

DULUXGROUP SAFETY *and* SUSTAINABILITY REPORT 2012

WELCOME *to* THE 2012 DULUXGROUP SAFETY
and SUSTAINABILITY REPORT.
THROUGHOUT THE YEAR WE FOCUSED *on*
IMPROVING OUR MANAGEMENT OF SIGNIFICANT RISKS
and IT WAS PLEASING TO OBSERVE CONSIDERABLE IMPROVEMENT.

STRATEGY

An integrated approach to management of risk 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.

We have achieved significant improvement in the past, which is credited to the longstanding priority given to safety and sustainability by all of our employees, together with our early adoption in the 1980s and 1990s of today's standard risk management practices (e.g. hazard studies, management systems and behavioural observation programs). However, we recognise that our risk profile is constantly changing as our business changes and therefore our management of those risks needs to evolve accordingly. Achievement of our vision is currently enabled by four targeted strategies:

- **Process Safety:** prevention of major incidents from factory process hazards such as flammable solvents.
- **Fatality Prevention:** prevention of fatalities from common significant hazards such as forklifts and working at height.
- **Personal Safety:** prevention of injuries from common workplace hazards such as manual handling and sharp objects.
- **Sustainability:** prevention of community and environmental harm from all business activities.

These strategies are linked to a continuous improvement culture, 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. This includes:

- A Safety and Sustainability Board Committee. The Committee meets quarterly to review performance, objectives and strategies.
- A Safety and Sustainability Group Executive Council. The Council meets quarterly to review performance, approve strategy, monitor implementation, and review findings.
- An annual Safety and Sustainability Assurance process whereby all businesses report on performance and improvement progress.
- An ongoing Safety and Sustainability Audit program of all businesses to assess effectiveness of risk management.

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 both lagging performance (e.g. injury rates) and leading improvement activities (e.g. fatality prevention protocol implementation).

PERFORMANCE

1. PEOPLE

Fatality Prevention

During 2012 we continued our focus on fatality prevention in order to protect our people and ensure we sustain our fatality free performance of more than 18 years. The current improvement actions focus on the investigation of near misses and completion of significant risk audits at sites, supported by protocols that prescribe high levels of mandatory risk controls. Significant improvements were implemented at a number of sites, including improved pedestrian segregation barriers at Yates Wyee and elimination of forklifts from significant areas of the factory at Dulux Glenfield. Our first protocol for driver safety was implemented during the year, and two further protocols (forklifts; racking) were developed and implementation is in progress.

Our levels of serious near miss incidents associated with fatality hazards continued to decline during the year, which has been a consistent trend over the last four years. The number of such incidents in 2012 was 70% lower than in 2009, when we

introduced this measure. Meanwhile, our overall levels of total near miss reporting have almost quadrupled, indicating that our employees are increasingly reporting potential hazards before they cause harm.

Personal Safety

We achieved significant improvement in the personal safety performance of our established businesses. Excluding the new Camelpaint business, our Lost Workday Case Rate (per 200,000 hours) decreased to 0.64, from 0.82 in 2011, and our total Recordable Case Rate (per 200,000 hours) decreased to 1.21 from 1.96. The result of 1.21 is the best ever performance for our established businesses, representing a 35% improvement over the average performance of the prior three years and a 55% reduction from four years ago. Including Camelpaint, the lost workday and recordable case rate results were 1.21 and 1.85 respectively. These results were significantly impacted by an incident at Dongguan where 18 employees developed food poisoning after a meal provided on site.

Through participation in annual coatings industry safety surveys we know that our injury rates over the last decade have consistently been well below the Australian industry average (e.g. 35% lower in 2010). From benchmarking against international decorative coatings businesses in the US and UK/Europe completed in recent years, we also know that the F12 result of 1.21 for our established businesses is approaching best practice in those regions.

Our injuries are primarily associated with manual handling, sharp objects, and slips, trips and falls. During 2012 we maintained our focus on key activities introduced in recent years including ergonomic risk reduction, risk assessment and training, together with near miss reporting. Investment to reduce risk was undertaken at a number of sites, including a significant automation upgrade to Yates Mt Druitt liquids packaging and commencing installation of pneumatic hook lifts in Dulux Trade Centres.

Improving our reporting and investigation of near misses and hazards ("Total General Learning Incidents") also continued to show significant improvement for the fourth consecutive year. Our reporting rate per employee during 2012 increased 16% to 2.22.

Health and Well-being

Protecting employee health and well-being remained an important priority during the year. Monitoring programs to measure potential hazardous substances exposure were conducted at our manufacturing sites, and more than 99% of results were well below the occupational exposure limits. Health assessment monitoring programs to proactively monitor employees working with hazardous substances or agents were fully completed.

