

NEROLAC



Sustainability Reporting Journey at KNP

Annual Report
 - Financial,
 - Environmental,
 - Social Sustainability



Till 2011

2012-2013



**Sustainability Report
 GRI G3.1 Guidelines**

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



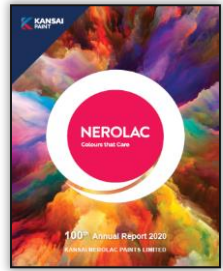
2014-2017

2018-2019



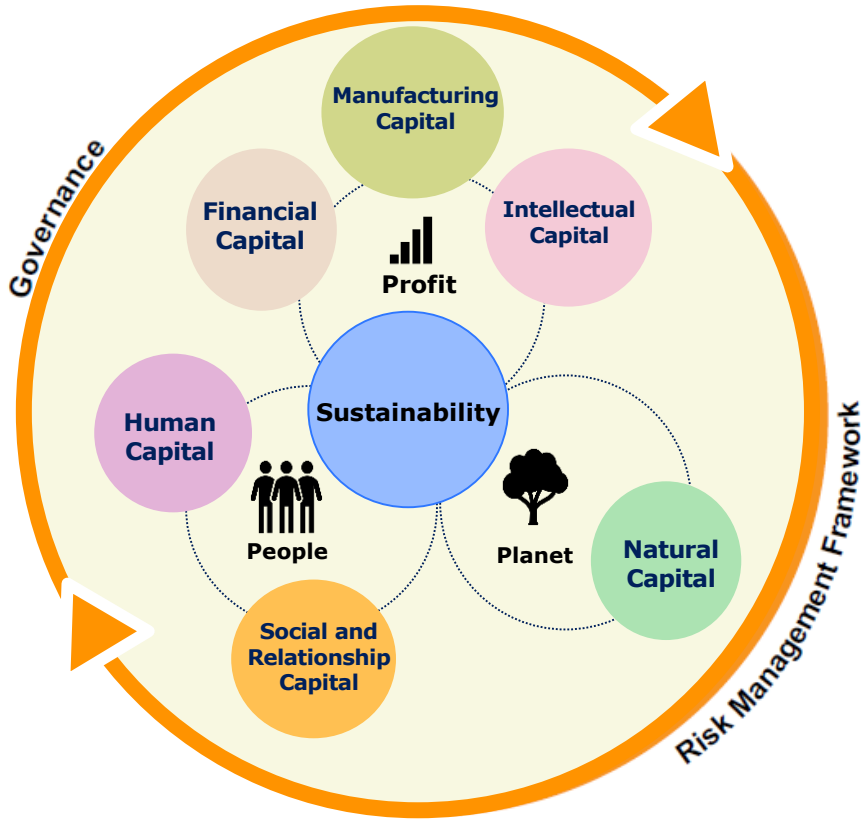
Transitioned to Integrated Report

1st Integrated Report in line with IIRC Framework



FY 2020

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.

