

DuluxGroup Safety and Sustainability Report 2011

WELCOME TO THE 2011 DULUXGROUP LIMITED SAFETY AND SUSTAINABILITY REPORT. THROUGHOUT THE YEAR DULUXGROUP CONTINUED TO IMPROVE ITS MANAGEMENT OF SIGNIFICANT RISKS VIA OUR KEY IMPROVEMENT STRATEGIES, AS OUTLINED IN OUR 2010 REPORT. WHILE PROGRESS WAS MADE ON THE MAJORITY OF MEASURES, FURTHER IMPROVEMENT IS NEEDED ON OTHERS.

SAFETY AND SUSTAINABILITY STRATEGY

An integrated approach to management of risks associated with the activities of our people, operations and products means that all DuluxGroup businesses operate within a common safety and sustainability strategic framework. In order to achieve DuluxGroup's vision of "A Future Without Harm", our priorities are focused on the following areas:

- **People:** Fatality Prevention, Personal Safety, Health and Well-being, and Community Engagement.
 - **Operations:** Process Safety, Waste Generation, and Water Consumption.
 - **Products:** Solvents (VOCs), Chemicals of Concern, Non-renewable Resources, Carbon Footprint and Post-consumer Waste.
- Achievement of our vision is enabled by four specific improvement strategies comprising multi-year action plans:
- **Process Safety Strategy:** focused on management of manufacturing process hazards that could result in low probability, high consequence incidents such as a major fire or multiple fatalities.
 - **Fatality Prevention Strategy:** focused on management of significant risks that are known common causes of single fatality incidents across many industries such as driving vehicles and forklifts.

- **Personal Safety Strategy:** focused on management of common workplace risks that can result in recordable injuries such as strains and cuts.
- **Sustainability Strategy:** focused on management of other material social or environmental aspects associated with our business activities (e.g. product stewardship, waste to landfill, employee health and well-being).

This strategy is linked to a continuous improvement culture, reinforced by targeted improvement plans and measurable performance indicators.

SAFETY AND SUSTAINABILITY GOVERNANCE

Safety and Sustainability governance across DuluxGroup is achieved via a combination of regular management reviews and established due diligence processes. The key elements include:

- A Safety and Sustainability Board Committee. The committee meets quarterly to review performance, objectives and strategies.
- A Safety and Sustainability Council comprising Group Executive representatives. The Council meets quarterly to review performance, approve strategy, monitor implementation, and review findings.
- An annual Safety and Sustainability Letter of Assurance (LoA) process whereby all sites and businesses report on performance against Company standards.
- A corporate audit program involving auditing of sites and businesses to assess compliance with Company standards and progress on improvement actions.

All line managers are responsible for managing safety and sustainability risks, supported by a number of dedicated specialists.

SAFETY AND SUSTAINABILITY PERFORMANCE

1. People

Fatality Prevention

During 2011 we developed our first Fatality Prevention Protocol for Driver Safety, with implementation to be completed during 2012. Employees driving vehicles for work related purposes is one of our most significant fatality risks and the protocol mandates the minimum standards required of all employees in order to reduce their overall risk exposure while driving.

Personal Safety

The Lost Workday Case Rate (per 200,000 hours) decreased to 0.95 from 1.03 in 2010. While it is encouraging that we achieved an 8% reduction in our most severe injuries, it was disappointing that our total Recordable Case Rate (per 200,000 hours) increased to 1.96 compared to 1.81 in 2010, reflecting an increase in the numbers of less severe recordable injuries. Analysis shows that the most common injuries were strains associated with manual handling (43%) and minor cuts, typically to hands (20%). The increased numbers of injuries were largely associated with two of our coatings manufacturing plants, where major capital project activities were undertaken (including the Dulux Rocklea flood recovery). While it is very pleasing that no low frequency-high consequence outcomes (e.g. fatalities) occurred, reviews are being conducted to identify lessons for management of future major projects.

We encourage our employees to report all incidents which have the potential to cause harm. Total General Learning Incidents ("near misses") reported per employee increased from 1.32 in 2010 to 1.92. This continued improvement in proactive reporting reflected the strong focus developed in recent years on identifying hazards that could cause injury or other types of incidents before harm occurs.

Hygiene monitoring programs to measure employee exposure to hazardous substances were conducted at our manufacturing sites, and 99.4% of results were below the relevant occupational exposure limit (OEL). Health assessment monitoring programs to monitor employees working with particular hazardous substances or agents were fully completed to plan.

Health and Well-being

Dulux Australia launched a new "Fit for Life" program that was rolled out across the Paint Specialists business, including all trade store employees. This education program focuses on personal health and well-being, proactive injury management, and workplace hazard identification. Selleys Yates Padstow and Dulux New Zealand continued with their existing health and well-being programs, introduced in prior years.

