

Safety and Sustainability Report

Welcome to the 2015 DuluxGroup Safety and Sustainability Report. During the year we continued to make steady progress in improving management of significant risks to prevent harm, with good outcomes achieved in several areas.

OUR STRATEGY

In order to achieve DuluxGroup's safety and sustainability vision of 'A Future Without Harm', our improvement priorities are focussed on ensuring effective identification and management of the material risks associated with our products, operations and people.

This includes all facets of our business activities to ensure we meet the expectations of all stakeholders, including our customers and consumers. An integrated approach to management of our risks means that all DuluxGroup businesses operate within a common safety and sustainability strategic framework that is focussed on four differentiated risk areas.

This differentiated strategic approach recognises that a singular management focus on everyday injuries does not prevent high consequence events such as major fires, fatalities or environmental legacies. These strategies are underpinned by a focus on risk basics (e.g. incident reporting, change management) and most importantly, leadership and culture. The strategies are linked to a continuous improvement focus, reinforced by targeted improvement plans and measurable performance indicators.

Disaster prevention

Strategic Focus

Prevention of disasters such as a major fire or explosion from chemical manufacturing (process safety) and handling of dangerous goods

Key 2015 Outcome

No serious incidents or near misses involving chemical process safety or dangerous goods

Fatality prevention

Strategic Focus

Prevention of fatalities from common significant hazards such as forklifts, working at height and driving

Key 2015 Outcome

A 12% increase in hazard and near miss reporting, which represents the five consecutive years of improvement. This reporting is a foundation of fatality prevention and in 2015 we remained fatality free

Personal safety

Strategic Focus

Prevention of non-fatal injuries and illnesses from everyday hazards such as manual handling, sharp objects and exposure to noise or chemicals

Key 2015 Outcome

Good improvement across the former Alesco businesses, including B&D and Lincoln Sentry where injury rates were 75% and 64% lower respectively when compared with acquisition in 2013. This was offset by an increase in injuries from non-fatal risks (e.g. manual handling) across the heritage businesses, where implementation of new improvement plans has commenced. Workers compensation claims declined 20%, average claim costs declined 26%, and premiums were sustained at 35% less than two years ago

Sustainability

Strategic Focus

Prevention of community and environmental harm from all activities, including product stewardship, resource efficiency and land protection

Key 2015 Outcome

Continued product stewardship improvements (e.g. product reformulation, packaging redesign) to prevent potential harm to our customers, consumers and the environment. Further operating site resource efficiency improvements, including a 6% reduction in waste to landfill and a 6% reduction in water consumption.

GOVERNANCE

Safety and sustainability governance across DuluxGroup is achieved via regular management reviews and due diligence processes.

SAFETY & SUSTAINABILITY GOVERNANCE	
Board Committee	A Board Safety and Sustainability Committee that meets four times a year to review performance, objectives and strategies, in addition to progress reviews at each Board meeting
Executive Council	A Group Executive Safety and Sustainability Council that meets three times a year to review performance, approve strategy and lead implementation, in addition to progress reviews at each Group Executive meeting
Assurance Process	An annual safety and sustainability assurance process whereby all businesses report on improvement progress and develop prioritised plans
Audit Program	A safety and sustainability audit program for all businesses to assess effectiveness of risk management and identify improvement priorities

All line managers are responsible for managing safety and sustainability risks, supported by a number of dedicated specialists. Senior management remuneration is linked to safety and sustainability performance, including leading improvement activities (e.g. implementation of process safety, fatality prevention and product stewardship improvement actions) and lagging performance indicators (e.g. injury rates).

PERFORMANCE

1. DISASTER PREVENTION

Our priority focus on prevention of high consequence incidents such as a major fire or explosion from chemical manufacturing process safety hazards in our factories (e.g. flammable solvents, combustible dusts) or from handling of dangerous goods continued during the year. Many years has elapsed since our last serious harm incident (major fire) involving a chemical process safety risk, however we continue to regularly see high consequence events involving solvents and dusts in industries around the world. This serves as a potent reminder of the risks we are working with every day and the need for constant improvement.

The key improvement activity in this area is our in-depth Periodic Hazard Study process, which involves a deep multi-month hazard analysis to ensure that effective critical risk controls are being implemented and sustained. Independent progress reviews are conducted every six months, including updating of each site's process safety lead indicator scorecard, to ensure improvement actions are effective. This is further supported by Process Safety Protocols that specify the minimum, generic control standards for management of flammable solvent and combustible dust risks.