A number of well-being initiatives were conducted during the year, ranging from a new weight loss and health program with our Dulux NSW sales team, to continuing our program of ergonomic assessments and postural awareness training for office based Clayton employees.

Leadership Development

Developing safety leadership skills was an important focus during the year. Approximately 50 managers, ranging from Group Executive members to site operations managers, completed a program designed to enhance development of critical safety leadership skills (e.g. communication, leading by example) that support and enable our people to achieve safety success. This new program involves skills workshops, coaching and projects to practice for success. During the year we also redeveloped our safety and sustainability management training programs, which will be launched during 2013. These programs will focus on how to apply our strategies and systems in order to effectively manage risk.

RECORDABLE CASE RATE

1.78	2009
1.81	2010
1.96	2011
1.21	2012
1.85	2012

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 2012 was 1.21 (excluding the new Camel business) compared with 1.96 in 2011. Including Camel, the result was 1.85.

TOTAL GENERAL LEARNING INCIDENTS (PER EMPLOYEE, PER YEAR)

0.63	2009
1.32	2010
1.92	2011
2.22	2012

TOTAL GENERAL LEARNING INCIDENTS (PER EMPLOYEE, PER YEAR).

We encourage our employees to report incidents that 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 2.22 in 2012 compared with 1.92 in 2011.

Community Engagement

Building on our strong history of engaging with local communities, the company formally adopted a community participation program during 2012 whereby all employees can undertake half a day per year of volunteer work supported by the company. This volunteer work complements the community support activities undertaken by a number of our businesses. Some examples of community engagement activities during 2012 include:

- Dulux Australia worked with Bunnings to raise \$200,000 for local State Emergency Service units through a donation for all Weathershield product sold during January 2012.
- Dulux New Zealand donated paint and volunteer time to improve the surroundings for 12 community organisations, including local primary schools, scout groups and community theatres.
- Dulux New Zealand worked with Habitat for Humanity to provide paint for more than 50 community projects to help improve the living conditions for people in need, including some of those affected by the Christchurch earthquakes.
- DuluxGroup Clayton employees worked with Able Australia to paint the interior of a house for six residents with multiple disabilities, while Dulux Protective Coatings employees worked with the RSPCA to paint an animal shelter.
- To help protect and repair our environment, Yates donates a percentage of sales from our 'Nature's Way' range of products to Landcare Australia.
- Yates is also a proud sponsor of the Junior Landcare Challenge to encourage children to learn about gardening and the environment.
- Selleys, Yates and Dulux employees from our Padstow site participated in the Clean Up Australia program for the 13th consecutive year.

2. OPERATIONS

Process Safety

Our focus on ensuring effective management of process hazards in our factories (e.g. flammable solvents) in order to prevent potential high consequence incidents such as a major fire or explosion, continued during 2012. As a consequence of this improvement work over recent years, it is pleasing to observe that there have been no serious process safety near misses or incidents across our established factories in Australia and New Zealand for two years.

The key improvement activity in this area, our in-depth Periodic Hazard Study process, was completed at two more sites during the year. Our Dulux Rocklea, Selleys Padstow, Yates Wyee, Yates Mt Druitt and Dulux Glenfield factories have now all completed the program and are making good progress towards completing the identified improvement actions (e.g. capital projects, improving rigour of operating procedures, training and competency) to ensure effective critical risk controls are sustained.

Acquisition Integration

Integration of acquisitions remained an important priority during 2012, especially for operating sites with significant process safety and fatality risks. A corporate risk management audit was completed at DGL Camel Shanghai during the year,

which confirmed that the site has made significant progress since acquisition in the 2009 financial year. The recently acquired DGL Camel Dongguan manufacturing sites have commenced implementation of integration improvement actions following completion of significant risk audits.

Resources and Environment

Water consumption (kilolitres per tonne of production), excluding the recently acquired Camel Dongguan site decreased for the fourth consecutive year to 0.49 kL/t, a 14% reduction since 2009. The improvement in 2012 was largely associated with reduction initiatives at the DGL Shanghai site (e.g. recycling of cooling water).

Waste generation (kilograms per tonne of production), excluding Camel Dongguan, decreased to 13.8 kg/t. Excluding the 2011 result where waste increased due to Dulux Rocklea flood recovery works, waste generation has decreased 27% from 2009 levels. This reduction in waste during 2012 was associated with continuous improvement at a number of sites (e.g. improved raw material recovery from packaging at Dulux Powders Dandenong). During the year we completed waste audits at our five largest waste generating sites and developed a multi-year reduction plan.

