has been given against the disclosures' adherence to the GRI's Sustainability Reporting Standards.

ESG Awards & Recognition

EHS

Awards to various Plants

- "Energy Efficient Unit Award" in 22nd CII National Award for Excellence in Energy Management 2021"
- "Rotary EHS Excellence Award" in large scale chemicals sector category
- "Greenpreneur Award 2021" in water management
- REACH (Registration, Evaluation, Authorisation and Restriction of Chemicals) product certification
- Golden Bird National Award-for outstanding projects in "Safety Excellence" in chemical category

SOCIAL

- In Top 10 firms in Karmayog CSR Rating by Karmayog
- Award for 'Nerolac Pragati Express' campaign in the 'Excellence in CSR- Social Impact' category By ACEF Asian Leaders Forum and Awards.
- Gold Award for CSR Report by ABCI (Association of Business Communicators of India)

GOVERNANCE

- Certified as Great Place to Work (GPTW) for the consecutive 2nd time
- National Award in Corporate Governance by ICSI (Institute of Company Secretaries of India)

CUSTOMER

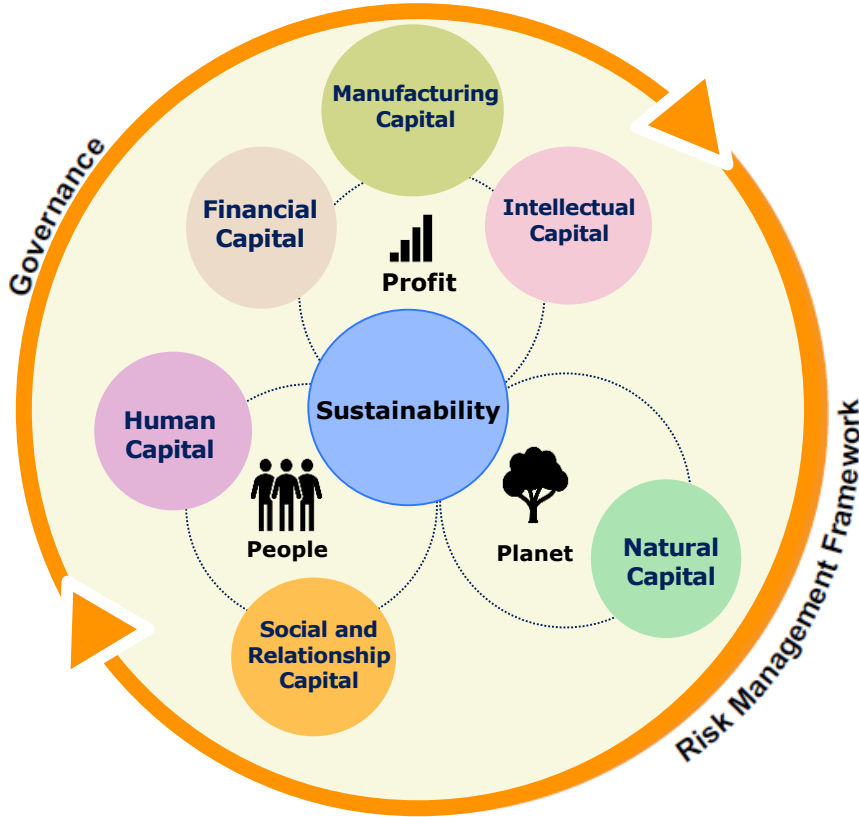
Best Supplier Performance

- Honda Motors & Scooters
- Toyota Kirloskar Motors
- Whirlpool
- Daimler India (Bharat Benz)
- Hero Moto Corporation
- Isuzu Motors

SUSTAINABILITY MANAGEMENT



CAPITALS - Our 3P Approach



3P Approach

- We have set our **Sustainability goals** underlying **3 Ps (Profit, Planet and People)**
- We judiciously manage the **6 capitals** to achieve our strategic objectives. **(Natural, Financial, Manufacturing, Intellectual, Human, Social & Relationship)**
- We have mapped our capitals to the relevant **United Nations sustainable development goals (UN SDGs)**
- We have instituted robust **Enterprise Risk Management Framework** and **Governance** of highest standards.

