

# NEROLAC

## Taking Proactive Steps Towards ESG

# Brief Introduction to KNP

**1920**

**FOUNDED IN**



Unveiled new corporate  
identity of Nerolac  
(2020- 100<sup>th</sup> 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)**

**7081.0Cr**  
(FY22-23)



**EBITDA (%)**  
**(Standalone)**

**11.2 %**  
(FY 22-23)



**MARKET CAP**

**20,802 Cr**  
(31<sup>st</sup> March'23)

# Leadership in Sustainable Products

**Our Edge:** Pioneer in developing **Best in Class Sustainable Products with Superior Technology and State of the Art Manufacturing Facilities**



**NEROLAC  
PAINT+**

## Introduced Environment friendly & safe paints

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



## Key Technology Differentiators

- ✓ Acrylic CED
- ✓ Tin free CED
- ✓ 3 Coat 1 Bake (3C1B) system
- ✓ Direct to Metal technology
- ✓ Fluro based 5 Coat system
- ✓ Low bake Products



## Investments in Sustainability

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

# ESG Reporting Journey

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



Till 2011

**Sustainability Report with GRI G4 Guidelines - Core**



2014-2017

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



2018-2019

2020-2023



**Sustainability Report GRI G3.1 Guidelines**



**Integrated Report Transitioned to GRI Standards**

# Recognition and Participation

## Recognition

**CRISIL**

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**  
Rated in the top 10% globally  
within the Chemical Industry  
Group in the S&P ESG Index in  
CSA 2022

## Participation



Responded to the CDP for Climate  
Change & Water Security

## 3<sup>rd</sup> 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.

# ESG Awards & Recognition

## EHS

### Awards to various Plants

- “Longest Accident-Free Period” in chemical sector large industry Rewari, Dharuhera region.
- Utilization of an online, technology-driven SAP EHS module to document, monitor, and promptly address safety issues and compliance requirements.
- Awarded with prestigious “Platinum Award 2022” and “Champion Award 2022” by APEX India Foundation.
- Awarded “Champion Award-2022”, in individual category of Occupational Health & Safety in chemical sector
- “Greenpreneur Award 2021” in water management”

## SOCIAL

- Recognized as ‘Dream Employer of the Year’ under the Category “Dream Companies to Work For”
- In Top 10 firms in Karmayog CSR Rating by Karmayog
- Awarded for outstanding performance in nearby industries and contribution towards CSR.
- Award for ‘Nerolac Pragati Express’ campaign in the ‘Excellence in CSR- Social Impact’ category By ACEF Asian Leaders Forum and Awards.

## GOVERNANCE

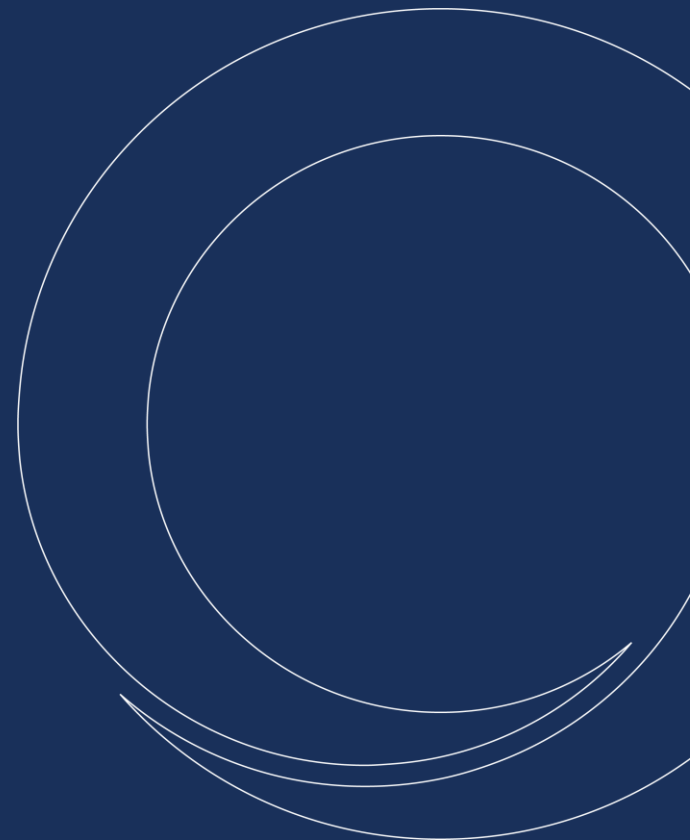
- Certified as Great Place to Work (GPTW) for the consecutive 2<sup>nd</sup> time
- National Award in Corporate Governance by ICSI (Institute of Company Secretaries of India)