Total energy consumption (gigajoules per tonne of production) across the group, excluding Camel Dongguan, decreased 4% from 2011 to 0.74 GJ/t, largely due to variations in product mix. Associated carbon dioxide emissions (tonnes per tonne of production) increased from 0.15 t/t to 0.16 t/t, primarily due to improved estimation techniques.

DuluxGroup meets the Australian National Greenhouse and Energy Reporting System (NGERS) reporting criteria, primarily due to use of solvents as raw materials. Energy consumption and greenhouse gas emissions from our Australian sites and businesses (e.g. fleet car fuel) are both below the NGERS reporting and carbon tax thresholds. Our total greenhouse gas emissions (Scope 1 and 2) from DuluxGroup's Australian sites and business activities were 27,100 tonnes (CO₂-e or equivalent carbon dioxide emissions), 1.1% higher than 2011. Total energy consumed was 452,260 GJ, 6.5% higher than 2011. These increases were due to commissioning of the new Dulux Protective Coatings factory in Dandenong and a full year of production at Dulux Rocklea (compared with flood impact on operations in 2011).

Regulatory Compliance

DuluxGroup received two penalty infringement notices during 2012 compared with six penalty infringement notices and one regulatory warning for breaches of regulatory compliance conditions during 2011. Each of these non-compliances has been fully investigated and actions implemented to prevent a recurrence.

Legacy Issues

The company has undertaken a number of investigations in prior years to ensure potential soil and groundwater contamination issues are identified and managed. Further investigative work was completed during the year and no significant issues were identified. Selleys Padstow proactively remediated an area of contained polychlorinated biphenyl (PCB) soil contamination during the year.

DULUXGROUP HAS MADE GOOD PROGRESS THROUGHOUT YEAR TOWARDS ITS SUSTAINABILITY GOAL OF 'A FUTURE WITHOUT HARM'. IN 2012 WE IMPROVED AGAINST ALL OF OUR SAFETY AND SUSTAINABILITY MEASURES.

3. PRODUCTS

Product Stewardship

Our businesses have a strong heritage of continuously improving our products to reduce the potential for harm. Examples range from elimination of common heavy metals from decorative coatings in the 1970s, to the more recent introduction of water-based woodcare coatings in Australia (20% growth in sales over last three years) and low VOC tinters for all Dulux products in 2010.

A key improvement action undertaken during 2012 involved development and implementation of new product stewardship assessment and improvement planning processes. These significantly revised processes will improve our ability to identify and action product improvements that further reduce the potential for harm. Some examples implemented during the year include:

- **Community Safety:** Selleys eliminated a solvent component from All Clear multi-purpose sealant that significantly reduces the potential for substance abuse through deliberate vapour inhalation.
- **Consumer Safety:** Cabot's eliminated a hazardous solvent from Toby Aquamax Commercial that improves end user safety during application.
- **Renewable Resources:** Yates New Zealand introduced a range of peat free potting mixes that replace non-renewable peat with recycled organic matter.
- **Carbon:** Dulux AcraTex introduced InfraCOOL roof coatings that contain technology that reflects part of the sun's light energy. This assists in cooling the roof surface and can contribute to less heat penetration internally.

Community Safety

The company's emergency response service responded to 587 calls during 2012, compared with 554 calls in the prior year. This service provides emergency support 24 hours a day, with more than 98% of calls involving relatively minor human and animal exposures to products during consumer use.

Significant incidents during distribution of products to customers increased slightly from 1 in 2011 to 4 in 2012. Each of these incidents, involving our contracted carriers, was fully contained and there were no environmental or community impacts. Full investigations have been completed.

KEY FOCUS AREAS 2013

DuluxGroup's key priorities during 2013 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:** Completion of significant risk audit actions and implementation of fatality prevention protocols.
- **Personal Safety:** Further implementation of manual handling risk reduction projects and continued focus on hazard (near miss) identification.
- **Sustainability:** Continued implementation of product stewardship and waste reduction plans.
- **Leadership:** Continued delivery of our new safety leadership development and management training programs.

WATER CONSUMPTION (KL/T)

0.57	2009
0.55	2010
0.53	2011
0.49	2012 

WATER CONSUMPTION (KL/T)

Water consumption (kilolitres per tonne of production) across company operating sites (excluding Camel Dongguan) decreased to 0.49 kL/t in 2012 from 0.53 kL/t in 2011. More than 40% 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)

19.0	2009
16.6	2010
18.9	2011
13.8	2012 

WASTE GENERATION (KG/T)

Waste generation to landfill (kilograms per tonne of production) across company operating sites (excluding Camel Dongguan) decreased to 13.8 kg/t in 2012 from 18.9 kg/t in 2011. The significant increase in 2011 was associated with Rocklea site (Brisbane) flood recovery works.