PROCESS SAFETY Manufacturing with flammable solvents and combustible dusts	
2015 PRIORITIES	2015 PERFORMANCE
<ul style="list-style-type: none"> • Completion of Periodic Hazard Studies at two more factories (DGL Camel Dongguan Coatings and Parchem Wyong) • Continued implementation of multi-year improvement plans at all nine factories where studies have been completed in prior years, including independent six-monthly progress reviews and use of lead indicator scorecards • Independent process safety protocol reviews at all relevant factories and implementation of actions to address any identified significant gaps 	<ul style="list-style-type: none"> • There were no serious process safety near miss incidents during the year, which compares with two such incidents in 2014 (two small solvent fires in China). There have now been no such incidents across our factories in Australia and New Zealand in five years, which represents significant improvement compared with historic performance levels.

DANGEROUS GOODS

Storage, handling and distribution of dangerous goods

2015 PRIORITIES

- Completion of a specialist dangerous goods audit in Papua New Guinea where we store and distribute high consequence dangerous goods, including chlorine and acids, and implementation of actions to address any identified significant gaps

2015 PERFORMANCE

- There were no serious incidents involving storage and handling of dangerous goods (e.g. loss of containment) across the business during the year.

2. FATALITY PREVENTION

Our priority focus on prevention of fatalities also continued during the year. The foundations of our fatality prevention strategy are near miss reporting, auditing of significant risks, risk management basics (e.g. permit to work, management of change), and implementation of protocols that prescribe higher levels of mandatory risk controls than traditional, historic standards. Hazard and near miss reporting ('Total General Learning Incidents') is a foundation of maintaining risk awareness, especially for high consequence disaster and fatality risks, so that we can take action before harm occurs.

During 2015 we continued this improvement work in order to protect our people and ensure we sustain our long-term fatality-free performance. From benchmarking with peer ASX 100 organisations in similar risk sectors we know that this is exceptional safety performance, however we recognise that it cannot ever be taken for granted and that we need to constantly improve our management of significant fatality risks.

FATALITY RISKS

Common fatality risks, including: forklifts, racking, falls, electrical safety, machine guarding, lifting equipment, traffic management and driving

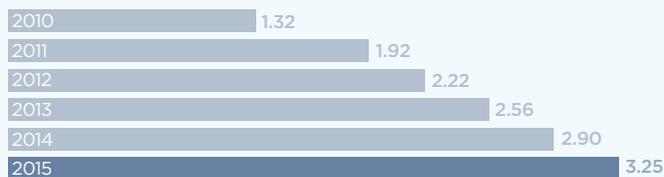
2015 PRIORITIES

- Continued implementation and verification of forklifts and racking protocols across B&D, Parchem, Lincoln Sentry and DGL Camel. This included investment to upgrade forklifts, improve racking and segregate pedestrians.
- Implementation of electrical and falls protocols across Dulux, Selleys and Yates. This included improvements to upgrade electrical installations, ensure effective isolation and improve training.
- Completion of specialist machine guarding audits at factories and ensuring any identified fatality risk improvements have been actioned.
- Development of new protocols for traffic management and lifting equipment, plus further significant risk audits and completion of actions.

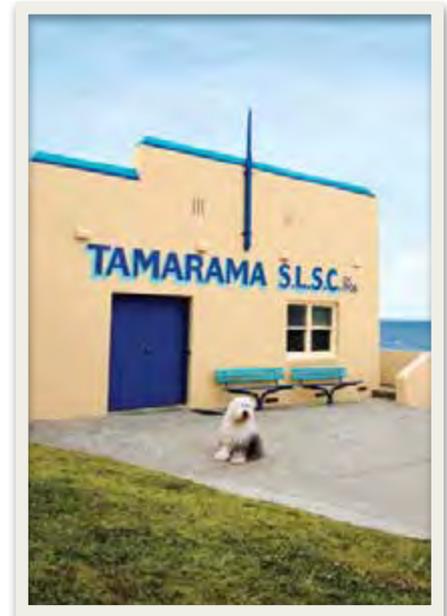
2015 PERFORMANCE

- Serious near miss incidents involving fatality risks increased 39% due to a DGL Camel China focus on improved reporting and improved identification as implementation of new protocols commenced across other businesses. Across our heritage Dulux, Selleys and Yates businesses, serious near misses remained close to their lowest level on record, which represents a 50% reduction since 2010 and 2011 when numbers peaked following the introduction of near miss reporting in 2007.
- All businesses continued to focus on reporting of hazards and near misses ('Total General Learning Incidents') during the year, with a 12% increase over the prior year to a level of 3.25 per employee, which represents the fifth consecutive year of reporting improvement.

