

Safety and Sustainability Report

Welcome to the 2016 DuluxGroup Safety and Sustainability Report. During the year we continued our focus on improving management of significant risks to prevent harm, with good outcomes achieved in a number of areas. These outcomes included:

- **Disaster prevention:** No major incidents (e.g. fire) involving disaster risks, although a major near miss involving a solvent spill at Parchem Wyong occurred. A thorough investigation was completed and corrective actions implemented.
- **Fatality prevention:** We remained fatality free and our serious near misses involving fatality risks decreased 11%, while our total hazard and near miss reporting increased 8% to a positive, historic high level.
- **Injury prevention:** An 11% reduction in recordable injuries, including a 40% reduction in serious injuries. Workers compensation performance remained positive, with claims and premiums sustained at historic low levels.
- **Sustainability:** Continued product stewardship improvements (e.g. product reformulation) to prevent potential harm to our customers, consumers and the environment. A further 5% reduction in water consumption, while waste to landfill increased 9% due to improved cleanup and data capture across newer sites.

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.

SAFETY & SUSTAINABILITY STRATEGY	
Disaster prevention	Prevention of disasters such as a major fire or explosion from manufacturing process safety risks and handling of dangerous goods
Fatality prevention	Prevention of fatalities from common significant hazards such as forklifts, working at height and driving
Injury prevention	Prevention of non-fatal injuries and illnesses from everyday hazards such as manual handling, sharp objects and exposure to noise or chemicals
Sustainability	Prevention of community and environmental harm from all activities, including product stewardship, resource efficiency and land protection

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 management 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.

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 per year to review performance, objectives and strategies, in addition to reviews at each Board meeting
Executive Council	A Group Executive Safety and Sustainability Council that meets three times per year to review performance, approve strategy and lead implementation, in addition to 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 specific improvement actions for effective management of process safety, fatality and product stewardship risks) 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 manufacturing process safety risks in our factories (e.g. flammable solvents, combustible dusts) or from handling of dangerous goods continued during the year. More than 32 years has elapsed since our last major incident (fire) involving a chemical process safety risk, however we know from the regular occurrence of such high consequence events in similar industries around the world that continuous vigilance and improvement action is required.

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. Specialist 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 Disaster Prevention Protocols that specify the minimum, generic control standards for management of flammable solvent and combustible dust risks.

Following a near miss incident involving solvents at Parchem Wyong in October 2015, external specialist consultants were engaged to complete a global best practice review of the group's process safety management framework. The review rated our framework at 83% versus 342 organisations and operating sites with similar risk profiles (that is, we are operating in the top 17%). Several elements of the group framework were rated as excellent and a number of best practice improvement opportunities were also identified. Overall the best practice review confirmed that our framework is appropriate and reinforced the need to continue focus on improving effective implementation, especially at more recently acquired sites.

FOCUS AREA	2016 PRIORITIES	
Process safety	Manufacturing with flammable solvents and combustible dusts	<ul style="list-style-type: none"> • Completion of Periodic Hazard Studies at two more factories (DGL Camel Dongguan Powders and Dulux Dandenong South Powders) • Continued implementation of improvement plans at all nine factories where studies have previously been completed, including six-monthly progress reviews and use of lead indicator scorecards • Internal disaster prevention protocol reviews at all relevant factories and implementation of actions to address any identified significant gaps • External specialist global best practice review of our process safety management framework to identify improvement opportunities
Dangerous goods	Storage, handling and distribution of dangerous goods	<ul style="list-style-type: none"> • Completion of specialist dangerous goods audits and associated actions at a number of sites, together with review of our group standard to ensure minimum standards are clearly defined

2016 PERFORMANCE

- There was one major process safety near miss incident during the year, involving a 700L spill of flammable solvent at Parchem Wyong. Our emergency response ensured no solvent was lost to drains, however evaporation of some solvent to atmosphere did occur. Dispersion modelling confirmed that there was no exceedance of health or environmental criteria beyond the site boundary, although odour thresholds may have been exceeded for a short period of time. The NSW EPA subsequently issued a \$15k infringement notice. A thorough investigation of the incident was completed and corrective actions implemented, including learning for other sites.
- There were no serious process safety near miss incidents across our remaining factories and more than six years has elapsed since the last incident in Australia, New Zealand or PNG, and more than two years in China. This represents significant improvement over time.
- 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 focus on prevention of fatalities also remained a key priority during the year. The foundations of our fatality prevention strategy are hazard and 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. Our hazard and near miss reporting ('Total General Learning Incidents') is a foundation of maintaining risk awareness, especially for high consequence risks, so that we can take action before harm occurs.

