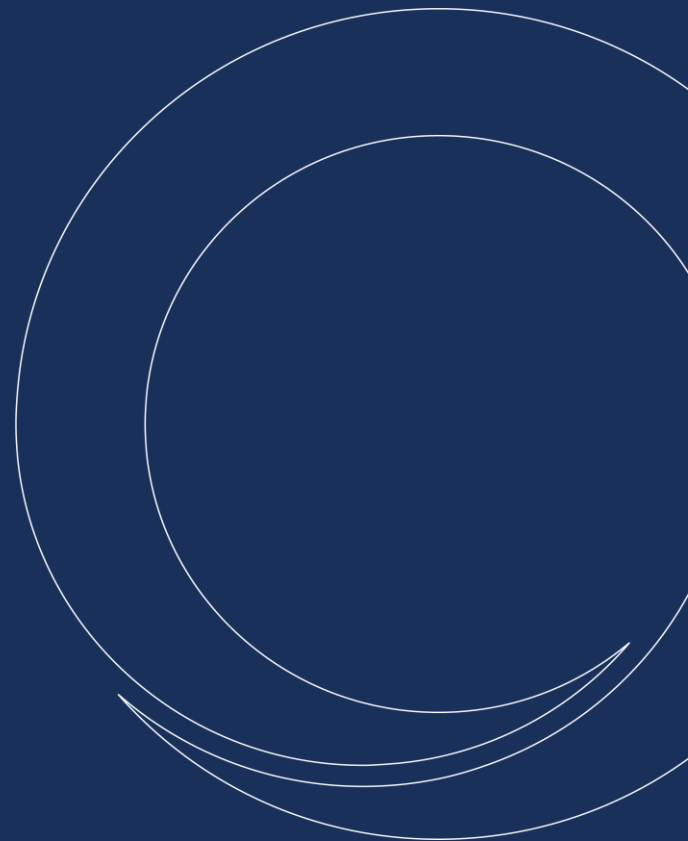


NEROLAC



Taking Proactive Steps Towards ESG

Mr. Jason Gonsalves
Director – Corporate Planning, Materials and IT



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)

4,690.0 Cr
(FY20-21)



EBITDA (%)
(Standalone)

17.8%
(FY 20-21)



MARKET CAP

32,370 Cr
(31st March'21)

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 & 100 Depots)**



Introduced Environment friendly & safe paints

- ✓ **Lead free**
- ✓ **Low VOC**
- ✓ **Healthy Home Paints**



Key Technology Differentiators

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



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**



**Sustainability Report
GRI G3.1 Guidelines**

**Integrated Report in line with
IIRC Framework**



**2018-
2019**



**Integrated Report
Transitioned to GRI Standards**

Rating in ESG Indices



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



Placed in **top Quartile**
 in **Manufacturing**
Space and Rated **No.1**
 in **Paint Sector**



Featured in **NSE 50**
companies evaluated
 for ESG footprint

Awards & Recognition

CORPORATE GOVERNANCE

- Golden Peacock Award
- Best Managed Company By Business Today
- Institute of Company Secretaries for Corporate Governance

CUSTOMER

- Best Supplier Performance
- Godrej Interio
 - Honda Motors & Scooters
 - Isuzu
 - Maruti Suzuki
 - Tata Motors
 - Toyota
 - Whirlpool

And many more...