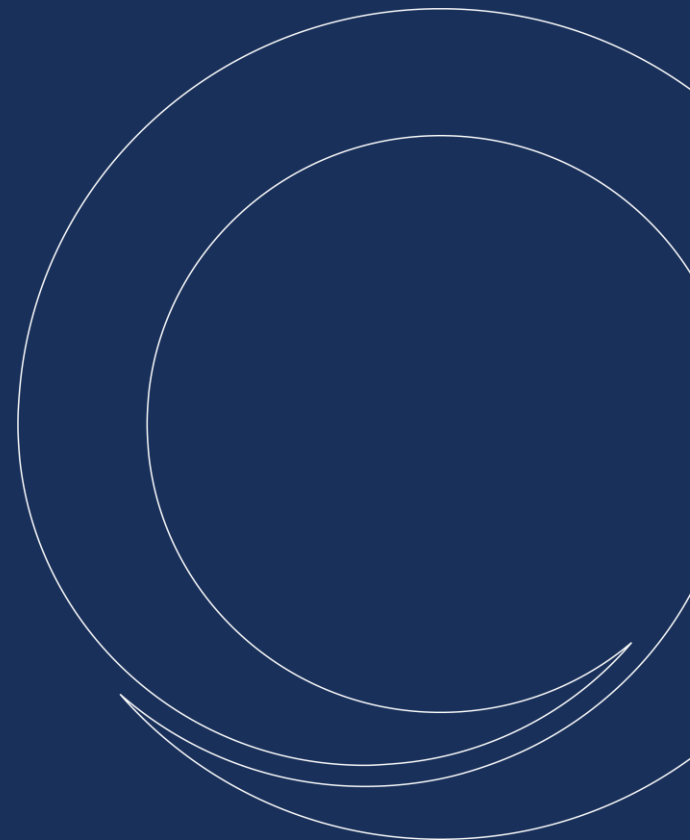
Our ESG Approach - Materiality

We have categorized our material topics under 5 broad areas:

Decarbonisation	Resource Use	Quality of Life	Diversity	Governance
				
<ul style="list-style-type: none"> • Energy Management • Emission Management • Climate Change 	<ul style="list-style-type: none"> • Water Management • Waste Management • Product Stewardship • Responsible Product • Sustainable Supply Chain 	<ul style="list-style-type: none"> • Human Rights • Occupational Health and Safety • Employee Engagement and Well-being • Community Development • Customer Satisfaction 	<ul style="list-style-type: none"> • Gender Diversity • Inclusivity 	<ul style="list-style-type: none"> • Corporate Governance • Risk Management • Compliances • Innovation / IP Management

Materiality

1. Decarbonization



Decarbonization – Key Focus Areas

ENERGY

Where we are

- ✓ 31% (RE30) power from Renewables (Solar & Wind)
- ✓ 52% Energy from Renewables (Solar, Wind, Biofuels)
- ✓ 100% process heat & steam from renewables
- ✓ 9% reduction in Specific Power Consumption (SPC) in last 6 years.

Future Direction

- ✓ 70% Electricity (RE70) from Renewable source) by 2030

EMISSION

Where we are

- ✓ Declaration of Scope 1 & 2 emissions
- ✓ Inventorisation of Scope 3 emissions covering all relevant categories
- ✓ 31% reduction in GHG Emission Intensity(Scope 1 & Scope2) in last 6 years
- ✓ AQI (Air Quality Index) well-below permissible limit – SOX: 17 (Limit 80), NOX is 24 (Limit 80), PM 2.5 is 35 (Limit 60).

Future Direction

- ✓ Publish comprehensively Scope 3 emissions from FY23
- ✓ Adoption of refrigerant gas with zero ozone depleting potential

CLIMATE CHANGE

Where we are

- ✓ Management framework for review of EHS and climate change management
- ✓ Risk identification, prioritization & financial impact quantification as per TCFD (Task Force on Climate Related Financial Disclosures) recommendations
- ✓ Green Belt Development: 53000+ count of trees as of Mar'22

Future Direction

- ✓ Adopt Science based Targets in FY23
- ✓ Create roadmap for Carbon Neutrality by FY23

Creating a paradigm shift for low carbon alternatives and climate change

Materiality

2. Quality of Life



Quality of Life – Key Focus Areas

Human Rights

Where we are

- ✓ Alignment with UN principles
- ✓ Zero Human Rights Abuse
- ✓ Collective Bargaining
- ✓ Fair & Transparent Grievance Redressal mechanism
- ✓ Basic disclosure received from Supply chain partners (Coverage 25~30%)

Future Direction

- ✓ Institutionalize Risk Assessment & Assurance framework

OHSE

Where we are

- ✓ Cross function Safety Committee framework
- ✓ ISO45001 certification at all plants
- ✓ Emergency Response at all plants
- ✓ Safety audits for all plants
- ✓ Safety Trainings coverage: 92% of workforce
- ✓ Accident Insurance for all employees
- ✓ Incident Disclosures: Lost Time Injury Frequency Rate (Per Million Man-Hours worked): 0.099
- ✓ Behavioral Based Safety trainings & assessments (Coverage 50%)