During 2016 we continued this improvement work in order to protect our people and ensure we sustain our current fatality-free performance of more than 22 years. From further benchmarking with peer organisations in similar risk sectors we continue to recognise that this is exceptional safety performance, however it cannot be taken for granted and the imperative for constant improvement in our management of significant fatality risks remains.

SAFETY AND SUSTAINABILITY REPORT

FOCUS AREA	2016 PRIORITIES	
Fatality risks	<p>Common fatality risks, including:</p> <ul style="list-style-type: none"> • forklifts • racking • falls • electrical safety • machine guarding • lifting equipment • traffic management • driving 	<ul style="list-style-type: none"> • Continued implementation and verification of forklift, racking and machine guarding protocols across DGL Camel. This included investment to improve racking and segregate pedestrians. • Continued implementation of electrical and falls protocols across all businesses. This included improvements to upgrade electrical installations, ensure effective isolation and improve training. • Commenced implementation of new protocols for traffic management and lifting equipment, plus completion of further significant risk audits and associated actions

2016 PERFORMANCE															
<ul style="list-style-type: none"> • Serious near miss incidents involving fatality risks decreased 11%. Across our heritage Dulux, Selleys and Yates businesses, serious near misses remained 48% below peak levels recorded in 2011. Similarly across the B&D, Parchem and Lincoln Sentry businesses, serious near misses were 45% lower than the peak number recorded in 2013 following acquisition. • Good progress was made in continuing to drive proactive identification and reporting of all hazards and near misses ('Total General Learning Incidents') with total numbers increasing 8% to a positive historic high level of 3.51 per employee. 	<p>Total General Learning Incidents</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Total General Learning Incidents</th> </tr> </thead> <tbody> <tr> <td>2016</td> <td>3.51</td> </tr> <tr> <td>2015</td> <td>3.25</td> </tr> <tr> <td>2014</td> <td>2.90</td> </tr> <tr> <td>2013</td> <td>2.56</td> </tr> <tr> <td>2012</td> <td>2.22</td> </tr> <tr> <td>2011</td> <td>1.92</td> </tr> </tbody> </table>	Year	Total General Learning Incidents	2016	3.51	2015	3.25	2014	2.90	2013	2.56	2012	2.22	2011	1.92
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3. Injury Prevention

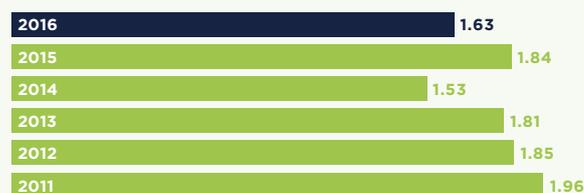
During 2016 we maintained our focus on prevention of common injuries and associated compensation claims from non-fatal risks such as manual handling, hazardous chemicals and slips, trips and falls. Manual handling risks are our major source of injuries and we continue to invest in reducing these risks 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.

FOCUS AREA	2016 PRIORITIES	
Injuries and health	<p>Common non-fatal injury risks and associated compensation claims, including:</p> <ul style="list-style-type: none"> • manual handling • sharp objects and tools • chemicals • noise • slips, trips and falls • health and well-being 	<ul style="list-style-type: none"> • Continued implementation of targeted injury reduction plans for the 10 largest sites, plus development of plans for the next 10 sites • Continued improvements in management of compensation claims and premiums • Completed over 1,900 health assessments and over 400 hygiene tests to monitor employees working with chemicals or high-risk activities • Conducted various well-being activities across all businesses, such as walking and fitness programs, and a variety of health initiatives (e.g. mental health, skin health, diet)

2016 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, decreased 11% to 1.63. Our serious injuries, involving more than 10 days of lost and/or restricted time, decreased 40%.
- Compensation claims performance remained positive with premiums and claims (numbers and costs) sustained at historic low levels of 30% and 12% less respectively than three years ago.