Total General Learning Incidents



Dulux has partnered with Surf Life Saving Australia to paint every Surf club across the country.



3. PERSONAL SAFETY

During 2015 we maintained our focus on prevention of common injuries and associated compensation claims from non-fatal risks such as manual handling, hazardous chemicals and slips, trips and falls. Manual handling risks are our major source of injuries and we continue to invest in reducing these risks via changes to workplace and equipment design. This is supported by risk assessments, training in standard operating procedures, health assessments and monitoring, and near miss reporting.

INJURIES AND HEALTH

Common non-fatal injury risks and associated compensation claims, including: manual handling, sharp objects and tools, chemicals, noise, slips, trips and falls, health and well-being

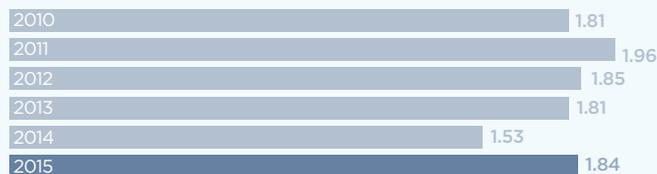
2015 PRIORITIES

- Commenced implementation of new targeted plans for the 10 largest sites that are focused on the specific injury and claim risks at each site
- Invested in new equipment to further reduce manual handling risks at several sites, including Lincoln Sentry Bayswater and Prestons, Selleys Padstow, Dulux Rocklea and B&D Clontarf
- Continued actions to improve management of compensation claims and premiums
- Completed 2,000 health assessments and 500 occupational hygiene tests to monitor employees working with chemicals or high-risk activities
- Conducted well-being activities across all businesses, including examples such as walking and fitness programs, and a variety of health initiatives (e.g. mental health, skin health, diet)

2015 PERFORMANCE

- Our Recordable Case Rate, or the number of employee and contractor injuries requiring time off work, restricted duties or medical treatment per 200,000 hours, increased 20% to 1.84.

Recordable Case Rate



- This increase in numbers of injuries from non-fatal risks occurred primarily in our heritage Dulux, Selleys and Yates businesses, where implementation of new improvement plans to address this performance commenced during the latter part of the year. Across the former Alesco businesses there was particularly good year-on-year improvement achieved in the B&D and Lincoln Sentry businesses, where 2015 injury rates were 75% and 64% lower respectively when compared with the first year of acquisition in 2013.
- Workers compensation performance improved further on 2014, with a 20% reduction in claim numbers, 26% reduction in average claim costs, and premiums sustained at 35% less than two years ago.

4. SUSTAINABILITY

Sustainability priorities during the year remained product stewardship, resource efficiency, land protection, and prevention of community harm. Our annual product stewardship assessment and improvement process is focussed on enabling all businesses to deliver product enhancements that reduce our sustainability impacts and ensure we continue building on our strong heritage in this area. Management of operating site impacts and community safety are focussed on continuous improvement in management of relevant significant risks and ensuring we meet community expectations.

Participating in, and engaging with, the communities where we work continued to be an important priority during the year. Our focus is on supporting these communities with our products and resources to jointly enable our safety and sustainability vision of 'A Future Without Harm'.

PRODUCTS

Product stewardship risks, including: post-consumer waste, renewable resources, consumer safety, chemicals of concern and packaging

2015 PRIORITIES

- Delivery of annual product stewardship improvement plans and completion of annual product group assessments across all SBUs
- Review of contract (toll) manufacture management and piloting of a revised evaluation and monitoring process to manage significant sourcing risks

2015 PERFORMANCE

Post consumer waste

- Dulux worked with Sustainability Victoria and Australian Paint Manufacturers' Federation in developing a waste paint product stewardship scheme. Subject to regulatory approval, the scheme is expected to commence during 2016.
- B&D commenced a review of post-consumer waste management with dealers to identify recycling options for product packaging following door installation.

