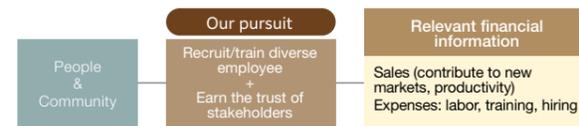


# Human Resource Strategy

How Shareholder Value Is Maximized ▶ See page 5.



As a Japan-origin global corporate group operating in 45 countries and regions worldwide, including in China and other parts of Asia, Nippon Paint Group is committed to contributing to Maximization of Shareholder Value (MSV) by leveraging the diversity and strengths of its human capital, as well as fulfilling its obligations to stakeholders, which is the premise of MSV.

## Our approach to achieving MSV

Our primary approach in our human resource strategy to achieve MSV is to build a strong and diverse organization with excellent human capital. This will enable us to consistently achieve strong growth.

People play a vital role in an organization as they are the driving force behind business growth. In successful partner companies, powerful teams consisting of diverse individuals, along with excellent leadership teams, act as the driving force. It's important to recognize that achieving goals cannot be done alone.

Given that the market undergoes long-term changes, we need a human resource base that can not only adapt to these changes but also capitalize on them with agility. People can embrace change and seize opportunities, even if they encounter failures while taking risks to pursue their objectives, as long as they accept and learn from those failures. To attain MSV, it is crucial to foster a dynamic and open corporate culture, as well as a pleasant and rewarding work environment that encourages every employee to take on challenges and fully showcase their unique qualities and abilities in

generating new value and businesses.

We will make appropriate investments in human capital to establish an organization that can grow sustainably. From a technological standpoint, this means investing in human capital with a long-term perspective towards developing innovative and productive technologies, while also implementing tailored personnel systems.

The People & Community Team conducts activities around two categories of Materiality: Diversity & Inclusion as well as Growth with Communities. Our activities are conducted in each country and region with focus on the three pillars of (1) Increasing the ratio of women in managerial positions, (2) Celebrating diversity, and (3) Building and enabling local communities

▶ See "Growth with Communities on page 82.

Our goal is to achieve sustainable EPS growth through productivity improvement enabled by maintaining employee motivation and increasing employee engagement, as well as reducing expenses for employee recruitment and retention. We are also committed to fully fulfilling our obligations to employees.

The key initiatives for building strong teams include enhancing the training programs by using the amount of training hours and education investments as KPIs as detailed in the following pages and implementing various actions such as promoting women's empowerment based on the ratio of women in managerial positions as KPI with the goal of raising the ratio to 35% by 2025 at NIPSEA Group and to 10% in 2025 in Japan.

However, achieving these KPIs is not the objective of our initiatives. Rather, these initiatives are aimed at increasing the Group's social recognition as an organization that embraces diverse thinking and is willing to transform. We believe this will attract more excellent talent regardless of age, gender, nationality, ethnicity, religion and other factors, who will be the driving force for further transformation of the Group, creating synergies. What we see as crucial is to create an environment that allows our excellent talent to play greater roles and add value. We believe such an environment will have a positive impact on the top line and bottom line by improving work efficiency and bringing about transformation, and in turn may contribute to MSV.

## Human resource development measures essential for achieving MSV

For Nippon Paint Group to grow in a sustainable manner, it is essential that we secure skilled human resources and offer a corporate culture and working environment in which it is pleasant and rewarding to work, thus allowing people to leverage their individuality and capabilities to the fullest.

We focus on developing talent and capability of employees and attract talent and skilled individuals by promoting opportunities for professional growth and advancement, rewarding employee performance.

The Group promoted the enhancement of human resources by investing in human capital through the intensification of training programs developed autonomously by each partner company according to the challenges faced.

We believe expanding training programs will have a direct benefit of enhancing employees' skills, as well as other benefits such as maintaining employee motivation and engagement, improving competitive advantage in hiring new college graduates and mid-career people and reducing the turnover ratio. Accordingly, it is a key initiative for enhancing the human resource portfolio.