Focus Area / Response	Implemented Initiatives	Planned Initiatives FY20-21	Impacts on SDGs	Performance																											
WATER MANAGEMENT	<ul style="list-style-type: none"> Zero Liq. Discharge Facility Rainwater Harvesting Boiler condensate reuse Reuse of Paint Pigging wash water ETP - RO permeate in cooling tower 	<ul style="list-style-type: none"> Drip Irrigation for Green Belt Transition from VAM Chiller to Trone Chiller Fan less cooling tower to reduce the vapor loss 		<div data-bbox="1367 139 1649 314"> <p>Rainwater Usage in Process</p> <table border="1"> <tr><th>FY</th><td>2015-16</td><td>2016-17</td><td>2017-18</td><td>2018-19</td><td>2019-20</td></tr> <tr><th>Usage (KL)</th><td>4,300</td><td>6,412</td><td>5,834</td><td>3,574</td><td>10,381</td></tr> </table> </div> <div data-bbox="1657 139 1903 314"> <p>Specific Water Consumption (SWC) (KL/KL of FG)</p> <table border="1"> <tr><th>FY</th><td>2015-16</td><td>2016-17</td><td>2017-18</td><td>2018-19</td><td>2019-20</td></tr> <tr><th>SWC</th><td>1.56</td><td>1.56</td><td>1.49</td><td>1.58</td><td>1.4</td></tr> </table> </div>	FY	2015-16	2016-17	2017-18	2018-19	2019-20	Usage (KL)	4,300	6,412	5,834	3,574	10,381	FY	2015-16	2016-17	2017-18	2018-19	2019-20	SWC	1.56	1.56	1.49	1.58	1.4			
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CARBON FOOTPRINT	<ul style="list-style-type: none"> 0.25 MN GJ from renewable sources Solar power Installed capacity is 3.6 MW Windmill Installed capacity is 2.1 MW 	<ul style="list-style-type: none"> Additional solar power of 1.7 MW Windmill power - Explore. 		<div data-bbox="1477 325 1787 481"> <p>% of Electricity from Renewable Share</p> <table border="1"> <tr><th>FY</th><td>2015-16</td><td>2016-17</td><td>2017-18</td><td>2018-19</td><td>2019-20</td></tr> <tr><th>Share (%)</th><td>3%</td><td>6%</td><td>14%</td><td>19%</td><td>23%</td></tr> </table> </div>	FY	2015-16	2016-17	2017-18	2018-19	2019-20	Share (%)	3%	6%	14%	19%	23%															
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ENERGY MANAGEMENT	<ul style="list-style-type: none"> Biomass fuel-based Boilers and Thermic Fluid Heaters Biodiesel for process heat generation Energy efficient installations: LED, Pumps, Natural Draft Cooling Tower 	<ul style="list-style-type: none"> Install Mist Cooling tower for chiller Reduced compressed air leakages Timer Installation in High-Speed Stirrer Interlock for dust collector blower VFD installation Force Draft Blower 		<div data-bbox="1381 492 1649 653"> <p>Specific Fuel Consumption (SFC) (LT/Tonne of Resin)</p> <table border="1"> <tr><th>FY</th><td>2015-16</td><td>2016-17</td><td>2017-18</td><td>2018-19</td><td>2019-20</td></tr> <tr><th>SFC</th><td>57</td><td>53</td><td>49</td><td>48</td><td>46</td></tr> </table> </div> <div data-bbox="1657 492 1903 653"> <p>Specific Power Consumption (SPC) (Kwh/KL of FG)</p> <table border="1"> <tr><th>FY</th><td>2015-16</td><td>2016-17</td><td>2017-18</td><td>2018-19</td><td>2019-20</td></tr> <tr><th>SPC</th><td>188</td><td>183</td><td>182</td><td>185</td><td>184</td></tr> </table> </div>	FY	2015-16	2016-17	2017-18	2018-19	2019-20	SFC	57	53	49	48	46	FY	2015-16	2016-17	2017-18	2018-19	2019-20	SPC	188	183	182	185	184			
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WASTE MANAGEMENT	<ul style="list-style-type: none"> Solvent refining process and Reuse of resin TiO2 recovery through de-dusting machine 	<ul style="list-style-type: none"> Convert distillation sludge to paints Eliminate the incoming packaging waste Post consumer plastic waste collection Recycle, Reuse of Barrels 		<div data-bbox="1508 656 1787 824"> <p>Specific Hazardous Waste Generation (SHWG) (Kg/KL of FG)</p> <table border="1"> <tr><th>FY</th><td>2015-16</td><td>2016-17</td><td>2017-18</td><td>2018-19</td><td>2019-20</td></tr> <tr><th>SHWG</th><td>3.12</td><td>3.07</td><td>2.98</td><td>2.71</td><td>2.7</td></tr> </table> </div>	FY	2015-16	2016-17	2017-18	2018-19	2019-20	SHWG	3.12	3.07	2.98	2.71	2.7															