## CUSTOMER

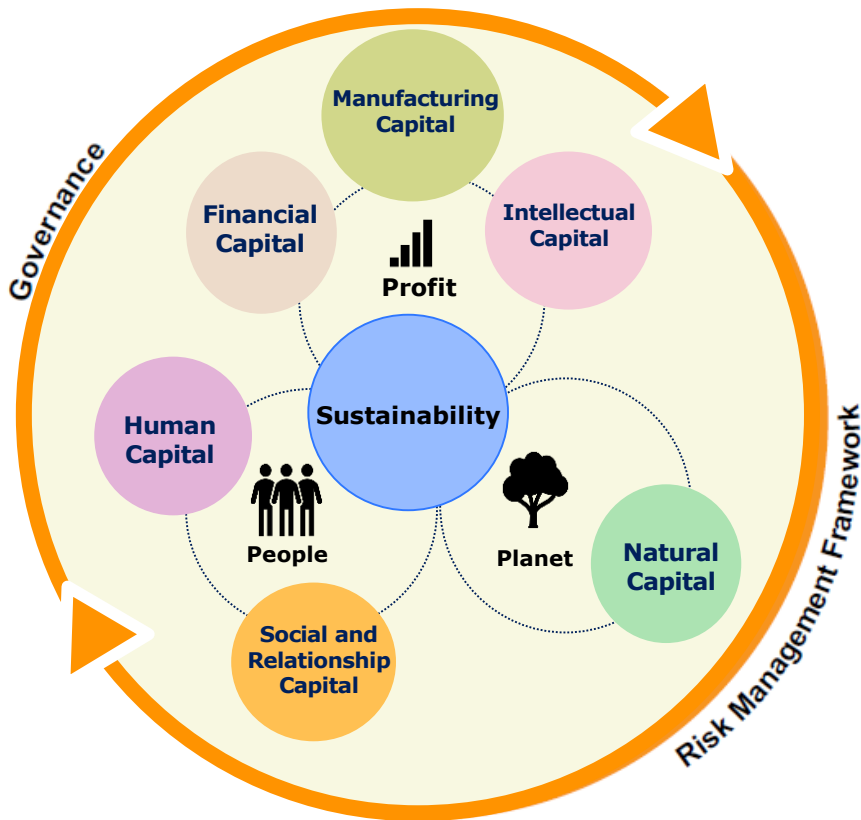
### Best Supplier Performance

- 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



- › Energy Management
- › Emission Management
- › Climate Change

## Resource Use



- › Water Management
- › Waste Management
- › Product Stewardship
- › Responsible Product
- › Sustainable Supply Chain

## Quality of Life



- › Human Rights
- › Occupational Health and Safety
- › Employee Engagement and Well-being
- › Community Development
- › Customer Satisfaction

## Diversity



- › Diversity (Age, Gender, Regional)
- › Inclusivity

## Governance



- › Corporate Governance
- › Risk Management
- › Compliances
- › Innovation / IP Management

# Environment

## Decarbonisation – KNP Materiality 1



# Decarbonization – Key Focus Areas

## ENERGY

### Where we are

- ✓ 30% power from Renewables (Solar & Wind)
- ✓ 49% Energy from Renewables (Solar, Wind, Biofuels)
- ✓ Sustaining our consumption of heat and steam through biofuels and biomass-based boiler resulting in 100% process heat & steam from renewables

### Future Direction

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

## EMISSION

### Where we are

- ✓ Detailed greenhouse gases (GHG) inventORIZATION (Scope 1,2,3) and setting up FY 2018-19 as baseline year.
- ✓ 8% reduction in Scope 1+2 emissions from Base Year FY18-19 and Intensity reduction by 22% over Base year.
- ✓ 11% Scope 3 Intensity Reduction from Base Year FY18-19
- ✓ Submitted GHG reduction targets in line with Science Based Target initiatives.