Future Direction

- ✓ 100% coverage for Behavioral Based Safety trainings

Community

Where we are

- CSR Strategy
- ✓ Livelihood & Skill Enhancement
 - ✓ Community Development
 - ✓ Promoting Education
 - ✓ Environmental Sustainability
 - ✓ Healthcare & sanitation
 - ✓ Restoration of Heritage sites
 - ✓ 3rd Party Impact Assessment and assurance
 - ✓ 8% employee participation in CSR

Future Direction

- ✓ 12% employee participation in CSR activities

Equality

Where we are

- ✓ Commitment to Non-discrimination
- ✓ Internal complaint
- ✓ Fair dealing with Business Partners

Future Direction

- ✓ Risk Assessment & Assurance

Human Capital

Where we are

- ✓ Great Place to Work certified
- ✓ Employee Engagement
- ✓ Capability building
- ✓ Digital University
- ✓ Employee Well-being
- ✓ Employee Connect
- ✓ Disclosure on Human Capital

Future Direction

- ✓ Long term Incentives
- ✓ Formulation of employee stock option scheme

Materiality

3. Resource Use



Resource Use – Key Focus Areas

WATER

Where we are

- ✓ 26% Reduction in SWC (Specific Water Consumption) in last 6 years
- ✓ Usage of recycled water & rain water (24% of total water consumption in FY21-22)
- ✓ 45% of fresh water consumption replenished through pond restoration, desilting water bodies in nearby areas.

Future Direction

- ✓ Water Positive by 2024-25

WASTE

Where we are

- ✓ Zero Liquid discharge (major manufacturing facilities)
- ✓ 26% reduction in SHWG (Specific Hazardous Waste Generation)
- ✓ Systematic tracking of the quantity of waste generated and waste disposed
- ✓ Reduce incoming plastic waste and No use of single use plastic

Future Direction

- ✓ Plastic Waste Management as per EPR from FY23
- ✓ Zero waste to landfill

PRODUCT STEWARDSHIP

Where we are

- ✓ Lead free paints
- ✓ Low VOC paints
- ✓ RMs free from heavy metals
- ✓ REACH/ Green Product certifications
- ✓ Identification of hazardous content as per SVHC and REACH XVII restrictions

Future Direction

- ✓ Increase Renewable content
- ✓ Reduce hazardous materials

CIRCULAR ECONOMY

Where we are

- ✓ Solvent Recovery Unit
- ✓ >10% products are recycled
- ✓ Bio-composting of Food waste across all major manufacturing facilities.
- ✓ Co-processing of hazardous waste (over 50%) to cement kilns

Future Direction

- ✓ Life Cycle Assessment (LCA)

RESPONSIBLE PRODUCT

Where we are

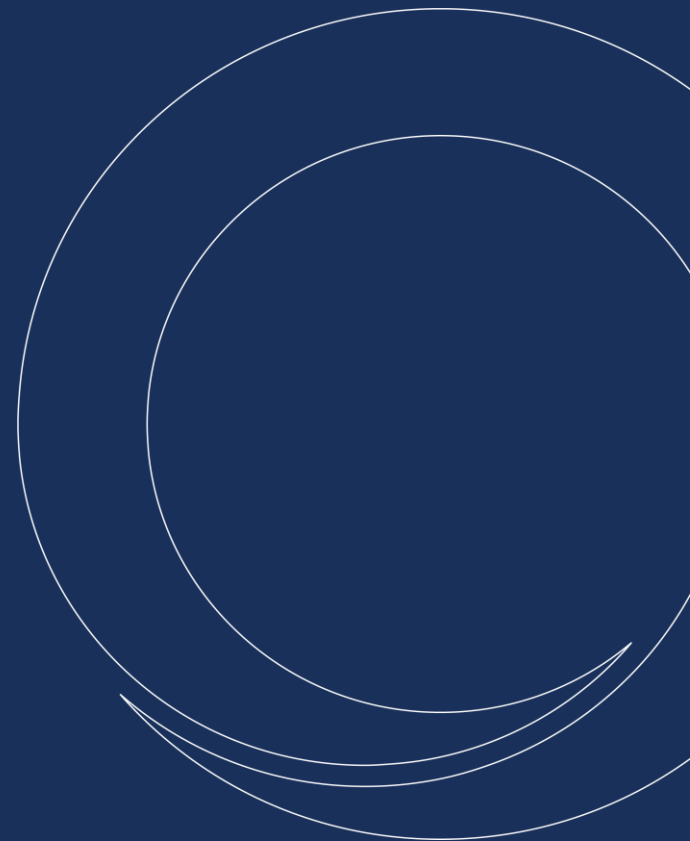
- Product Packaging contains:
- ✓ Safe & Responsible usage
 - ✓ Relevant Environment parameters
 - ✓ Use of recycled plastic in packaging