EHS

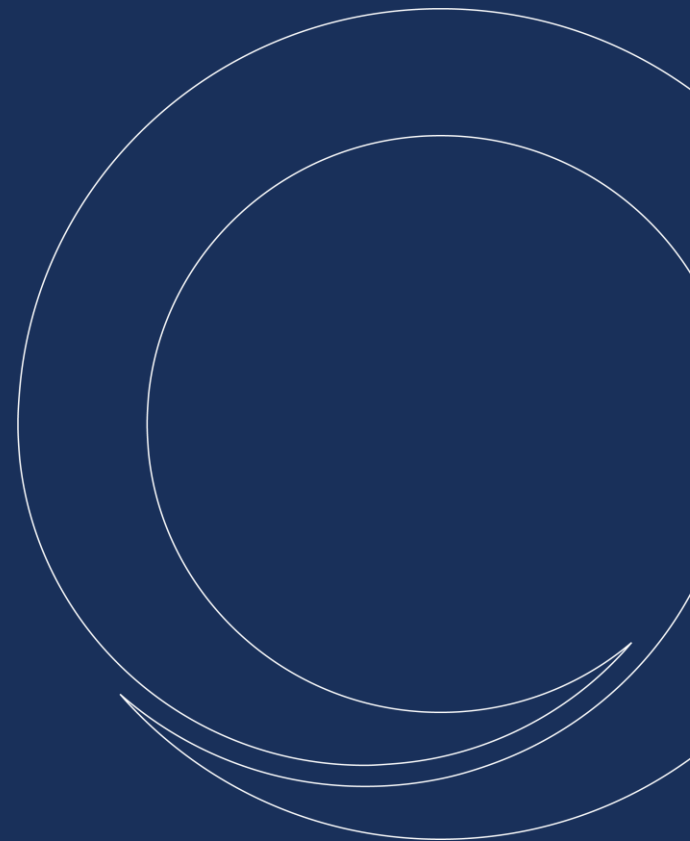
- Awards to various Plants
- Energy Conservation Award from Ministry of Power, Presented by President Abdul Kalam
 - 5 Star Rating for Safety Management System By British Safety Council
 - Golden Peacock Award by Institute of Directors (IOD) for Environmental Management
 - Greentech Gold Award for Environment Excellence
 - National Award for Excellence in Energy Management By CII
 - Certificate of Merit for achieving Zero Accident Frequency Rate By National Safety Council

And Many more....

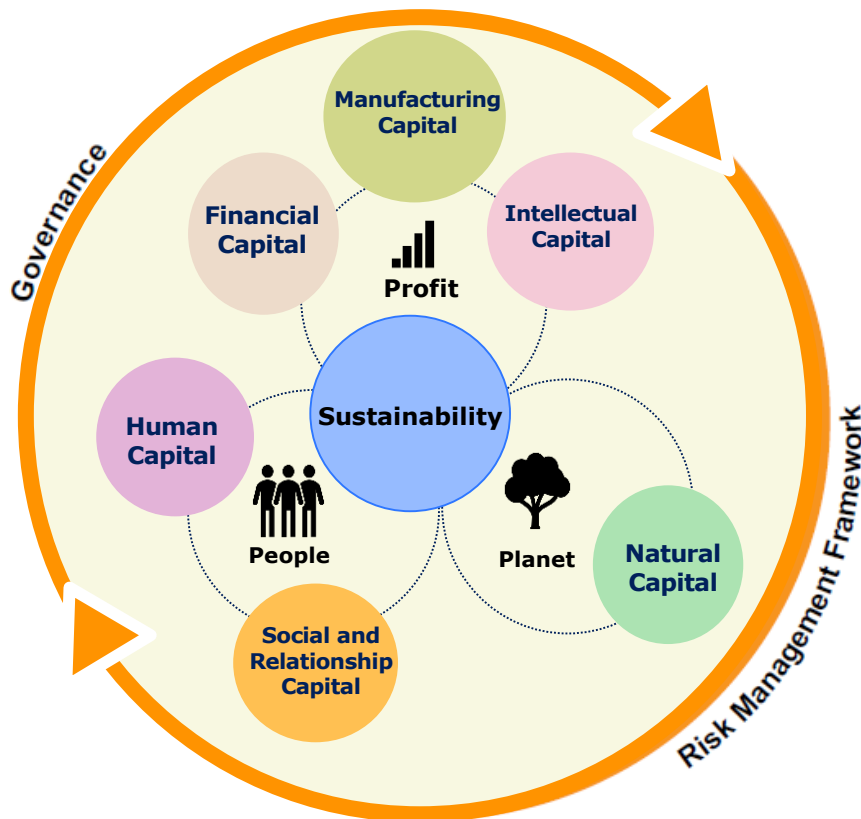
COMMUNITY SERVICE

- 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)