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EMISSION MANAGEMENT	<ul style="list-style-type: none"> Focus - Scope 1, Scope 2 and Scope 3 Reduction in Scope 1 & Scope 2 (GHG Emission) Green Belt comprising 40,045 trees 	<ul style="list-style-type: none"> Green Belt Expansion by 10%. Plant 4000 trees. Zero Ozone Depleting substances at new manufacturing facilities. 		<div data-bbox="1381 849 1632 1024"> <p>GHG Emission Intensity (MT of CO₂ eq/KL of FG)</p> <table border="1"> <tr><th>FY</th><td>2015-16</td><td>2016-17</td><td>2017-18</td><td>2018-19</td><td>2019-20</td></tr> <tr><th>Intensity</th><td>0.2</td><td>0.2</td><td>0.17</td><td>0.16</td><td>0.16</td></tr> </table> </div> <div data-bbox="1640 849 1903 1024"> <p>Ambient Air Quality (ug/m³)</p> <table border="1"> <tr><th>Parameter</th><th>Statutory Limit</th><th>FY 2019-20</th></tr> <tr><td>SO₂</td><td>80</td><td>16</td></tr> <tr><td>NO_x</td><td>80</td><td>25</td></tr> <tr><td>PM_{2.5}</td><td>60</td><td>29</td></tr> <tr><td>PM₁₀</td><td>100</td><td>65</td></tr> </table> </div>	FY	2015-16	2016-17	2017-18	2018-19	2019-20	Intensity	0.2	0.2	0.17	0.16	0.16	Parameter	Statutory Limit	FY 2019-20	SO ₂	80	16	NO _x	80	25	PM _{2.5}	60	29	PM ₁₀	100	65
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Focus Area / Response	Focus Areas	Planned Initiatives FY 20-21	Impact on SDGs	Performance										
<h3>COMMUNITY DEVELOPMENT</h3>	<ul style="list-style-type: none"> Livelihood and Skill Enhancement Healthcare and Sanitation Rural/Community Development Promoting Education Environmental Sustainability Restoration of Buildings and Sites of Historical Importance 	<table border="1"> <thead> <tr> <th>Initiatives</th> <th>Nos.</th> </tr> </thead> <tbody> <tr> <td>Rural development</td> <td>24</td> </tr> <tr> <td>Healthcare & Sanitation</td> <td>16</td> </tr> <tr> <td>Promote Education</td> <td>21</td> </tr> <tr> <td>Environment Sustainability</td> <td>15</td> </tr> </tbody> </table>	Initiatives	Nos.	Rural development	24	Healthcare & Sanitation	16	Promote Education	21	Environment Sustainability	15		<ul style="list-style-type: none"> Cumulative CSR spend in Last 5 years is INR 531.4 MN or 7.5 MN USD
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<h3>ENHANCING CUSTOMER RELATIONSHIP</h3>	<ul style="list-style-type: none"> Provide environment friendly and safe products. Customer satisfaction and focus on Unique customer centric solutions Dealer / Channel Partner Convenience Painter / Influencer Convenience 	<table border="1"> <tbody> <tr> <td>Healthy Home Paints</td> <td>Virus Guard (Anti Virus and Covid 19 safe),</td> </tr> <tr> <td>Differentiated / New Product Line</td> <td>Disinfectant & Sanitiser, and water proofing & Adhesives</td> </tr> <tr> <td>Unique Solution for Industrial</td> <td>High Durable coats; Low bake coating system, Low VOC paints</td> </tr> <tr> <td>Dealer & Influencer Convenience</td> <td>Digital and focused Initiatives</td> </tr> </tbody> </table>	Healthy Home Paints	Virus Guard (Anti Virus and Covid 19 safe),	Differentiated / New Product Line	Disinfectant & Sanitiser, and water proofing & Adhesives	Unique Solution for Industrial	High Durable coats; Low bake coating system, Low VOC paints	Dealer & Influencer Convenience	Digital and focused Initiatives		<ul style="list-style-type: none"> Launched Pioneering concepts like Lead-free, Low VOC, Healthy Home Paints Customer Satisfaction Scores improving trend over last 5 years. Energy saving, Productivity improvement & Sustainability based solutions for customers Dealer Portal and Call Center for Dealers and Influencer NPP (Nerolac Premium Painter) Program for Influencers 		
Healthy Home Paints	Virus Guard (Anti Virus and Covid 19 safe),													
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Dealer & Influencer Convenience	Digital and focused Initiatives													