### DuluxGroup

At DuluxGroup, we know that a motivated, skilled and diverse workforce is the key to our continued success. We have a culture of development, where our leaders are focused on continuously developing their people. This is supported by formal learning programs specific to the relevant business, geography and role.

DuluxGroup Pacific offers a comprehensive learning program covering leadership, professional skills,

functional skills and product training, including residential programs, external programs, virtual programs, livestreams and podcasts. Each year we run a "Learning Festival" – three days of learning on a broad range of topics, including well-being, future skills and deeper insight into our business – available to all of our employees. We encourage our employees to "Own your Growth" and take advantage of the formal and informal learning opportunities.

Similarly, Cromology and JUB offer relevant learning programs to support the business and professional skills of their employees. This includes employee induction; compulsory training to meet legislative and internal regulations; professional skills training and leadership skills.

### NIPSEA Group

NIPSEA Group recognizes the importance of training and development in the overall growth and success of the organization. To ensure the holistic development of our employees, our learning and development plans are designed at country level to meet the specific needs of the local workforce. Through the annual Training Needs Analysis exercise, we are able to create a more effective learning experience that focuses on upskilling their capabilities and competencies required at different job levels.

To further enhance the learning capabilities of its employees, NIPSEA Group has progressively introduced a Learning Management System in FY2021/2022. This system interface supports multiple languages, which enables countries to customize their learning needs accordingly.

Our programs cover topics including, but not limited to, NIPSEA Leadership Competencies (AGILE), functional training, health safety & environment, information technology,

and physical & mental wellness.

In FY2022, NIPSEA Group clocked a total of 1,626,370 hours on employee training.

### Dunn-Edwards

At Dunn-Edwards, our training objective is to continuously develop and deliver programs that not only provide our team members with the skills and knowledge necessary to be successful in their current roles, but also those that will aid them in long-term professional development. In this process, we leverage both technology (learning management systems, interactive programs, etc.) and current training techniques (micro learning, hands-on sessions, etc.) to ensure our team members are provided a wide variety of tools and resources to build successful careers in an ever-evolving workplace.

Internal training programs include New-hire Orientations customized by department, position-specific programs in Sales, Product Performance, Retail and Business Management, Labor Law, Harassment Prevention, Risk Management, Safety, Hazardous Materials (HAZMAT), Diversity and Inclusion and more.

We also offer a generous Tuition Assistance Program, that is available to all employees (both full-time and part-time) and provides access to not only degree programs from accredited institutions, but also professional certification programs, vocational programs, and educational seminars.

### Japan Group

Japan Group offers training for all employees, such as training by job level according to the expected roles and career stages of individual employees (new employee orientation training for new grads and mid-careers, follow-up training, new manager training, and annual training). As a new program started in FY2022, leadership training

## Key indicators related to human capital (FY2022)

	NIPSEA	DuluxGroup	Dunn-Edwards	Japan Group
Ratio of female employees	25.0%	32.7%	30.0%	22.5%
Ratio of women in managerial positions	25.2%	31.5%	34.5%	5.4%
Employee satisfaction levels	75%	80% (FY2021)	—	81%

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was provided targeting some team leaders. In addition, the HR department conducted a communication program (1-on-1 meeting, feedback, coaching). We also offered English skill training programs for selected employees who often communicate with people from overseas partner companies and business partners.

In FY2022, the total amount of training hours in Japan Group was 28,000 hours.

**Building up human capital with diversity**

Building up human capital with diversity serves as one of the most critical cornerstones of our Asset Assembler model.

We know that our diverse, skilled and engaged workforce is critical to achieve MSV. To this end, we foster the promotion of human resources with a diverse background and the promotion of education and awareness of diversity, equity, and inclusion; eliminate the discrimination, harassment, and violence based on race, gender, religion, and any other form of diversity in the workplace; and create a more welcoming work environment where everyone feels

welcomed and respected.

Each of our PCs are building up human capital by taking actions that are suitable for the countries and regions where they conduct business activities.