Future Direction

- Declaring:
- ✓ Relevant social parameters
 - ✓ Recycling & safe disposal

Materiality

4. Diversity



Diversity – Key Focus Areas

GENDER



Where we are

- ✓ Policy with respect to Gender Diversity including Board Diversity
- ✓ 2.3% of our permanent employees is women employees. Target Adopted for Gender diversity (2.5% by Mar'24)

Future Direction

- ✓ Increase female employees
–Monitor the gender diversity at organizational as well as at Management Category and functional level

DIFFERENTLY ABLED & MARGINALISED GROUP



Where we are

- ✓ Target adopted for employing differently abled (0.25% by Mar'24)

Future Direction

- ✓ Achieving our stated target on employment of differently abled.
- ✓ Focus on marginalized group
- ✓ All new workplaces to be Disabled friendly

AGE & NATIONALITY



Where we are

- ✓ Diverse Mix of employees in different age brackets
- ✓ No discrimination due to age, Nationality

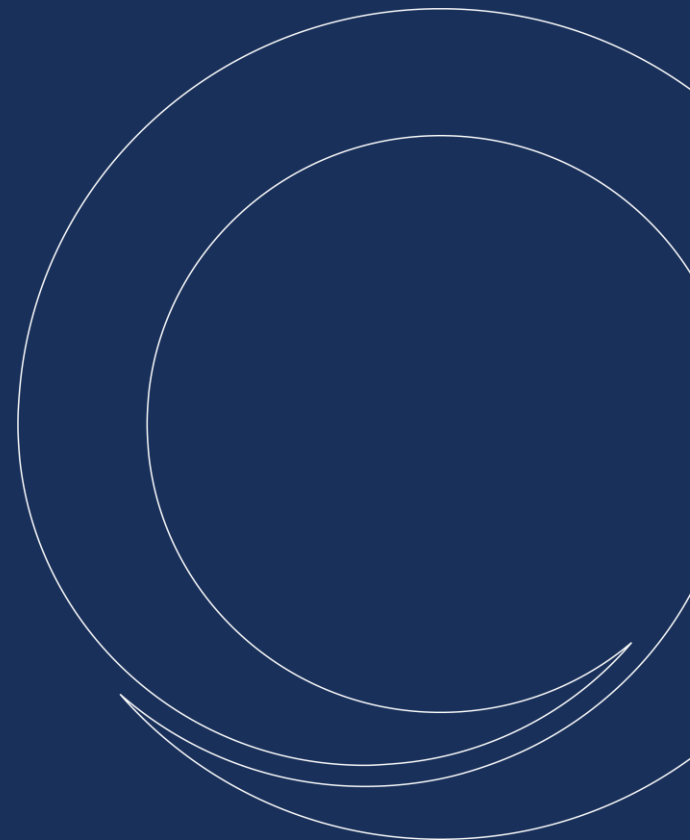
Future Direction

- ✓ Encourage participation of group employees across India and International subsidiaries

✓ Diversity & Inclusivity will be key thrust areas at our workplaces

Materiality

5. Governance



CORPORATE GOVERNANCE

Where we are

- ✓ Risk Committee at Board level for Enterprise Risk Management
- ✓ Robust Organization wide Risk Management Framework
- ✓ Board Oversight and framework for Climate change management
- ✓ Climate Change Risk Management as per TCFD framework
- ✓ Audit of Supply Chain Partners
- ✓ Corporate Governance related Disclosures

Future Direction

- ✓ Promote Risk Culture
- ✓ Disaster Management plan

CONSUMER SATISFACTION

Where we are

- ✓ Consumer Satisfaction survey
- ✓ Consumer complaint Redressal mechanism
- ✓ Engage only reputable advertising agencies that are members of ASCI (Advertising Standard Council of India)

Future Direction

- ✓ Increase consumer satisfaction index

IT / CYBER SECURITY

Where we are

- ✓ Board oversight on cyber security
- ✓ Employee Awareness building
- ✓ Business continuity & Disaster Management
- ✓ Vulnerability & Penetration testing (VAPT) certification
- ✓ Risk Monitoring and Mitigation by 3rd party

Future Direction

- ✓ Far DR being set up in FY23

INNOVATION / IP MANAGEMENT

Where we are

- ✓ World-class R&D
- ✓ Global Technical Collaborations
- ✓ Unique / Technology Differentiators
- ✓ Customer Education
- ✓ Sustainable Product Development

Future Direction

- ✓ Continue to be a pioneer in creating best-in class, sustainable and user-friendly products

TAX STRATEGY

Where we are

- ✓ Compliance of statutory obligations, not only in letter but in spirit, in all jurisdictions in which the company has its operations.
- ✓ Not to use secrecy jurisdiction or tax havens for tax avoidance.

Future Direction

- ✓ Continue to comply in letter and spirit

✓ Striving to achieve Excellence in Corporate Governance

THANK YOU

