## **Compensation Committee Report**



Establishment of policies for determining the compensation of individual Directors and Executive Officers, and decisions about

# Our roles to attract and train excellent talent

Nippon Paint Holdings, as a business with maximizing shareholder value (MSV) at its core, is not very different from many multi-national groups – its reliance on talent. Talent recruitment and retention is everything. Engendering appropriate compensation schemes is one of the necessary elements.

I am gratified to note that much thought had gone into the compensation philosophy — setting of goals, incentives for performance and ultimately

accountability to all shareholders.

To attract talent, the company's vision, mission and strategy must be clearly articulated. Employees must feel responsible for fulfilling this vision and contribute towards refining the strategy along the way. Taking ownership of business strategy would be crucial.

Secondly, compensation must be market-competitive. Even as employees accept a variable component, with increased seniority, this portion must accord with performance and be regarded as fair. Employees must be motivated to give off their very best and consistently. Setting key performance targets annually and holding employees accountable would be necessary. When used appropriately, long-term incentives can have a powerful effect on aligning longer-term interests with the company's.

Thirdly, having an appropriate compensation scheme is insufficient. Some form of career development within a meaningful cluster of businesses is necessary, involving an element of training or even re-skilling in technological innovation and market dynamics. Equally important would be a good understanding of the geopolitical influences at play.

The Compensation Committee will work closely with the Nominating Committee on succession planning for senior management. The goal is to ultimately breed a corps of independent-minded, committed and competent talent individuals.

#### Overview and main activities

Roles of the

Committee

Chairperson Lim Hwee Hua (Independent Director)

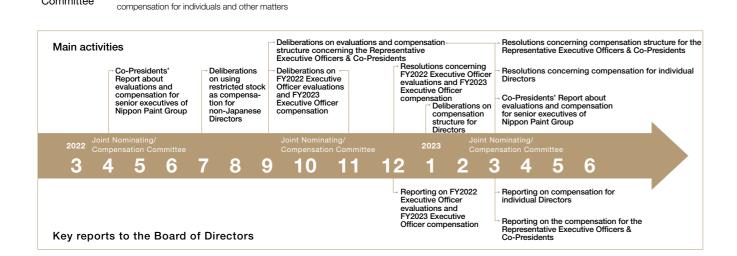
Number of meetings

FY2022 (late March 2022 to mid-March 2023) 11
FY2023 (late March 2023 to end of June 2023) 2

Committee members

Main activities

The Compensation Committee resolved compensation for individuals in accordance with the policy for determining the compensation of individual Directors and Executive Officers (Compensation Philosophy, Design Policies for the Compensation of the Representative Executive Officers & Co-Presidents)



### Compensation decision-making policy for Executives

The Compensation Committee makes decisions about the level and composition of compensation for Directors and Executive Officers. This committee also oversees decisions about the compensation of senior partner company executives by receiving reports from Co-Presidents. To determine levels and composition of compensation, the committee collects and analyzes objective data such as social trends, compensation of executives at other companies, and compensation in the market for senior executives. In accordance with the Compensation Philosophy and Design Policies for the Compensation of the Representative Executive Officers & Co-Presidents, committee members use this information to hold fair and transparent discussions and make decisions.

➤ For more information, see the Compensation of Directors and Executive Officers section of our website

https://www.nipponpaint-holdings.com/en/sustain-ability/governance/board/reward/

#### How the Compensation Committee contributes to achieving MSV while protecting minority shareholders

Independent Directors are the majority of the Compensation Committee, and the committee is chaired by an Independent Director. In addition, all committee members are non-executive Directors. This composition ensures independence from executives for business operations. Furthermore, approximately half of compensation of the Independent Directors is restricted stock for the purposes of achieving MSV and further aligning the interests of these Directors with the interests of other shareholders.

Based on the premise of protecting the

interests of minority shareholders, the Compensation Committee performs rigorous evaluations with emphasis on measures for providing compensation for the Representative Executive Officers & Co-Presidents that is consistent with the pursuit of MSV and the results of this compensation. At the same time, the committee is working to create compensation that will serve as motivation for even more actions to achieve MSV.

#### Evaluation and compensation of the Representative Executive Officers & Co-Presidents

Compensation for the Representative Executive Officers & Co-Presidents is determined by the Compensation Committee based on a comprehensive assessment of their performance in the previous year. After reaching a decision about compensation for the next year, the Compensation Committee determines the composition, including cash, stock and other forms of compensation.

FY2023 compensation for Co-Presidents has taken into consideration compensation of presidents at competing companies and other large companies in Japan. Compensation also reflects financial factors such as revenue and net income growth compared with the performance of competitors and MSV

indicators (EPS, PER) as well as nonfinancial factors such as upgrading a framework and taking measures for achieving MSV. To be precise, for Co-President Wee, the committee decided on all-cash compensation in the same amount as in FY2022 based on the belief that this compensation will continue to maximize his motivation to achieve MSV. For Co-President Wakatsuki, in consideration of the need for balance between the two Co-Presidents, the committee decided on all-cash compensation that is about 13% higher than in FY2022 as an incentive for more growth and other advances at Nippon Paint Group.

Compensation for the Representative Executive Officers & Co-Presidents based on the premise of protecting the interests of minority shareholders

Stocks form roughly half of Independent Director compensation to further align their interests with those of shareholders.

Independent Directors are the majority of the Compensation Committee and the chair of the committee for the protection of minority shareholders' interests.

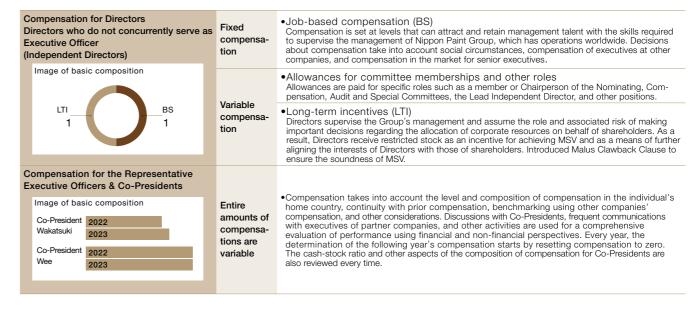
Based on rigorous performance evaluations centered on the pursuit of MSV, the Compensation Committee determines compensation for the Representative Executive Officers & Co-Presidents that contributes to the achievement of MSV.

#### Evaluation of the performance of Co-Presidents Comparisons with Competitors (Major financial indicators)

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Items	FY2022 Actual	Growth*2 vs. FY2021	Growth*2 vs. FY2020
Revenue	JPY1,309 bn	31.1% (10.8%)	29.5% (12.9%)
Profit attributable to owners of parent	JPY79.4 bn	17.5% (-3.2%)	33.4% (2.7%)
EPS	JPY33.82	15.0% (-2.8%)	10.2% (3.9%)
PER*3		*1 Comparisons using the six largest paint companies based on global sales (Nippon Paint Group ranks fourth) *2 For compound annual growth reac calculated based on	
LTM (Last Twelve Months)	32.1x (28.1x)		
NTM (Next Twelve Months)	24.6x (19.0x)		

- \*2 For compound annual growth rate calculated based on each company's indicated currencies, figures in parentheses are medians
- \*3 Source: FactSet (as of December 30, 2022), figures in parentheses are medians

#### Composition of executive compensation



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