Recordable Case Rate



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'.

FOCUS AREA	2016 PRIORITIES	
Products	Product stewardship risks, including: <ul style="list-style-type: none"> • post-consumer waste • renewable resources • consumer safety • chemicals of concern • packaging 	<ul style="list-style-type: none"> • Completion of annual product stewardship improvement plans and product group risk assessments across all SBUs • Review of chemicals of concern management and development of a new group standard • Implementation of a new contract (toll) manufacture evaluation process to manage significant sourcing risks
Operations	Resource efficiency (waste, water, energy) and land protection	<ul style="list-style-type: none"> • Development of new landfill waste and liquid waste reduction plans for the largest generating sites • Continued monitoring and investigation of historic soil and groundwater contamination risks
Community	Community safety, regulatory compliance and community engagement	<ul style="list-style-type: none"> • Continued management of all significant risks to prevent community harm and ensure compliance • Conduct of a broad range of community engagement activities across all businesses

SAFETY AND SUSTAINABILITY REPORT

2016 PERFORMANCE – PRODUCTS	
Post consumer waste	<ul style="list-style-type: none"> Dulux Australia worked with the Australian Paint Manufacturers' Federation in launching the new waste paint recovery scheme, Paintback. Implementation commenced in May, with 70 collection points to be established across Australia. Dulux Envirosolutions developed and released new paint brush storage and cleaning systems that eliminate cleaning solvents and extend brush life
Renewable resources	<ul style="list-style-type: none"> Dulux Acratex developed new lightweight render products containing recycled raw materials that also deliver benefits to applicators via reduced weight
Consumer safety and chemicals of concern	<ul style="list-style-type: none"> Parchem reformulated a joint sealant product to replace the traditional polyurethane formulation with non-hazardous silicone technology Selleys trialled new products based on non-hazardous silicone technologies and/or MCCP free polyurethanes, with commercialisation expected in 2017 Dulux Auto Refinish reformulated primer and tinter products to eliminate a common hazardous aromatic solvent Yates proactively phased out a range of fungicides, encouraging customers to adopt less hazardous alternatives DuluxGroup PNG provided safety training and auditing for key customers supplied with chlorine, anhydrous ammonia and phosphine products
Packaging and labelling	<ul style="list-style-type: none"> Dulux, Selleys and Yates continued a major project to update labels and safety data sheets to ensure GHS compliance by the end of 2016
Sourcing	<ul style="list-style-type: none"> Lincoln Sentry reviewed LED lighting supplier life cycle assessments, certification and applications, plus engaged with installers to provide education Group Procurement commenced implementation of a new evaluation process for key contract manufacture suppliers to identify and manage sourcing risks

