

Business Responsibility Report

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?

The Company's Code of Conduct which covers Directors, Senior Management and all employees addresses conflict of interest, corporate opportunities, confidentiality, compliance with laws, rules and regulations, protection and proper use of company assets, fair dealing and ethical business practices, encourages reporting of any illegal or unethical behaviour, handling news of company amongst others. The provision of the same is available on the company website.

The Company's Whistle Blower Policy encourages employees to bring instances of unethical behaviour, actual or suspected fraud or violation of the Company's code of conduct or ethics policy. The provisions of the same are available on the company website.

The Code of conduct policy extends to company's subsidiaries and associate companies. The policy coverage on acts such as deception, bribery, forgery, extortion, corruption are applicable to any irregularity involving employees in their dealings with any external entities

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.

The Company has institutionalized various mechanisms for receiving and resolving complaints from its stakeholders. There are dedicated resources to respond to the complaints within a time bound manner.

During the year the Company received 2 shareholder complaints which were answered and resolved satisfactorily. During the year, the Company did not receive any complaint under the Whistle blower mechanism.

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 design has incorporated social or environmental concerns, risks and/or opportunities.

The company has a sustainability agenda which highlights its commitment to creating value through the reduction or elimination of hazardous substances. The company's products in Decorative are Heavy metal Free and are Low VOC. In Automotive the products are heavy metal free. The company is moving its automotive products to higher solids from conventional solid products.

In line with the Ministry of Environment Forest and Climate change stipulated regulation on lead restriction which mandates paint manufacturers to restrict lead in all decorative products within 90 ppm with effect from 1st November 2017, the company is fully compliant to this regulation because of various measures proactively taken before time.

Old material which is shelf life expired lying in the company's warehouses is sent back to the factories to be re-worked or disposed-off safely.

The company continues to conduct research and introduce sustainable products and solutions for its customers.

Some of its latest offerings in the current year are.

Common Painting System: In Automotive two wheeler Segment, company has developed a common painting system which can be applied on both Sheet Metal and Plastic together and can be baked together as well. In general conventional process both these components use different Technology Products. Application and baking was being done at different spray booth and oven, where sheet Metal bake at 140°C/30 Minutes and Plastic parts bake at 80°C/30 Minutes. With the New Common Painting system products, customer can do the painting at common spray booth and also can bake both the parts at common Temperature of 80°C/30 Minutes. With this customer will save energy due to low baking product as well as will have saving on inventory control.

Monocoat system: Company has developed Monocoat products for Automotive Coating application. The technology has replaced existing 2 Coats system with only 1 coat application at OEM. This will save one coat application of Clear coat, and in turn will reduce material consumption and energy for painting besides saving on inventory.

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

Reduction during sourcing/production/distribution achieved since the previous year throughout the value chain?

The Company as part of its Sustainability Agenda continues to make progress on measurement of carbon footprint index (Kg of CO₂ equivalent per litre of finished product) of water based architectural products. Steps to reduce Carbon footprint index are initiated, wherever possible, by exploring alternate raw materials which are low on carbon footprint index.

Paint production is done by the Company on flexible production lines with multiple brands produced on same line. In addition, common infrastructure is used for production and distribution of different paints. So, there is practical difficulty in isolating data on resource utilisation for above mentioned products.

Through a combination of 100 plus depots and IT systems the company has ensured that kilometres travelled by the finished goods is minimised. The company has also taken various measures to ensure that spillages and damages incurred during transportation are minimized. At plants various initiatives are undertaken in a systemic manner to reduce wastages like residual raw materials in bags and barrels, solvent used for cleaning amongst others.

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.

Yes the company has a mechanism to recycle products and waste. KNPL has a strong mechanism in place to ensure products & waste is recycled and no liquid effluent goes out of the plants. A standard process to recycle products is followed across all the plants wherein local team in consultation with the technical team advises for recycling of the product based on the 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 waste is recycled and reused in the plants. A Solvent Recovery Unit (SRU) is installed in plants for distillation of solvent. SRU removes sludge present in the used solvent thus making it reusable. Recycling of products & waste is also a Key Performance Indicator of the plant employees thus linking it to their performance appraisal process. Percentage of recycling of products:>10%. Percentage of waste recycled: >10%

Principle 3 Businesses should promote the wellbeing of all its employees.

Questions:

Please indicate the Total number of employees.

KNPL strives hard to create an environment of shared growth and ownership amongst all its employees. The company had 2861 employees as on 31st March 2018.