SUSTAINABILITY MANAGEMENT



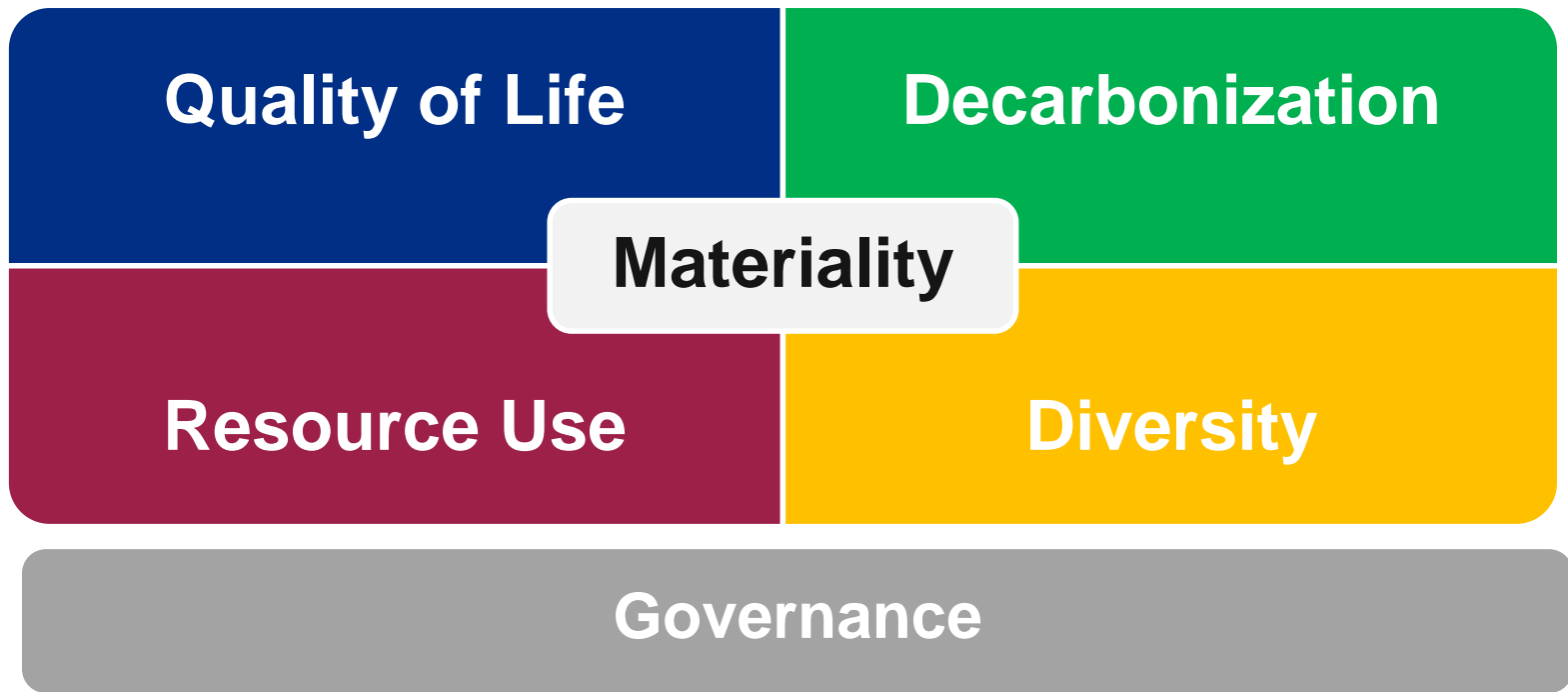
CAPITALS - Our 3P Approach



Triple Bottom-line Approach

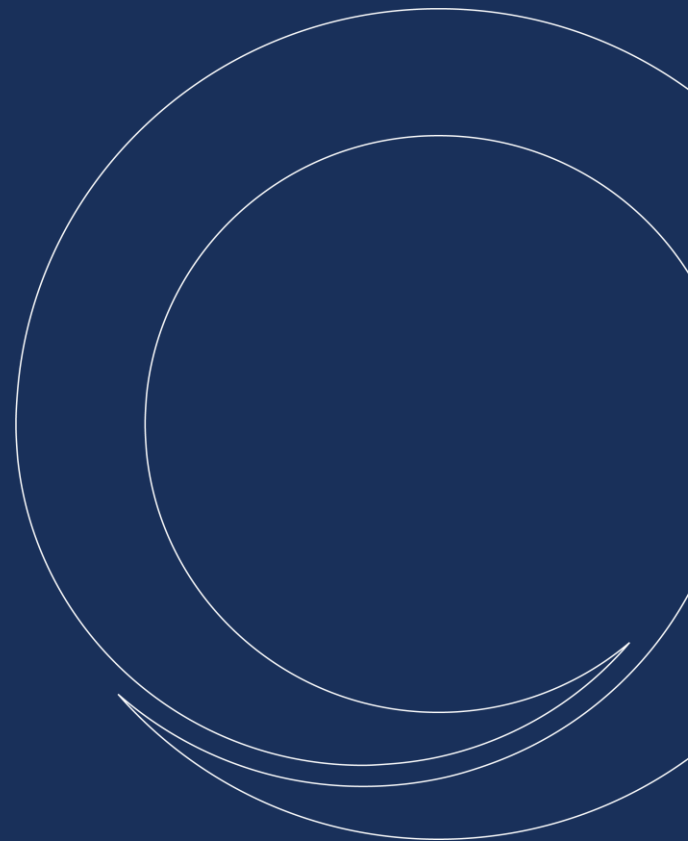
- We have set our performance goals under the six capitals, as encompassed by the three Ps (Profit – Economic, Planet – Environment, People – Social).
- We follow a triple bottom line approach and judiciously manage the six capitals to achieve our strategic objectives.