### Future Direction.

- ✓ Approval of Targets by SBTi
- ✓ Roadmap for Decarbonization

## CLIMATE CHANGE

### Where we are

- ✓ Adopted TCFD framework and evaluated various climate-related risks as per the framework
- ✓ Integrated Climate risk with Enterprise Risk Management Framework.
- ✓ Green Belt development year on year within the plant and outside areas

### Future Direction

- ✓ Efficient resource use (Water, energy)
- ✓ Sustainable product development
- ✓ Continue risk mitigation in value chain

**Creating a paradigm shift for low carbon alternatives and climate change**

# Environment

## Resource Use – Materiality 2



## WATER

### Where we are

- ✓ Replenished 100% of freshwater withdrawal to the community we operate
- ✓ 28 % reduction in Our Specific Water Consumption (Manufacturing Facilities) since FY 2018-19
- ✓ Usage of recycled water & rainwater (25% of total water consumption in FY22-23)

## WASTE

### Where we are

- ✓ Zero Liquid discharge (major manufacturing facilities)
- ✓ Our Specific Hazardous Waste Generation (Manufacturing Facilities) has decreased by 8.85 % since FY 2018-19
- ✓ 7000+ MT of post consumer plastic waste collected and recycled
- ✓ Reduced incoming plastic waste and No use of single use plastic

## PRODUCT STEWARDSHIP

### Where we are

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

## CIRCULAR ECONOMY

### Where we are

- ✓ Integrated circular economy criteria into all our processes via reuse or recycling.
- ✓ Bio-composting of Food waste across all major manufacturing facilities.
- ✓ Co-processing of hazardous waste (over 50%) to cement kilns

## RESPONSIBLE PRODUCT

### Where we are

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

### Future Direction

- ✓ Being water positive
- ✓ Emphasis on rainwater harvesting and judicious usage of fresh water.

### Future Direction

- ✓ Zero waste to landfill
- ✓ Continue reducing Specific Hazardous waste generation
- ✓ Comply to EPR Targets

### Future Direction

- ✓ Increase Renewable content
- ✓ Reduce hazardous materials

### Future Direction

- ✓ Life Cycle Assessment (LCA)

### Future Direction

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

# Social

## Quality of Life – Materiality 3



# Quality of Life – Key Focus Areas

<b>HUMAN RIGHTS &amp; EQUALITY</b>	<b>OHSE</b>	<b>COMMUNITY</b>	<b>EMPLOYEE ENGAGEMENT &amp; WELLBEING</b>	<b>CUSTOMER SATISFACTION</b>
<p><b>Where we are</b></p> <ul style="list-style-type: none"> <li>✓ Zero Human Rights Abuse</li> <li>✓ Collective Bargaining</li> <li>✓ Fair &amp; Transparent Grievance Redressal mechanism</li> <li>✓ Prevention of child labour or forced labour</li> <li>✓ Commitment to Non-discrimination</li> <li>✓ Internal complaint committee</li> <li>✓ Fair dealing with Business Partners</li> </ul>	<p><b>Where we are</b></p> <ul style="list-style-type: none"> <li>✓ Zero incident/accident across plants</li> <li>✓ Zero Lost Time Injury Frequency Rate (Per Million Man-Hours worked)</li> <li>✓ Cross function Safety Committee framework &amp; Emergency Response</li> <li>✓ Regular Safety Audits and Trainings</li> <li>✓ ISO45001 certification at major facilities</li> <li>✓ Behavioral Based Safety trainings &amp; assessments</li> </ul>	<p><b>Where we are</b></p> <ul style="list-style-type: none"> <li>✓ 65000+ Lives touched by CSR activities.</li> <li>✓ 15% employee participation in CSR activities</li> <li>✓ 3rd Party Impact Assessment and assurance</li> <li>✓ Livelihood &amp; Skill Enhancement</li> <li>✓ Community Development</li> <li>✓ Promoting Education</li> <li>✓ Environmental Sustainability</li> <li>✓ Healthcare &amp; sanitation</li> <li>✓ Restoration of Heritage sites</li> </ul>	<p><b>Where we are</b></p> <ul style="list-style-type: none"> <li>✓ Dream Employer of the Year' award for 2022</li> <li>✓ Restricted Stock Units for employees</li> <li>✓ Wellness Corner App to support our employees' physical, mental, and emotional health</li> <li>✓ Great Place to Work certified</li> <li>✓ Step challenge for employees</li> <li>✓ Digital Learning platform Percipio for upskilling</li> <li>✓ Introduced TAJ, a focused intervention to build talent pipeline across functions</li> </ul>	<p><b>Where we are</b></p> <ul style="list-style-type: none"> <li>✓ 88.8 Customer satisfaction index</li> <li>✓ Consumer complaint Redressal mechanism</li> <li>✓ Engage only reputable advertising agencies that are members of ASCI (Advertising Standard Council of India)</li> </ul>
<p><b>Future Direction</b></p> <ul style="list-style-type: none"> <li>✓ Risk Assessment &amp; Assurance framework</li> </ul>	<p><b>Future Direction</b></p> <ul style="list-style-type: none"> <li>✓ Strengthen safety practices by applying insights gained from the GSQ audit findings</li> </ul>	<p><b>Future Direction</b></p> <ul style="list-style-type: none"> <li>✓ To continue being a responsible corporate by partnering in the development of the communities</li> </ul>	<p><b>Future Direction</b></p> <ul style="list-style-type: none"> <li>✓ Continue to prioritize people centric approach</li> </ul>	<p><b>Future Direction</b></p> <ul style="list-style-type: none"> <li>✓ Increase consumer satisfaction index</li> </ul>