The company provides employees with opportunities to undertake various programs to ensure that they are up to date on skills and competencies needed to perform their job to the best of their ability. The company has defined a set of core values for the organisation. In addition the company has a competency framework for all its employees in various cadres.

Regular forums like conferences, workshops and focussed group meetings are held to familiarise employees on various happenings across the company as well as to provide an employee with an opportunity to highlight issues being faced on the ground. The company keeps all its employees up to date on company happenings through monthly newsletter, letter from MD, Quarterly results amongst others.

Employees participate in employee surveys both internal and externally and are encouraged to give their views freely. The company has provided employees with a system to write down their issues in various operating areas and ensures that within 72 hours the issue is addressed to the employee's satisfaction. For company has a Social conduct committee in place to address challenges of behaviour at the work place.

Every employee has a predefined KRA with clear performance expectation and guidelines which tells an employee what is expected of them in order that the company achieves its objectives. The employee is kept up to date on his or her performance on a month to month basis. The company has a transparent on line appraisal system which is based on the KRAs set. The company has a formal talent and succession planning process in place. It also does periodic benchmarking of salary and other benefits amongst relevant companies across the industry.

At the manufacturing plants various investments are made towards occupational health and safety of the employees. All statutory norms are complied with at both depots and manufacturing plants towards the protection and well being of the employees.

At its manufacturing facilities regular monthly meetings are held with the union by management to ensure the overall well-being of the workmen. Collective bargaining and timely settlement of long term wage contracts is encouraged. For contract workmen who are deployed in manufacturing and depots the company at each location, various checks are maintained in the system to ensure that wage payments, statutory contribution and provisions of safety and other such obligations are met by the contractor. The company provides welfare facilities like subsidised food, bus service, medical check-up amongst others for its workmen. The company also provides mediclaim facility to employees.

Please indicate the Total number of employees hired on temporary/contractual/casual basis.

Total number of employees hired on temporary/contractual/casual basis: 2303 (All companies are reporting this and a pretty high number)

Please indicate the Number of permanent women employees.

Total number of total women employees: 47

Please indicate the Number of permanent employees with disabilities

Company follows a policy of equal opportunity to everyone and does not discriminate between any individual and evaluates strictly on merit to decide suitability for the job. Company does not formally track number of disabled employees

Do you have an employee association that is recognized by management

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

What percentage of your permanent employees is members of this recognized employee association?

The Company's trade unions represent 100 % of its workers, which is about 26% of the permanent employees of the Company

Please indicate the Number of complaints relating to child labour, forced labour, involuntary labour, sexual harassment in the last financial year and pending, as on the end of the financial year.

No.	Category	No of complaints filed during the financial year	No of complaints pending as on end of the financial year
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 up-gradation 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	64
Permanent Women Employees	71
Casual / Temp / Contractual employees	80

Safety Training	Percentage (Nos.)
Permanent	97
Permanent Women Employees	81
Casual / Temp / Contractual employees	90

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

Yes, the Company has mapped its internal and external stakeholders.

Internal stakeholders:

- Employees
- Shareholders and investors

External stakeholders:

- Customers
- Vendors, suppliers and other business partners
- Contractual employees

Local community and society

- Regulatory authorities
- Influencers

Out of the above, has the company identified the disadvantaged, vulnerable & marginalized stakeholders

Local communities are considered as those who are vulnerable.

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

The Company's has a CSR program covers the vulnerable sections of society as part of the overall scope.

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?

The Company's Code of conduct for employees, the Human Resource policies and settlements reached with the Trade unions at the company's plants are based on the principles of Human Rights. The company also actively tracks contractor obligations to ensure that the necessary payments to contract employees. The company encourages practice of the principles of human rights such as collective bargaining, non-discrimination, gender equality, appropriate conduct as outlined in the code of conduct, occupational safety, employee health and wellbeing and respect for environment. These are reflected in the various Human Resource policies. Employees have easy access to these policies and are made aware of these through-out the year.

The company provides various mechanisms to ensure that an employee's voice is heard through grievance addressal mechanism as well as emails and direct interaction with employees through forums like open house and workshops.

These policies cover the Company and its associates and subsidiaries.

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

The Company did not receive any stakeholder complaint 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 extends to the Group/Joint Ventures/Suppliers/Contractors/NGOs/others.