Materiality



Materiality

1. Decarbonization



Decarbonization – Key Focus Areas

ENERGY

Where we are

- ✓ Harness Solar power, Wind power and Biofuel usage
- ✓ 30% power from Renewables
- ✓ 46% Energy from Renewables
- ✓ Continuous reduction in Specific Power Consumption (SPC)

Future Direction

- ✓ RE70 (70% Electricity from Renewable source)
- ✓ Reduction in SPC

EMISSION

Where we are

- ✓ GHG Inventorisation of Scope 1, 2 & 3. (In Paint Industry, Scope 3 emissions is declared by KNP only)
- ✓ Continuous reduction in GHG Emission Intensity
- ✓ AQI (Air Quality Index) well-below permissible limit – SOX: 14 (Limit 80), NOX is 23 (Limit 80), PM 2.5 is 35 (Limit 60).

Future Direction

- ✓ Net Zero
- ✓ No usage of ODS (Ozone Depleting Substances)

CLIMATE CHANGE

Where we are

- ✓ Management framework for reducing impact on climate change
- ✓ Adaptation : Green Belt Development

Future Direction

- ✓ Carbon Neutrality
- ✓ TCFD (Task Force on Climate Related Financial Disclosures) framework

Building a Culture for Sustainability & Public Awareness on Environment

Decarbonisation – Key Highlights

Base Year FY 2016

Increase In electricity
from renewable source

10X



Reduction in GHG
Emission Intensity

30%



Process Heat & Steam
from renewable

98%

Energy from Renewable Sources

46%






Count of trees (Mar'21)

47,000+

Conformity / Better to National
Ambient Air Quality
Standards

NAAQS

Decarbonisation- Impact on SDGs, Commitment & Initiatives

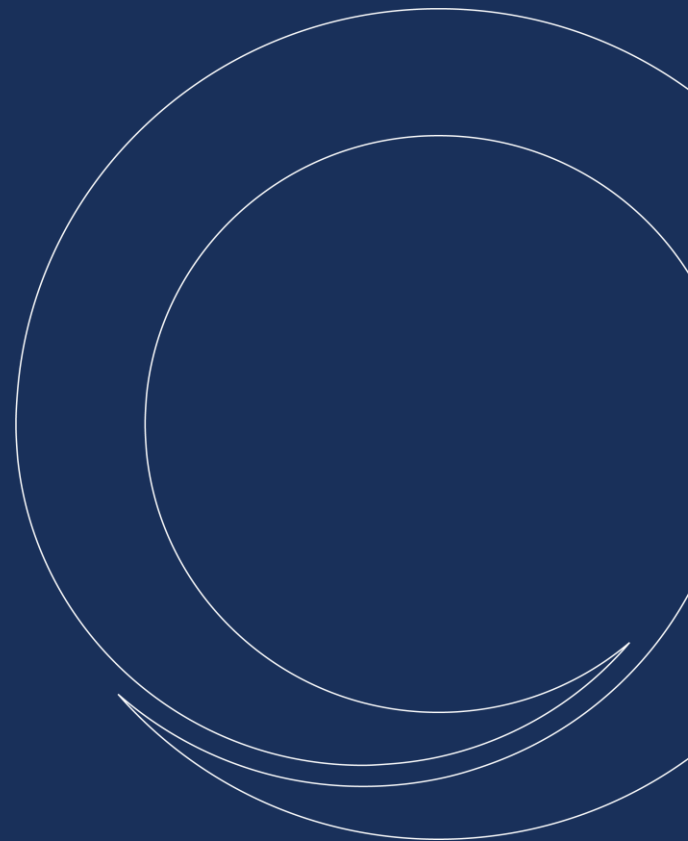
Focus Area	Impacts on SDGs	Medium- & Long-Term Goals	Key Initiatives
ENERGY MANAGEMENT		<ul style="list-style-type: none"> ➤ RE 70 by FY 2029-30 ➤ Reduction of SPC 	<ul style="list-style-type: none"> ➤ Total Installed Solar Capacity of 14.3 MW by FY 26-27 ➤ Total Installed Wind Capacity of 10.5 MW by 25-26 ➤ Reduction of SPC by 5% YoY
EMISSION MANAGEMENT	 	<ul style="list-style-type: none"> ➤ Net Zero Emission ➤ Zero Usage of Ozone Depleting Substances (ODS) 	<ul style="list-style-type: none"> ➤ Setup of Science based targets through SBTi ➤ Third Party Assurance ➤ 100% Usage of R-134a, refrigerant gas with zero ODS
CLIMATE CHANGE MANAGEMENT	 	<ul style="list-style-type: none"> ➤ Carbon Neutrality ➤ TCFD Framework 	<ul style="list-style-type: none"> ➤ Adoption of TCFD Framework <ul style="list-style-type: none"> ➤ Risk and Opportunities ➤ Financial Quantification ➤ Participation in Industry forums for climate Change