<h3>STRENGTHENING RELATIONSHIP WITH SUPPLY CHAIN PARTNERS</h3>	<ul style="list-style-type: none"> Create long-term relationships with our supplier network Build sustainable supply chain, based on highest standards of ethical conduct, environmental management and working conditions 	<table border="1"> <tbody> <tr> <td>Supplier Connect</td> </tr> <tr> <td>Supplier Capability Building</td> </tr> <tr> <td>Supplier Audits</td> </tr> <tr> <td>Local Sourcing</td> </tr> <tr> <td>Heavy Metal Free Raw Materials</td> </tr> <tr> <td>Supplier Collaboration Projects</td> </tr> </tbody> </table>	Supplier Connect	Supplier Capability Building	Supplier Audits	Local Sourcing	Heavy Metal Free Raw Materials	Supplier Collaboration Projects		<p>Strategic Supplier Engagements at Top Management Level for Long term Projects</p> <p>Quality Improvement Program for Supplier Capability Enhancement</p> <p>Audits Conducted for 30 New suppliers and ongoing regular need based supplier audits</p> <p>More than 50% of Suppliers base is Local. PM suppliers are within a 10 km radius of our production sites.</p> <p>100% of RMs used in Decorative paints is Heavy Metal Free</p> <p>More than 50 Ideation sessions conducted</p>				
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Capital	Focus Areas	Planned Initiatives in FY 20-21	Impact on SDGs	Performance
FINANCIAL	<ul style="list-style-type: none"> Maximize share holder value Increasing Market Share Enhancing productivity Sustaining Value creation 	<ul style="list-style-type: none"> Continuous investment in the future Leveraging monetary resources Augmenting economic and societal value Efficient capital allocation 		<ul style="list-style-type: none"> Increase in operational cash flow from 15.7 MN USD in FY1819 to 88.5 MN USD in FY19-20 Significant control on overheads, 4.5% reduction in FY19-20 Vs FY 1819 Continuous improvement in EBITDA, Dividend and EPS over last 5 years
MANUFACTURING	<ul style="list-style-type: none"> Optimizing overhead costs Embracing digital capabilities Enhancing productivity Strengthening integrated supply chain 	<ul style="list-style-type: none"> Productivity improvement by Throughput improvement and Judicious usage of Automation. Overheads reduction through Energy conservation initiatives and Optimal Plant capacity utilization Digital : Use Digital technology for Machine Utilization and Reduction in Tinting strokes 		<ul style="list-style-type: none"> 6 Strategically located manufacturing facility State of Art Digital factory commissioned 104 Depots & 27,500+ Dealer PAN India
INTELLECTUAL	<ul style="list-style-type: none"> To be a pioneer in developing best in class sustainable and user -friendly products To be one of India's most technologically advanced paint company 	<ul style="list-style-type: none"> Design products addressing environment or social concerns Design Unique product solutions using high end technology & collaboration with Kansai Japan and Group Cos. Design products or service solution led by cost savings 		<ul style="list-style-type: none"> State of Art R&D facility commissioned No. of Patents filed in FY1920 : 2 No. of Innovation & Technical sessions held in FY 1920: 117 No. of New Products Launched in FY 1920 : 33 Key Products Launched : High Durable Exterior paints, New Generation Clear Coat for PV, Monocoat for 2 Wheeler, Weatherproof PU coat
HUMAN	<ul style="list-style-type: none"> Ensure manning of positions Creating Successors for critical positions Create a differentiated employee experience Moving towards Zero Incident and best in class safety facility 	<ul style="list-style-type: none"> Capability Development – through Nerolac's Digital University Gamification of performance management system Digital Employee Engagement App on Mobile 		<ul style="list-style-type: none"> Permanent employees: 2992 Training mandays per employee : 5.05 Overall safety culture improved by 6% in 2019 30,980 Manhours of trainings were imparted on safety topics. Nerolac's Employee Value Proposition: Launched (Initiative lays emphasis on the quality of people, the environment of limitless growth and an IT-enabled empowerment).