KNPL has a well-defined sustainability program. It has been disclosing various initiatives under the same in accordance with the GRI guidelines for the last 6 years in its sustainability report which is available on the website. The company has taken a lead in ensuring that its decorative and automotive range of products are lead and heavy metal free as well as have low VOC. Most of the range of products given to General Industrial, High Performance Coatings and powders are also lead-free. The company continuously upgrade its customers on new technology products which are environmental friendly. Company conducts various Value Engineering and Value Analysis activities at its Automotive Customers to explore projects jointly which will help reduce energy needs. The company has implemented the SAP EHS Module way back in 2011 and has adopted the Tagline of Healthy Home Paints for its Decorative Products to show its commitment to the environment. The company's plants are ISO 14001 certified. Policy related to Principle 6 covers Company along with Group and Joint ventures.

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.

The company's endeavour is to adopt an inclusive approach to protect and conserve the environment. The company has been constantly working towards improving its carbon and water footprint while optimally utilising natural resources. The Company has an Environment, Health and Safety Policy which is communicated to all employees. The EHS Policy is available on the Company's website and can be accessed at <https://nerolac.com/sustainability.html#scroll>. Information on detailed initiatives is covered in Sustainability Report section of this Annual Report.

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

Yes, company has formal mechanism to identify and assess potential environmental risks. Information on the process is covered in Sustainability Report section of this Annual Report.

Does the company have any project related to Clean Development Mechanism? If so, provide details thereof, in about 50 words or so. Also, if Yes, whether any environmental compliance report is filed?

Company has undertaken multiple projects for emission reduction and improvement of environmental footprint of the company. Although no formal environmental compliance report related to CDM is filed, details about initiatives have been covered in Sustainability Report section of 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.

Reduction of carbon footprint, reduction in waste water, zero discharge at plants, rain water harvesting, use of natural sunlight are amongst the various initiatives done by the Company. Information on detailed initiatives is covered in Sustainability Report section of this Annual Report.

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

Yes

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

None

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:

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

- Employers Federation of India
- Bombay Management Association
- Indian Chemical Council
- Indian Paint Association
- Bombay chamber of Commerce
- Maharashtra Economic Development Council
- Institute of Cost Accounts of India

Have you advocated/lobbied through 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)

The company participates in various programs of these associations, and supports them with appropriate inputs in governance and administration, Economic reforms, environmental standards amongst others.

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.

Yes. Driven by its Corporate Social responsibility policy the company 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.

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

Yes, combination of all.

Have you done any impact assessment of your initiative?

Yes, assessment is done before starting the initiative and constantly monitored at various stages.

What is your company's direct contribution to community development projects- Amount in INR and the details of the projects under-taken

An amount of INR 11.03 crores was spent towards various CSR projects during the financial year 2017-18

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 partnering with local and government bodies. The details of the CSR initiatives undertaken by the Company are set out in Annexure F to the Board's Report

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 on the end of financial year.

KNP actively engages with its customers in a responsible manner. The company's Technical, production and if needed Kansai paints Japan work to ensure that a customer's issue is successfully resolved.

For Automotive and certain Industrial OEM customers, the company provides technical sales service personnel who are stationed at the customer lines to ensure that the product provided by KNP runs smoothly on the line. These personnel work round the clock at the customer lines and provide various value added and value engineering activities to customers. The company's R&D team works with customers to develop long term product roadmaps. Various colour presentations and trainings are provided to customers. The company also seeks to align the supply chain with some of its large customers to ensure minimal inventory at customer end. The company also allows its OEM customers to audit its manufacturing facilities. The company has institutionalised a mechanism to get feedback from its automotive OEM customers as regards the Technical Sales Service personnel working at their site.

All customer product complaints either directly from OEM or given to the company via dealers or the sales team are recognised and recorded in the SAP 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 internal laid down timeline norms. Most products are batch managed and company conducts root cause analysis to ascertain the issue with the product when needed.

The company also extends this rigour of monitoring and control of quality to its suppliers as well. The company has set up a dedicated consumer helpline 1800-209-2092 for consumers to record their issues. In addition dealers can call up the company and record any grievance they may have regarding the company. These are then tracked to successful resolution.

There are 4 consumer related legal cases 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 the Company display all information which is mandated by law including the directions for use. Product information is available in the Product Information Sheet that is available with the dealers of the Company and on the website of the Company.

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 as at the end of financial year

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

The Company 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 trainings at customer end. For Automotive OEM customers detailed customer surveys are carried out every year once by internal team and once by external independent agency to get the feedback. Based on the feedback received the company undertakes and tracks various initiatives to ensure that the overall satisfaction level of the customer is improved.