Renewable resources

- Lincoln Sentry introduced new window louvre products with wood components obtained from Forest Stewardship Council certified sustainable sources.

Consumer safety and chemicals of concern

- Parchem reformulated a concrete sealer stripper product to eliminate two hazardous solvents.
- Selleys launched new adhesive and sealant products based on non-hazardous silicone technology as alternatives to traditional polyurethane based products.
- Cabot's reformulated a deck clean product to eliminate a highly corrosive chemical.
- Dulux implemented redesigned aerosol can caps for a new product launch that contain a locking mechanism to prevent inadvertent trigger application.
- Yates proactively phased out a range of fungicides, encouraging customers to adopt less hazardous alternatives.

Packaging and labelling

- Cabot's redesigned decking oil applicator poles to reduce the amount of packaging required and the space needed during distribution.
- Dulux, Selleys and Yates commenced a major project to update labels and safety data sheets to ensure GHS (Globally Harmonized System) compliance for all products classified as hazardous chemicals before the end of 2016.



FAR LEFT: Berger Paints has teamed with Legacy Australia and Inspirations Paint stores to restore the homes of families of defence force personnel.

LEFT: DuluxGroup's Padstow New South Wales team participated in 'Clean Up Australia Day' for the 16th year in a row.

OPERATIONS

Resource efficiency (waste, water, energy) and land protection

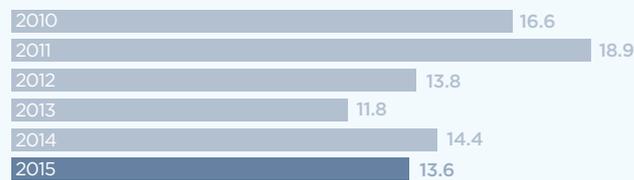
2015 PRIORITIES

- Improved waste and water reporting across the former Alesco businesses in preparation for new reduction plan development in 2016
- Continued monitoring and investigation of historic soil and groundwater contamination risks

2015 PERFORMANCE

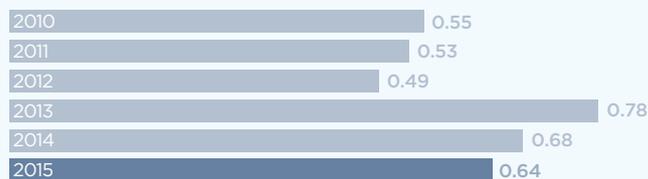
- **Waste Generation:** Waste to landfill (kilograms per tonne of production) decreased 6% from 14.4 kg/t in 2014 to 13.6 kg/t, primarily due to a 24% reduction at Dulux Rocklea following implementation of bulk bag recycling.

Waste to Landfill (kg/t)



- **Water Consumption:** Water consumption (kilolitres per tonne of production) decreased 6% from 0.68 kL/t in 2014 to 0.64 kL/t, primarily due to efficiency improvements across DGL Camel China. More than 40% of water consumed across our coatings manufacturing sites is used as raw material in the formulation of water based products.

Water Consumption (kL/t)



- **Energy Consumption:** Total energy consumption (gigajoules per tonne of production) increased 3% from 0.75 GJ/t in 2014 to 0.77 GJ/t, primarily due to variations in product mix across the Yates business. DuluxGroup meets the Australian National Greenhouse and Energy Reporting System (NGERS) reporting criteria, due to use of solvents in formulation of products. Excluding raw material use, the operational energy consumption and greenhouse gas emissions from our Australian sites and businesses are below the NGERS reporting thresholds. The total greenhouse gas emissions (Scope 1 and 2) from our Australian sites and business activities were 34,024 tonnes (CO₂-e or equivalent carbon dioxide emissions), 2% higher than 2014, primarily due to the variations in Yates product mix. Total energy consumed was 523,898 GJ, 3% lower than 2014, primarily due to decreased solvent consumption at Dulux Rocklea and Selleys Padstow.
- **Land Protection:** The company has undertaken a number of investigations in prior years to ensure potential soil and groundwater contamination issues are identified and managed. Further monitoring was completed during the year and no significant new issues were identified.

The British Paints team in Melbourne helps the 'Arty Farty' kids get creative with paint.