The Global Code of Conduct, which was established in January 2022, articulates our focus on diversity and respect for human rights. In addition, our PCs around the world carry out human resource management activities designed to secure and increase diversity. Moreover, our Corporate Governance Policy stipulates that the Group values ensuring diversity.

**DuluxGroup**

At DuluxGroup, we believe that diverse perspectives and experiences drive innovation and enhance performance. Our leaders, at all levels, are focused on creating an environment where everyone feels they belong and can do their best work.

We are committed to gender equality. Through a focused effort in our recruiting strategies, our internal talent management processes and development of our people, we have increased female representation at all levels of the organization, particularly in leadership, where we have more than doubled the percentage of women in our Top 200 in the last 10 years.

By actively promoting career development opportunities and a compelling employee value proposition, including flexible work arrangements, we aim to not only attract and retain talented women, but also break down gender stereotypes in our industry.

**Dunn-Edwards**

At Dunn-Edwards, we're proud to have built an organization that reflects the diverse melting pot that is the North American market, and we're committed to fostering an inclusive and diverse environment, where all employees feel welcomed and valued, and where everyone has equal access to opportunities, guidance, and support.

Based on this guiding principle, in 2020, we established our Diversity, Equity, and Inclusion (DE&I) Committee to steer our efforts in this area. In the time since, all activities and initiatives undertaken have been developed based on company-wide survey data, gauging the sentiment of our workforce around the company's current state of and efforts toward DE&I.

To date, we've expanded resources for career development and career pathing, launched a DE&I training curriculum for team members at all levels, and launched a new Intranet and

communication strategy to improve transparency across the organization. As we go forward, we'll continue to use a data-driven approach to shape future activities to ensure a welcoming and supportive environment.

**NIPSEA Group**

NIPSEA Group takes pride in fostering a diverse and inclusive workforce that embraces people of different genders, generations, nationalities, and expertise. We recognize the importance of having a diverse team in producing better business outcomes for its customers and the communities it operates in. As part of its commitment to Diversity & Inclusion ("D&I"), we have formed a dedicated committee that champions initiatives around "People and Community." This committee plays a vital role in ensuring that the company's D&I policies and programs align with its overall commitment and approach to D&I.

NIPSEA Group is working towards the goal of achieving 35% female representation in both management and emerging leader categories.

To achieve this goal, we have created a supportive work environment that aims to attract, retain, and develop female talents across the organization. These initiatives include mentorship programs, coaching, and leadership development opportunities.

**Japan Group**

Japan Group has taken the following actions to achieve the goal of increasing the ratio of women in managerial positions to 10% by 2025: development of next-generation female leadership candidates, implementing various actions to help with career visioning, and mindset reform in employees for promotion to managerial positions. Specifically, we are working on the development of next-generation female leadership candidates as part of

activities of the D&I Committee Japan launched in July 2022. Through this activity, we provide all supports and development opportunities necessary to encourage ordinary female employees to set their career goals in a more proactive manner. In addition, our employees will declare their career goals once a year and have one-on-one meetings with their supervisors to continuously support their career goal achievements. This opportunity has allowed all employees including female employees to become aware of the importance of building their careers by themselves, thereby contributing to mindset reform. Female candidates will not be given preferential treatment in our annual appointment of managerial positions. Both management and supervisors make sure to promote the right person regardless of gender, ensuring that talented female employees are not overlooked in promotion decisions.