Community Engagement

DuluxGroup continued to work with our local communities during the year. Some examples from 2011 include:

- DuluxGroup PNG established a sponsorship with the Port Moresby Botanical Gardens to assist with their restoration.
- Selleys, Yates and Dulux employees from Padstow participated in the Clean Up Australia program for the 12th consecutive year.
- DuluxGroup employees donated to the Queensland Premier's Disaster Relief Appeal following the devastating Queensland floods, with the Company matching that amount.
- Dulux New Zealand donated paint to assist Lower Hutt Council with a graffiti paint out day involving 80 members of the public.

2. Operations

Process Safety

Our focus on improved process safety management to prevent low frequency-high consequence incidents (e.g. fire or explosion) at our manufacturing sites continued during 2011, with successful commencement of the Periodic Hazard Study process at Dulux Powders Glenfield. This involves an analysis of hazards over a number of months and a review of the effectiveness of relevant critical risk controls. Our Dulux Rocklea, Selleys Padstow and Yates Wyee sites all made good progress towards completing improvement actions following completion of their Periodic Hazard Studies in prior years. There were no serious process safety incidents or near misses (e.g. fire or spill) across the business during 2011.

Acquisition Integration

Integration of acquisitions remained an important priority during 2011, especially for operating sites with significant process safety and fatality risks. Our DGL International Shanghai manufacturing site continued to make strong progress against their integration plan, with the majority of actions now nearing completion. The recently acquired Dulux Australia Glen Waverley manufacturing site has commenced implementation of improvement actions following completion of a significant risks audit immediately after acquisition.

Resources and Environment

Water consumption (kilolitres per tonne of production) decreased 4% to 0.53 kL/t. This decrease was largely associated with reduced water consumption at Yates Wyee following decommissioning of the site process water dam in late 2010.

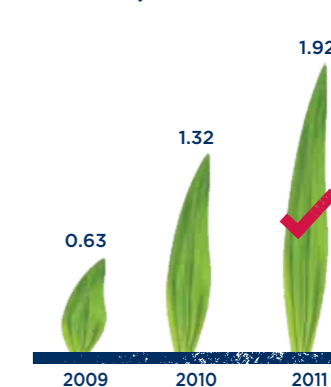
Waste generation (kilograms per tonne of production) increased by 14% to 18.9 kg/t. This significant increase was due to Rocklea flood recovery works. Improvements in waste reduction were achieved at a number of sites. Our Dulux Powders Dandenong and Glenfield manufacturing sites achieved a combined 44% reduction in waste to landfill (a reduction of >200 tonnes per year) through identification of recycling opportunities.

RECORDABLE CASE RATE



The Recordable Case Rate is the number of recordable injuries and illnesses (requiring time off work, restricted duties or medical treatment) per 200,000 hours worked (US OSHA system), which is equivalent to the percentage of employees and contractors injured. The majority of our recordable injuries are strain injuries from manual handling, cuts and injuries from slips, trips and falls. The Recordable Case Rate for 2011 was 1.96 compared with 1.81 in 2010.

TOTAL GENERAL LEARNING INCIDENTS (PER EMPLOYEE, PER YEAR)



We encourage our employees to report all incidents which have the potential to cause harm. General Learning Incidents are near miss incidents and hazards that allow the Company to identify and correct potential hazards before harm occurs. Total General Learning Incidents reported per employee improved to 1.92 in 2011 compared with 1.32 in 2010.

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Total operational energy consumption (gigajoules per tonne of production) decreased by 1% to 0.77 GJ/t. Carbon dioxide emissions (tonnes per tonne of production) decreased by 6% to 0.15 t/t. These decreases were largely associated with a 12% reduction in energy use at Yates Wyee due to variations in product mix.

DuluxGroup meets the criteria for reporting under the Australian National Greenhouse and Energy Reporting System (NGERS), primarily due to use of solvents as raw materials. This is reflective of our business carbon life cycle analysis, where raw materials and their supply (Scope 3) comprise the majority of our carbon exposure, and operational energy use represents only a minor component. Operational energy consumption and greenhouse gas emissions from our Australian activities (e.g. facility electricity consumption, fleet car fuel consumption) are both below the NGERS reporting and proposed carbon tax thresholds. Our operational total greenhouse gas emissions (Scope 1 and 2) from DuluxGroup's Australian sites and business activities were 26,813 tonnes (CO₂-e or equivalent carbon dioxide emissions). Total energy consumed was 424,627 GJ.

Dulux Acratex Beverley achieved certification to ISO 14001 Environmental Management Systems in 2011, the first Dulux Australia business to achieve this accreditation. This follows the achievement of certification by Dulux New Zealand Gracefield in 2009.

Regulatory Compliance

DuluxGroup received six penalty infringement notices and one regulatory warning for breaches of regulatory compliance conditions during 2011, compared with two non-compliances in 2010. Each of these non-compliances has been fully investigated and appropriate corrective actions implemented to prevent a recurrence.