✓ **Board Oversight and Management Framework including Board Members**

✓ **3rd Party Assurance**

Materiality

2. Quality of Life



Quality of Life – Key Focus Areas

Human Rights	OHSE	Community	Equality	Human Capital
<u>Where we are</u> <ul style="list-style-type: none"> ✓ Alignment with UN principles ✓ Zero Human Rights Abuse ✓ Collective Bargaining ✓ Fair & Transparent ✓ Grievance Redressal mechanism 	<u>Where we are</u> <ul style="list-style-type: none"> ✓ Cross function Safety Committee framework ✓ ISO 45001 & ISO 14001 certification ✓ Safety systems ✓ Emergency Response ✓ Audits ✓ Trainings ✓ Accident Insurance ✓ Incident Disclosures 	<u>Where we are</u> <p>CSR Strategy</p> <ul style="list-style-type: none"> ✓ Livelihood & Skill Enhancement ✓ Community Development ✓ Promoting Education ✓ Healthcare & sanitation ✓ Restoration Heritage sites 	<u>Where we are</u> <ul style="list-style-type: none"> ✓ Commitment to Non-discrimination ✓ Fair dealing with Business Partners 	<u>Where we are</u> <ul style="list-style-type: none"> ✓ Great Place to Work ✓ Employee Engagement ✓ Capability building ✓ Digital University ✓ Employee Connect ✓ Disclosure on Human Capital
<u>Future Direction</u> <ul style="list-style-type: none"> ✓ Risk Assessment & Assurance ✓ Assessment of Supply chain partners 	<u>Future Direction</u> <ul style="list-style-type: none"> ✓ Enhance Behavioral Based Safety Culture ✓ Trainings & Assessment of Supply Chain Partner 	<u>Future Direction</u> <ul style="list-style-type: none"> ✓ 3rd Party Impact Assessment 	<u>Future Direction</u> <ul style="list-style-type: none"> ✓ Risk Assessment & Assurance ✓ Assessment of Supply Chain Partners 	<u>Future Direction</u> <ul style="list-style-type: none"> ✓ Long term Incentives

Quality of Life – Key Highlights

Base Year FY 2019

Complaints related
to Human Rights

ZERO

Safety Training (Man-Hours)

90,000+

CSR Spend (USD Mn)

\$6 Mn +

Complaints related
to Discrimination
(FY2019 to FY2021)