**Roadmap**

	2022	2023	~2025
NIPSEA	<ul style="list-style-type: none"> <li>· Kicked off D&amp;I Week to raise employee awareness</li> <li>· Implemented Global CSR Framework</li> </ul>	<ul style="list-style-type: none"> <li>· Launching D&amp;I Policy</li> <li>· Encourage countries to own the roadmap towards achieving 35% female representation in both management &amp; emerging leader category</li> <li>· Weave D&amp;I into Employee Engagement campaigns</li> </ul>	<ul style="list-style-type: none"> <li>· Initiated the NIPSEA Female Mentorship Program</li> <li>· Implementation of roadmap towards the goal of achieving 35% female representation in both management &amp; emerging leader category</li> <li>· Monitor progress towards the goal</li> </ul>
DuluxGroup	<ul style="list-style-type: none"> <li>· Revised draft D&amp;I framework and strategy, encompassing dimensions beyond gender (indigenous reconciliation; disability; cultural diversity)</li> <li>· Regular reporting to the CEO and the Executive Team on our progress against our diversity ambition</li> </ul>	<ul style="list-style-type: none"> <li>· Promote our Employee Value Proposition to all employees, but particularly to women in Supply Chain and Sales</li> <li>· Engage each of our Strategic Business Units to develop their own Diversity, Inclusion and Belonging strategy and actions</li> </ul>	<ul style="list-style-type: none"> <li>· Meaningful actions to sustain our momentum toward gender balance, particularly in leadership</li> <li>· Meaningful internal programs to foster inclusion</li> </ul>
Dunn-Edwards	<ul style="list-style-type: none"> <li>· Launched DEI Training</li> </ul>	<ul style="list-style-type: none"> <li>· Launched phase 2 of DEI curriculum for all employees</li> <li>· Share DEI curriculum with NPHD People and Community DEI Committee</li> <li>· DEI committee building company-wide interactive activity for April's celebration of diversity, highlighting the diversity that exists within Dunn-Edwards</li> </ul>	<ul style="list-style-type: none"> <li>· Continuously review and adapt company policies to ensure that all charter objectives are met</li> </ul>
Japan Group	<ul style="list-style-type: none"> <li>· Kicked off D&amp;I Committee Japan. Launched activities to support the skill development and active participation of women employees, revitalize the organization and accelerate business growth</li> </ul>	<ul style="list-style-type: none"> <li>· Developed action plans towards 2025</li> <li>· Act on Promotion of Women's Participation &amp; Career Advancement in the Workplace</li> </ul>	<ul style="list-style-type: none"> <li>· Increase the ratio of women in managerial positions to 10%</li> <li>· Selects and trains the next generation of women leaders from non-managerial positions for their skills and career building</li> </ul>

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**Benefits expected from improving employee satisfaction levels**

Increasing employee engagement will lead to creating an environment where excellent human resources can consistently perform to their fullest potential. We regularly monitor and survey employee satisfaction levels of partner companies that join the Group under our Asset Assembler model.

The survey results of each partner company will be compared and analyzed using benchmarks, such as the peer average in the same region, and historical data to examine actions necessary to improve employee satisfaction levels.

NIPSEA Group scored an overall engagement score of 75% in FY2022. It was 5 pp higher than in FY2019 and higher than the APAC average score.

DuluxGroup's engagement score reached 80% in 2021, 8 pp higher than the 72% achieved before joining Nippon Paint Group. DuluxGroup uses a number of other methods to track employee engagement, including pulse surveys in different business areas and exit interviews with departing employees. At DuluxGroup, we believe that our leaders are key to driving high employee engagement. Leadership teams at DuluxGroup regularly reflect on the engagement of their teams and drive high levels of engagement through regular feedback and development conversations with their teams.

Dunn-Edwards utilizes interviews with former employees in place of the employee satisfaction survey. The analysis of data obtained through interviews of former employees has shown that the two-year period from

joining the company is most important for building connections with the company and factors that are important for employee retention include the compensation and retirement benefit system (401 (k)) and leadership of people in managerial positions. To provide an attractive and competitive system in this area, Dunn-Edwards has established its compensation and retirement benefit policy and developed and enhanced training programs designed for career advancement for employees at all career stages.

In Japan Group, for instance, the result of our employee engagement survey, conducted regularly by Nippon Paint Labor Union, is shared with the management team.

▶ See page 95 for more information.

**Japan Group's approach to human capital to achieving MSV**

The goal of the human resource strategy in Japan Group is to improve EPS through business expansion and profitability improvement.

Toward achieving this goal, we have designated D&I indicators, such as the ratio of women in managerial positions, and the engagement indicator, such as employee satisfaction level, which are indicators that will be the focus of our human resource strategy.