# Social

## Diversity – Materiality 4





# Diversity – Key Focus Areas

## GENDER



### Where we are

- ✓ Women employees account for 3.2% of our permanent workforce
- ✓ Fostering diversity and nurturing inclusivity by promoting advancement for our colleagues, culture, and communities.

### Future Direction

- ✓ Monitor the gender diversity at organizational, Management and functional level

## INCLUSIVITY



### Where we are

- ✓ Access audit completed for New HO premises in Mar'23
- ✓ Established target for employing differently abled (0.25%) by Mar'24

### Future Direction

- ✓ All new workplaces to be accessible for people with disability

## AGE & NATIONALITY



### Where we are

- ✓ Diverse Mix of employees in different age brackets.
  - 25% of employees is below 30 years
  - 8% of employees above 50 years
- ✓ No discrimination due to age, Nationality

### Future Direction

- ✓ Encourage participation of employees across India and International subsidiaries

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

# Governance

## Governance – Materiality 5



## CORPORATE GOVERNANCE

## RISK MANGEMENT

## IT / CYBER SECURITY

## INNOVATION / IP MANAGEMENT

## COMPLIANCE / TAX STRATEGY

### Where we are

- ✓ Risk Committee at Board level for Enterprise Risk Management
- ✓ Board Oversight & Management framework on ESG
- ✓ Corporate Governance related Disclosures
- ✓ Non financial agenda in Board Meetings
- ✓ 3<sup>rd</sup> party impact assessment for CSR
- ✓ 3<sup>rd</sup> party assurance for ESG

### Where we are

- ✓ Board Risk Committee
- ✓ Robust Organization wide Risk Management Framework
- ✓ Building Risk Culture
- ✓ Identified Emerging Risks
- ✓ Climate Change Risk Management Incorporated in our Enterprise Risk Management
- ✓ Business continuity policy

### Where we area

- ✓ Board oversight on cyber security
- ✓ Far DR set up ready
- ✓ Vulnerability & Penetration testing (VAPT) certification
- ✓ Risk Monitoring and Mitigation by 3<sup>rd</sup> party

### Where we area

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

### Where we area

- ✓ 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

- ✓ ESG assessment of Value chain Partners

### Future Direction

- ✓ Promote and Build Risk culture

### Future Direction

- ✓ Increase Employee Awareness
- ✓ Regular audits

### Future Direction

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

### Future Direction

- ✓ Continue to comply in letter and spirit

✓ Striving to achieve Excellence in Corporate Governance

**THANK YOU**