ZERO

Certification

**GREAT
PLACE
TO
WORK**

Skill Development Coverage
(% of total employees)
FY2020-21

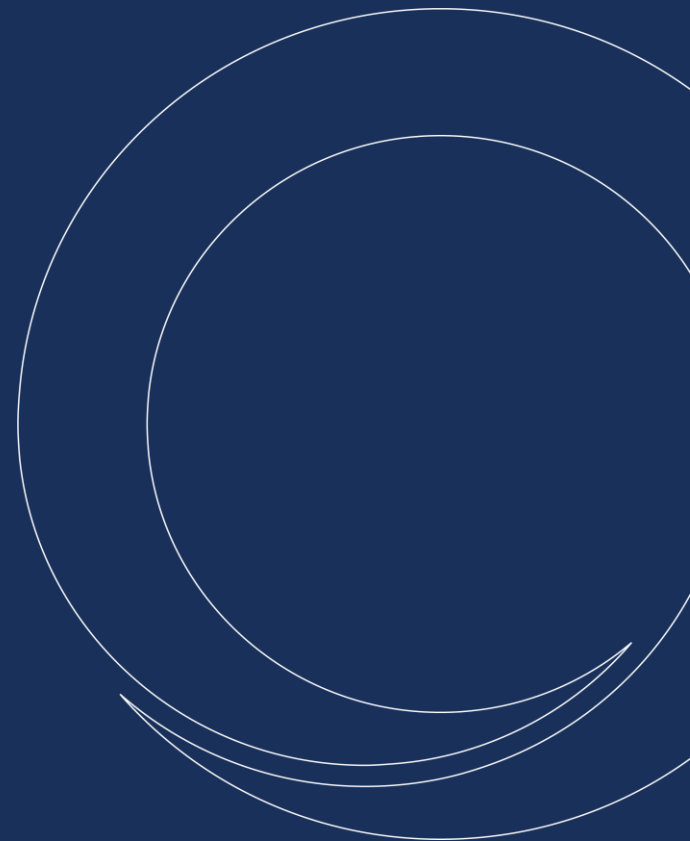
90% +

Focus Area	Impacts on SDGs	Medium- & Long-Term Goals	Key Initiatives
HUMAN RIGHTS	<div><div>8</div><div>DECENT WORK AND ECONOMIC GROWTH</div><div></div></div>	<ul style="list-style-type: none">➤ Risk Assessment & Assurance➤ Assessment of Supply chain partners	<ul style="list-style-type: none">➤ Risk assessment & Mitigation plan➤ Trainings & Assessment of Small & Medium Scale Supply Chain partners
OHSE	<div><div>3</div><div>GOOD HEALTH AND WELL-BEING</div><div></div></div>	<ul style="list-style-type: none">➤ Behavioral Based Safety Training➤ Training of Supply Chain Partner	<ul style="list-style-type: none">➤ 100% Coverage of Behavioral Based Safety➤ Deploy safety measures of highest standards➤ Trainings & Assessment of Medium & small scale Supply Chain Partner
COMMUNITY	<div><div>3</div><div>GOOD HEALTH AND WELL-BEING</div><div></div></div> <div><div>4</div><div>QUALITY EDUCATION</div><div></div></div> <div><div>5</div><div>GENDER EQUALITY</div><div></div></div> <div><div>6</div><div>CLEAN WATER AND SANITATION</div><div></div></div> <div><div>7</div><div>AFFORDABLE AND CLEAN ENERGY</div><div></div></div> <div><div>9</div><div>INDUSTRY, INNOVATION AND INFRASTRUCTURE</div><div></div></div> <div><div>10</div><div>REDUCED INEQUALITIES</div><div></div></div> <div><div>11</div><div>SUSTAINABLE CITIES AND COMMUNITIES</div><div></div></div> <div><div>12</div><div>RESPONSIBLE CONSUMPTION AND PRODUCTION</div><div></div></div> <div><div>13</div><div>CLIMATE ACTION</div><div></div></div> <div><div>15</div><div>LIFE ON LAND</div><div></div></div> <div><div>17</div><div>PARTNERSHIPS FOR THE GOALS</div><div></div></div>	<ul style="list-style-type: none">➤ 3rd Party Assurance	<ul style="list-style-type: none">➤ Social Impact Assessment & Assurance
EQUALITY	<div><div>5</div><div>GENDER EQUALITY</div><div></div></div> <div><div>10</div><div>REDUCED INEQUALITIES</div><div></div></div>	<ul style="list-style-type: none">➤ Risk Assessment & Assurance➤ Assessment of Supply Chain Partners	<ul style="list-style-type: none">➤ Training & Assessment of Medium & Small Scale Supply Chain Partners
HUMAN CAPITAL	<div><div>3</div><div>GOOD HEALTH AND WELL-BEING</div><div></div></div> <div><div>4</div><div>QUALITY EDUCATION</div><div></div></div> <div><div>5</div><div>GENDER EQUALITY</div><div></div></div> <div><div>8</div><div>DECENT WORK AND ECONOMIC GROWTH</div><div></div></div>	<ul style="list-style-type: none">➤ Long term Incentives	<ul style="list-style-type: none">➤ Devise long term incentive program for employees