COMMUNITY

Community safety, regulatory compliance and community engagement

2015 PRIORITIES

- Continued management of all significant risks to prevent community harm and ensure regulatory compliance
- Conduct of a broad range of community engagement activities across all businesses

2015 PERFORMANCE

Community safety

- The company's emergency response service responded to 614 calls during the year, compared with 693 calls in 2014. This service provides emergency support 24 hours a day, with more than 98% of calls involving minor human and animal exposures to products during use. None of the calls received in 2015 involved serious harm or damage to people, community or the environment.
- There was one serious distribution incident during the year, compared with no such incidents in 2014. The incident involved spillage of paint when a truck was run off the road. The spill was fully cleaned up and there was no damage.

Regulatory compliance

- There were no regulatory prosecutions or prohibition notices received during the year, compared with one prohibition notice in 2014. There were five improvement and/or infringement notices received compared with five in the prior year, all of which were fully investigated and addressed.

Community engagement

- Dulux Australia continued its partnership with Surf Life Saving Clubs Australia to paint every surf life saving club across the country, with more than 140 clubs (45%) painted.
- Dulux New Zealand continued its three year conservation partnership with the Department of Conservation to paint and protect 973 lodges and huts across the country, with more than 130 painted.
- DuluxGroup businesses and employees donated time and resources to work on a wide variety of community projects. Examples included:
 - Yates sales employees in western Sydney helped develop and plant raised garden beds for a local school for students with intellectual disabilities.
 - Lincoln Sentry employees in Perth helped their local Foodbank distribution centre sort through donated produce that would otherwise go to landfill.
 - Dulux donated paint for restoration and maintenance of the heritage listed railway station in Gundagai, which attracts more than 6,500 visitors a year.
 - Berger paints were donated for restoration of 40 homes for families and widows of defence service personnel supported by Legacy Australia.
- Selleys, Yates, Dulux and Parchem employees at Padstow participated in the Clean Up Australia program for the 16th consecutive year.

OTHER

Integration of acquisitions to ensure effective management and targeted improvement of all significant safety and sustainability risks remained an important priority during the year. Continuing to develop the safety and sustainability leadership capability of our managers, and thereby ensure we maintain and support the optimum culture, also remained an important priority during the year. This focus recognises that our culture ultimately determines the degree of success we can achieve in aspiring to prevent all harm and that our leaders create the culture.

ACQUISITION INTEGRATION

Effective management of significant risks in acquired businesses

2015 PRIORITIES

- Reviewed the 2013/2014 integration of Alesco to identify any improvements to our integration process for future acquisitions
- Commenced integration of the Porter's Paints business

2015 PERFORMANCE

- Acquisition integration: We completed significant risk audits of all Porter's Paints operating sites and commenced implementation of prioritised improvement actions to address audit findings and ensure medium term alignment of standards, processes and culture.

LEADERSHIP AND CULTURE

Continuous development of leadership capability and culture

2015 PRIORITIES

- Further delivery of our Safety and Sustainability Management Program, launched in 2013, which provides managers with the contemporary understanding of how to effectively manage risks
- Further delivery of our Safety and Sustainability Leadership Program, launched in 2012, which is designed to help managers understand how their actions influence and create culture
- Commenced rollout of our new tailored management programs for store managers and operations team leaders
- Completed a pilot version of the leadership program for operational employees at Dulux Rocklea

2015 PERFORMANCE

- We delivered Safety and Sustainability Leadership Programs to 40 senior managers and Safety and Sustainability Management Programs to 100 operations and commercial managers. More than 150 and 300 managers have now completed the leadership and management programs respectively. We also delivered the tailored management program to 40 store managers and piloted the team leader version at three operating sites.

KEY FOCUS AREAS 2016

DuluxGroup's key priorities during 2016 will be the continued focus on our four primary improvement strategies and the supporting elements to those strategies

Disaster prevention

Completion of new periodic hazard studies at two additional sites with process safety risks, together with continued implementation and review of improvement actions from studies at sites completed in prior years

Fatality prevention

Continued focus on near miss reporting and implementation of fatality prevention protocols, with particular focus on prevention of falls, electrical safety, traffic management and lifting equipment

Personal safety

Implementation of targeted risk reduction plans for the 20 operating sites and business areas that account for the majority of non-fatal injuries and workers compensation claims across the company

Sustainability

Continued implementation of product stewardship and waste reduction plans, including development of new solid and liquid waste reduction plans for the largest sites

Leadership

Continued delivery of our leadership and management programs across all levels of the organisation, including operations and commercial managers, operations team leaders and store managers