We are taking actions, such as human capital investment including aggressive recruitment of new college graduates and mid-career workers as an ambitious initiative to build a strong human resource base that can contribute to sustainable growth. Our goal is to transform our human resources and organizations to

ones that embody our J-LFG action guidelines which promote the active participation of diverse human resources and create the culture that encourages people to take on challenges.

We are currently providing various supports and training opportunities to enable our female general employees to more proactively plan their career goals as an initiative to develop candidates for next-generation female leaders. Specifically, we provide an opportunity once a year for all employees to declare their career goals, which we continuously support through 1-on-1 meetings with their supervisors. This has allowed not just female employees but all employees to become aware of the importance of building their career by themselves and changes in mindset.

In addition, when we hold briefing

meetings on promotion to managerial positions, we explain to leaders of business divisions the gap between the current status and the target for FY2025 in the ratio of women in managerial positions to urge them to keep the KPIs in mind.

Japan Group is paying attention to the impact on its employees from the structural reform for profitability improvement that is currently underway.

As measures to improve employee satisfaction levels, we are enhancing communication with employees.

▶ See page 95 for more information.

## Gender pay gap for Japan Group

At every PC in Japan Group, wages are determined based on roles played and significance of job tasks. We have gender pay parity in like-for-like roles and job tasks.

Based on our analysis, the primary cause of the gender pay gap is the lower ratio of women in managerial positions than men. Japan Group is taking actions, such as providing skill development programs for female employees and their supervisors with the goal of achieving the numerical target of increasing the ratio of women in managerial positions to 10% by 2025. We believe that the gender pay gap will decrease with the increase in the ratio of women in managerial positions.

**Gender pay gap ratio (FY2022)**

	All workers	Regular employees	Non-regular employees
Nippon Paint Automotive Coatings Co., Ltd. (NPAC)	66.9	75.8	67.3
Nippon Paint Industrial Coatings Co., Ltd. (NPIU)	77.8	79.8	81.4
Nippon Paint Co., Ltd. (NPTU)	73.6	77.2	76.3
Nippon Paint Corporate Solutions Co., Ltd. (NPCS)	77.4	79.6	77.8

\* The survey targets are partner companies with more than 300 employees  
 \* Women's wages relative to men's (indexed to 100)

(For reference) Pay gap analysis for NPAC

The larger overall gender pay gap is mainly attributable to the gender pay gap among non-regular employees of 67.3% because NPAC has more non-regular employees than other PCs. Based on our analysis, the gender pay gap among non-regular employees is primarily due to the difference in the composition of workforce (the ratio of employees reemployed after retirement: 64% for men and 2.9% for women).

**Human resource strategy of Japan Group**

EPS improvement	KPI	Human resources and organizations that embody J-LFG (OUTPUT)	Human capital investment (INPUT)
Business expansion	D&I indicators • Ratio of women in managerial positions	Active participation of diverse human resources • Stable supply of young talented human resources • Improve the inequality of human resource distribution among age groups/reduce gaps in age groups	Aggressive recruitment (new college graduate recruitment, mid-career recruitment) • Restart of new college graduate recruitment for FY2025 • Strategic mid-career recruitment
		Create a culture of encouraging employees to take on a challenge • Supporting proactive actions by employees and increase work fulfillment • Improve employees' awareness of management participation	Fair evaluation, compensation, and rewarding systems • Revise the bonus system • Introduce J-LFG Awards, Reward
Profitability improvement	Engagement indicators • Employee satisfaction level	Talent management • Enhance the pipeline of talent • Stable supply of successors to key positions • Utilize the talent management system (visualization of human resources)	Autonomous growth and supporting frameworks • Reinforce OJT program • Reinforce 1-on-1 meetings • Enhance selection-based training/elective training programs
		Increase job satisfaction and work fulfillment • Work styles suited to different life styles • Work styles with high productivity	Create a comfortable work environment • Reinforce healthcare support • Enhance mental health education • Promote the use of paid leave • Prevent working long hours