✓ Expand our reach on Quality of Life & Strengthen our core

Materiality

3. Resource Use



Resource Use – Key Focus Areas

WATER

Where we are

Reducing water footprint

- ✓ Reduction in SWC (Specific Water Consumption)
- ✓ Increase Rainwater usage
- ✓ Increase Recycled water consumption
- ✓ Replenishment in operating areas

Future Direction

- ✓ Water Positive
- ✓ Reduction in SWC

WASTE

Where we are

✓ Zero Liquid discharge

Constant reduction in:

- ✓ SHWG (Specific Hazardous Waste Generation)
- ✓ Plastic waste
- ✓ Initiatives for 3R (Reduce, Reuse, Recycle)

Future Direction

- ✓ Reduction in SHWG
- ✓ Zero waste to landfill

PRODUCT STEWARDSHIP

Where we are

- ✓ Lead free paints
- ✓ Low VOC paints
- ✓ RMs free from heavy metals
- ✓ Renewable content
- ✓ REACH Product certifications

Future Direction

- ✓ Increase Renewable content
- ✓ Reduce hazardous materials

CIRCULAR ECONOMY

Where we are

- ✓ Recycling of Products
- ✓ Bio-composting (Food waste)
- ✓ Co-processing
- ✓ Reduce incoming plastic waste
- ✓ Solvent Recovery Unit

Future Direction

- ✓ Life Cycle Assessment (LCA)
- ✓ Extended Producer Responsibility

RESPONSIBLE PRODUCT

Where we are

Product Packaging contains:

- ✓ Safe & Responsible usage
- ✓ Relevant Environment parameters

Future Direction

Declaring:

- ✓ Relevant social parameters
- ✓ Recycling & safe disposal

Resource Use – Key Highlights

Base Year FY 2016

Reduction in Specific Water usage

20%



Reduction in specific hazardous waste generation

21%



Products Recycled
FY2020-21

>10%

Liquid Discharge at Plants







ZERO

6 Products Certified

REACH

Solvent Recovery Unit

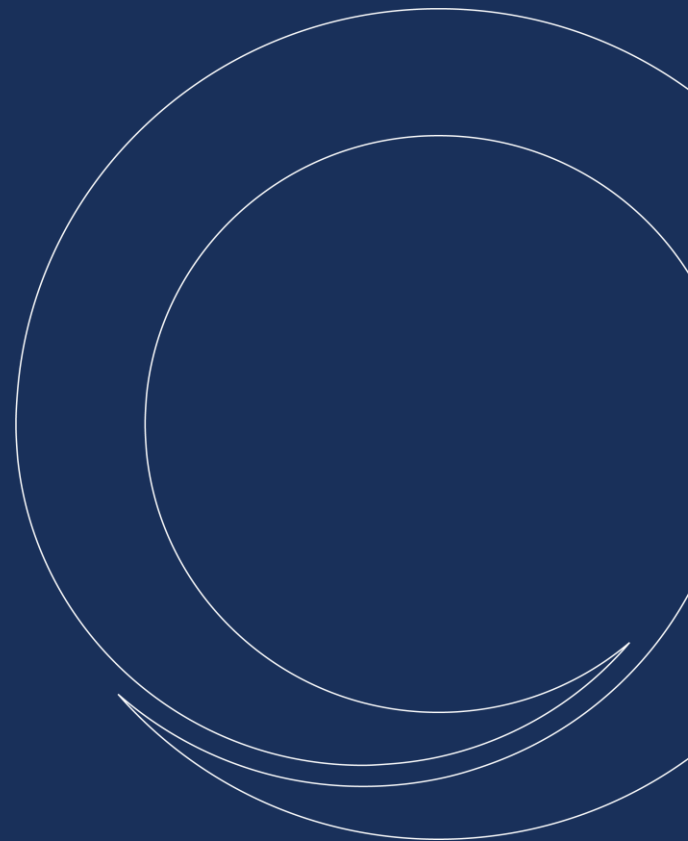
ALL
PLANTS

Focus Area	Impacts on SDGs	Medium- & Long-Term Goals	Key Initiatives
WATER MANAGEMENT	  	<ul style="list-style-type: none"> ➤ Water Positive by FY 2024-25 	<ul style="list-style-type: none"> ➤ Water Replenishment Potential up to 4.85 Lakh KL ➤ Fresh water consumption approx. 4.80 Lakh KL ➤ Reduce SWC to approximate 1.02 KL/KL of FG ➤ Rainwater Usage in process across all plants
WASTE MANAGEMENT	 	<ul style="list-style-type: none"> ➤ Principle of Reduce, Reuse, Recycle ➤ Zero Liquid Discharge ➤ Zero waste to landfill 	<ul style="list-style-type: none"> ➤ YoY reduction in SHWG ➤ Zero Liquid Discharge in future plants also ➤ Co-processing across all plants ➤ Benchmarking with Industry peers
PRODUCT STEWARDSHIP	  	<ul style="list-style-type: none"> ➤ Reduce hazardous materials ➤ Increase Renewable content 	<ul style="list-style-type: none"> ➤ Framework for reducing hazardous materials ➤ Product Certification of Premium Range
CIRCULAR ECONOMY		<ul style="list-style-type: none"> ➤ Extended Producer Responsibility ➤ Life Cycle Assessment 	<ul style="list-style-type: none"> ➤ Collection & Recycle post consumer plastic waste ➤ Conduct LCA for main-stream product lines
RESPONSIBLE PRODUCT		<ul style="list-style-type: none"> ➤ Responsible Consumption 	<p>Declarations on:</p> <ul style="list-style-type: none"> ➤ Recycling & Safe Disposal ➤ Social & Environment Parameters

✓ **Transition from Resource Consumer to Resource (Water) Generator & leverage our R&D Strength to Develop Green Products**

Materiality

4. Diversity



Diversity – Key Focus Areas

GENDER



Where we are

- ✓ Policy with respect to Gender Diversity including Board Diversity
- ✓ Target Adopted for Gender diversity

Future Direction

- ✓ Increase female employees

DIFFERENTLY ABLED & MARGINALISED GROUP



Where we are

- ✓ Target adopted for employing differently abled

Future Direction

- ✓ Achieving our stated target on employment of differently abled.
- ✓ Focus on marginalized group

AGE & NATIONALITY



Where we are

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

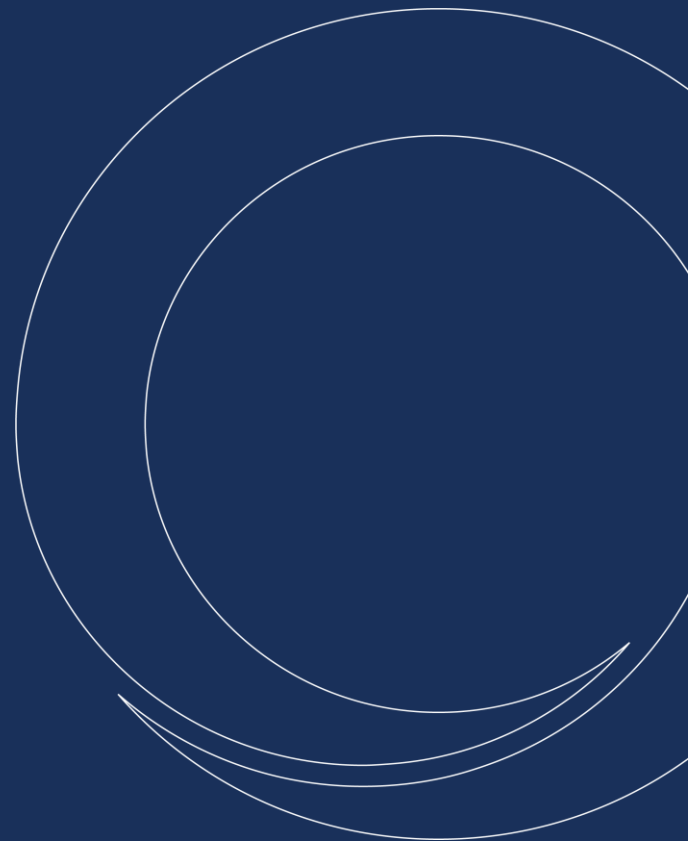
Future Direction

- ✓ 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

- ✓ Board oversight and Organization-wide Framework for Risk Management
- ✓ Code of conduct and Whistle Blower
- ✓ 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

Future Direction

- ✓ 3rd party Assurance & certifications

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