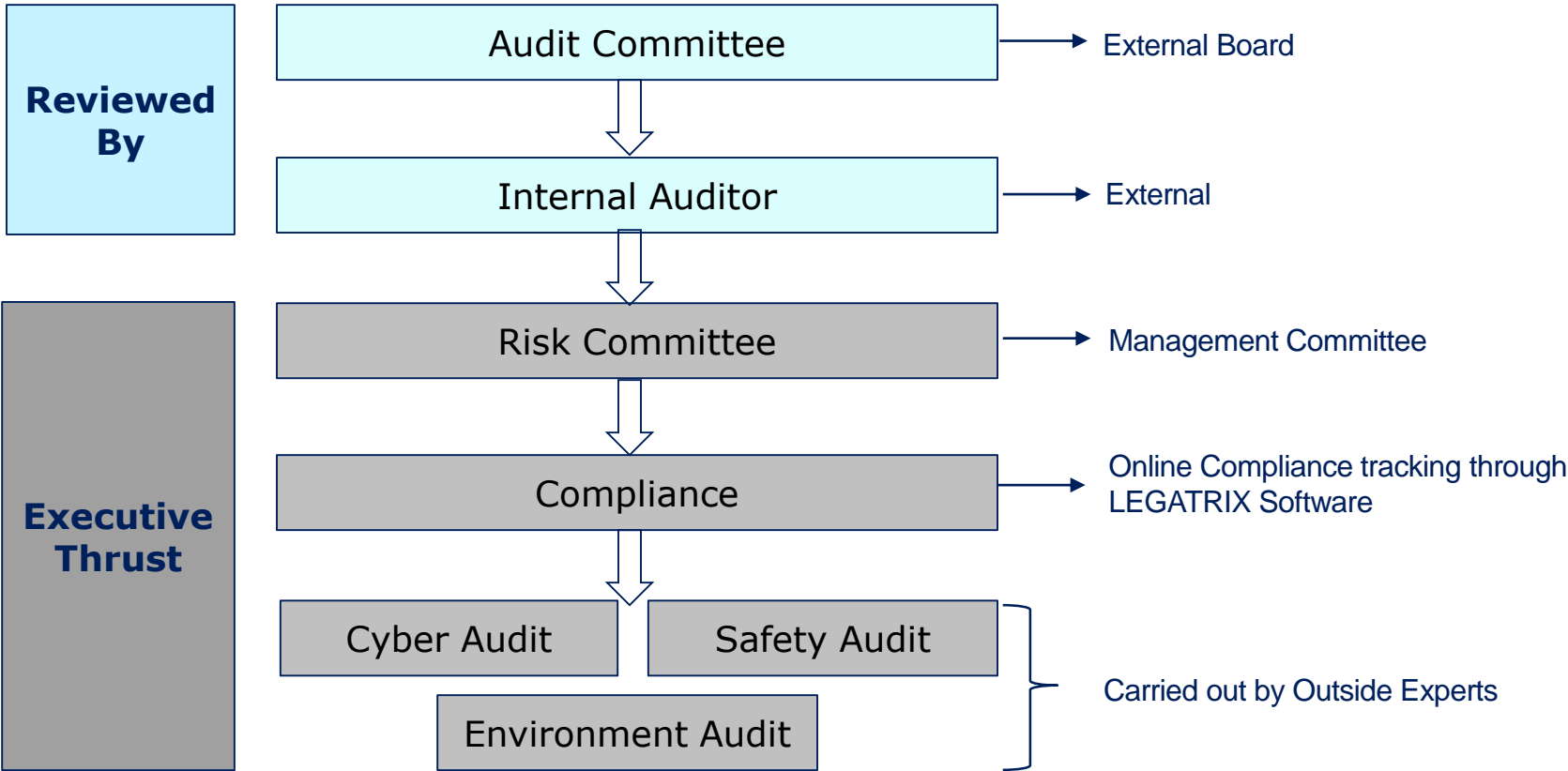
Governance

Chairman (External Board Member)	
Supervisory Board	3 External Directors (Including one woman Director)
	3 Promotor Directors
Executive Board	2 Executive Directors
	6 Management Committee

Nomination & Remuneration Committee	3 External Directors
Audit Committee External Internal Auditor Financial Auditor	3 External Directors
Corporate Social Responsibility	1 External Director 2 Internal Directors
Stakeholders Committee	1 External Director 2 Internal Directors

All Committees are chaired by External Director

Risk Management





THANK YOU