2016 PERFORMANCE – OPERATIONS																													
<ul style="list-style-type: none"> Waste generation: Waste to landfill (kilograms per tonne of production) increased 9% to 14.8 kg/t, primarily due to a one-off cleanup at Parchem Wyong and improved waste provider data collection across Lincoln Sentry. These increases offset a 20% reduction across B&D from introduction of recycling programs and a further 11% reduction at Dulux Rocklea associated with the full impact of bulk bag recycling introduced in 2015. Water consumption: Water consumption (kilolitres per tonne of production), including water used in production processes and in products as a raw material, decreased 5% to 0.60 kL/t, primarily due to further efficiency improvements across DGL Camel China who have reduced consumption by more than 60% since 2013. More than 40% of water consumed across our coatings manufacturing sites is used as raw material in water based products. 	<p>Waste to Landfill (kg/t)</p> <table border="1"> <tr><th>Year</th><th>Waste to Landfill (kg/t)</th></tr> <tr><td>2016</td><td>14.8</td></tr> <tr><td>2015</td><td>13.6</td></tr> <tr><td>2014</td><td>14.4</td></tr> <tr><td>2013</td><td>11.8</td></tr> <tr><td>2012</td><td>13.8</td></tr> <tr><td>2011</td><td>18.9</td></tr> </table> <p>Water Consumption (kL/t)</p> <table border="1"> <tr><th>Year</th><th>Water Consumption (kL/t)</th></tr> <tr><td>2016</td><td>0.60</td></tr> <tr><td>2015</td><td>0.64</td></tr> <tr><td>2014</td><td>0.68</td></tr> <tr><td>2013</td><td>0.78</td></tr> <tr><td>2012</td><td>0.49</td></tr> <tr><td>2011</td><td>0.53</td></tr> </table>	Year	Waste to Landfill (kg/t)	2016	14.8	2015	13.6	2014	14.4	2013	11.8	2012	13.8	2011	18.9	Year	Water Consumption (kL/t)	2016	0.60	2015	0.64	2014	0.68	2013	0.78	2012	0.49	2011	0.53
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<ul style="list-style-type: none"> Energy consumption: Total energy consumption (gigajoules per tonne of production) remained steady at 0.77 GJ/t. DuluxGroup meets the Australian National Greenhouse and Energy Reporting System (NGERS) reporting criteria, due to use of solvents in formulation of products. Excluding this raw material use, the operational energy consumption and greenhouse gas emissions from our Australian sites and businesses are below the reporting thresholds. The total greenhouse gas emissions (Scope 1 and 2) from our Australian sites and business activities were 33,400 tonnes (CO₂-e or equivalent carbon dioxide emissions), 2% lower than 2015, primarily due to lower fleet fuel emissions. Total energy consumed was 485,000 GJ, 7% lower than 2015, primarily due to decreased solvent consumption at Dulux Rocklea. 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 issues were identified. 																													

2016 PERFORMANCE – COMMUNITY

Community safety	<ul style="list-style-type: none"> The company’s emergency response service responded to 555 calls during the year, compared with 614 calls in 2015. 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. There was one serious distribution incident during the year, compared with one such incident in 2015. The incident involved a spill and exposure to nitric acid at a customer site in PNG during delivery of a 200L drum. The incident was fully investigated and corrective actions implemented.
Regulatory compliance	<ul style="list-style-type: none"> There were no regulatory prosecutions or prohibition notices received during the year, compared with none in 2015. 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	<ul style="list-style-type: none"> Yates launched the Raise A Patch initiative to promote a healthy approach to fundraising via sale of seed packets and encourage home gardening Dulux Australia continued its partnership with Surf Life Saving Clubs Australia, with more than 145 clubs painted to date Dulux New Zealand continued its conservation partnership with the Department of Conservation to paint and protect 973 lodges and huts across the country DuluxGroup businesses and employees donated time and resources to support a wide variety of community projects

5. Integration and Leadership

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.

FOCUS AREA	2016 PRIORITIES	
Acquisition integration	Effective management of significant risks in acquired businesses	<ul style="list-style-type: none"> Continued integration of the Porter’s Paints business
Leadership and culture	Continuous development of leadership capability and culture	<ul style="list-style-type: none"> Continued delivery of our Safety and Sustainability Management and Leadership Programs, which provide managers with the contemporary understanding of how to effectively manage risks and how their actions influence and create culture Commenced development of advanced leadership, management refresher, and employee leadership programs for introduction in 2017.

2016 PERFORMANCE

- Acquisition integration:** Across Porter’s Paints we continued implementation of prioritised improvement and integration actions to address findings from 2015 significant risk audits of all sites and ensure medium term alignment of standards, processes and culture
- Leadership and culture:** We delivered Safety and Sustainability Leadership Programs to 20 senior managers and Safety and Sustainability Management Programs to 70 operations and commercial managers. More than 170 managers have now completed the leadership program and more than 350 managers have completed the management program.

SAFETY AND SUSTAINABILITY REPORT

6. Key Focus Areas 2017

DuluxGroup's key priorities during 2017 will be the continued focus on our four primary improvement strategies and the supporting elements to those strategies.



RIGHT: Marcoola Surf Life Saving Club in Queensland, protected by Australia's leading paint.

**DULUX IS PARTNERING
WITH SURF LIFE
SAVING AUSTRALIA
TO REPAINT SURF
CLUBS THROUGHOUT
AUSTRALIA WITH
AUSTRALIA'S LEADING
PAINT BRAND**