Legacy Issues

The Company has undertaken a number of investigations in prior years to identify potential soil and groundwater contamination issues. Selley's Padstow commenced remediation of an identified area of polychlorinated biphenyl (PCB) soil contamination in 2011, with works to be completed early in 2012. While the contamination was contained and posed no identifiable risks during continued site operation, the opportunity to excavate and remediate the area presented itself, during the required repair of a concrete surfaced drum storage area.

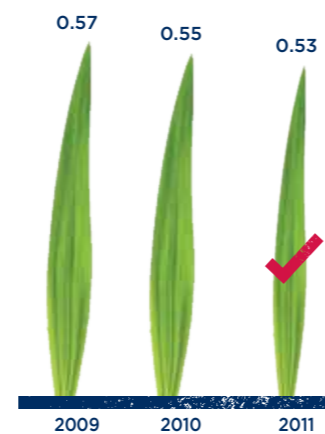
3. Products

Product Stewardship

Our product stewardship processes continued to deliver further improvements in the material safety and sustainability aspects of our products during 2011. Innovation represents a key enabler to our success in continuing to develop a product portfolio with lower risks to people, the environment and our community. Some examples from 2011 include:

- **Solvents (VOCs):** Selley's launched 3 in 1 Adhesive Sealant and Gap Filler, a multi-purpose product based on an innovative silicone based technology that is both isocyanate and solvent free.
- **Community Safety:** Dulux Australia received the 2011 Aerosol Association of Australia award for Corporate Social Responsibility in recognition of the development of Dulux Spraypak aerosol paints that discourage chroming due to low levels of aromatic solvents.
- **Consumer Safety:** Yates released new Ratsak rodenticide packaging with child resistant closures to enable safe storage of larger packages in the consumer's home.

WATER CONSUMPTION (kL/t)



Water consumption (kilolitres per tonne of production) across company operating sites decreased to 0.53 kL/t in 2011 from 0.55 kL/t in 2010. Approximately 44% of all water consumed is used in formulation of water based products and does not contribute to waste or effluent discharged.

WASTE GENERATION (kg/t)



Waste generation to landfill (kilograms per tonne of production) across company operating sites increased to 18.9 kg/t in 2011 from 16.6 kg/t in 2010.

This significant increase was due to Rocklea flood recovery works.

Excluding the additional flood recovery works, waste generation decreased.

- **Post Consumer Waste:** Dulux New Zealand continued to run the "Take Back" program for waste paint and packaging, whereby trade customers can return waste materials for recycling. More than 43,000 litres of paint and 70,000 used packaging containers have now been collected for recycling since the scheme commenced in October 2009.
- **Carbon Footprint:** Dulux Powder and Industrial Coatings Australia continued work on an exciting two year collaboration project with CSIRO and GMH, with funding from EPA Victoria, to commercialise powder coated automotive plastics that will eliminate waste and solvent (VOC) emissions associated with current liquid coatings.

Community Safety

The Company's Emergency Response Service responded to 554 calls during 2011 involving incidents with our products, primarily during consumer use (e.g. inadvertent exposures, spills). This compared with 323 calls in 2010 and reflects increased use of the emergency number on product packaging, particularly, Ratsak rodenticide packaging. This service provides immediate emergency support to our consumers 24 hours a day.

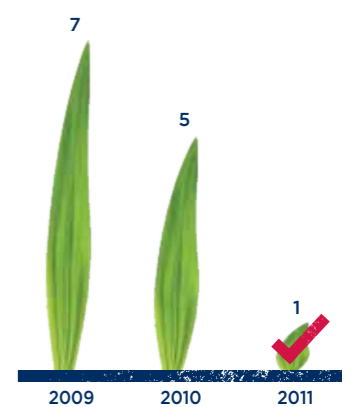
Serious incidents during distribution of our products to customers (Category 2+ Distribution Incidents) decreased from 5 in 2010 to 1 in 2011. This pleasing result represents a continued decline in numbers of these incidents over the last three years and reflects a number of improvement initiatives implemented with our distribution carriers during that time.

SAFETY AND SUSTAINABILITY KEY FOCUS AREAS 2012

DuluxGroup's key priorities during 2012 will be the continued implementation of our four primary improvement strategies and their supporting elements. Significant planned actions include:

- **Process Safety:** Completion of Periodic Hazard Studies at additional sites.
- **Fatality Prevention:** Full implementation of our new Driver Safety Fatality Prevention Protocol and development of protocols for other risks.
- **Personal Safety:** Identification of ergonomic risk reduction opportunities associated with manual handling of our finished products, together with continued focus on job safety analysis, standard operating procedures, and training.
- **Sustainability:** Improvement of our product stewardship processes to continue driving improvement in the material aspects of our products.
- **Leadership:** Delivery of our new safety leadership development program.
- **Systems:** Improvement and development of fit-for-purpose systems following demerger.

DISTRIBUTION INCIDENTS (CATEGORY 2+)



Serious distribution incidents are incidents involving DuluxGroup products during transport or storage, prior to delivery to the customer. For 2011 the number was 1, compared with 5 in 2010.