

EBARA CORPORATION ESG Meeting 2021 Q&A
Q&A during ESG meeting held November 29, 2021

Participant 1: You mentioned that in the discussion with ICGN, you had such in-depth discussions that it was difficult to answer some of the questions about the S items in ESG. What were the questions, for example? I would like to know what improvements can be made based on the discussion.

In addition, based on your comments on the discussion with ICGN and the integrated report, I think you recognize the issue of diversity and inclusion. In other words, the appointment of women. In the future, what exactly are you going to do now to increase the ratio of women in management? Do you have any comments on whether you feel that the ratio will increase in the near future?

Uda: As to your first question, the discussion with ICGN was not so tense that we are confronted with a tough question and we cannot answer, but it was more of a broad discussion. What surprised me was that there were quite a few questions to the Chairman of the Board of Directors that I would say are issues that should be answered by the executive side.

For example, the Board of Directors usually discusses various aspects of the supply chain up to the subsidiaries. But they also want to know about the working environment and occupational accidents of the companies that deliver to them. I think they knew I could not give an answer right away, but they wanted to give a message that the Board of Directors should pay close attention to such matters.

Also, they asked questions to the Chairman of the Board about diversity and inclusion in the pipeline, not necessarily to the top executive. I understood that this is an issue that the Board should continue to handle well.

I understand an investor would think that the Board should pay more attention to these medium- and long-term issues.

Next point is the current ratio of women. These things cannot change rapidly. I think, however, we should continue to look at how many opportunities there are for women to be appointed as section managers, general managers, or leaders of important projects.

We also conduct training for the next generation of top executives, and we have had a number of female candidates participate in these training programs. The purpose is not only to provide opportunities, but also to ensure that women are included as candidates, while

there is always the question of whether it is enough to provide opportunities. This is a new change for Ebara. I think that the Board of Directors should also keep pace with the execution and think hard about these issues.

Asami: As Ebara also believes that diversity is important, we are trying to eliminate barriers and have all employees work hard on the same basis, even those who used to work in regular jobs. People say that a company will not be able to change unless about 30% of its managers are women, and that this is the base from which equal communication can finally be achieved, but at Ebara, it is only a few percent.

First of all, the percentage of people who join us is low, about 10%. How can we raise that to 30%? We have to raise that. It doesn't matter if you are a career or a new graduate.

In addition, unless we make the Company a place where women and various nationals can work through their life events with peace of mind and develop their careers, it will be difficult for them to join us, even if they want to work at Ebara. First of all, we will make Ebara a company where those people will join. For this purpose, we are in the process of launching a diversity project, which is directly under the president. The project will be promoted by employees who want to change and improve such things, rather than management considering the system and communicating it to the employees. The members are sought within the Group.

Dozens of people have already applied, ranging from ages 20s to 50s, and the gender ratio was almost 50-50. They are of various nationalities and from a wide range of business fields, including fluid machinery & systems, environmental plants, and precision machinery. We're going to start it soon. I'm trying to get them to think and propose from the perspective of the people involved what they can do to change the Company into one where employees can work with confidence and continue their careers.

Participant 2: On page 20 of the slide, the first bullet point says examining initiatives for improving the effectiveness of the Board. In this point, you mention that you are conducting a benchmark analysis against companies with advanced governance in Europe and the US. In addition to the issues you mentioned earlier, such as the ratio of female employees, if there are any other issues that you think your company lacks compared to other companies with advanced governance in the US and Europe, or if you think your company is doing as well as those, please let us know.

Uda: While understanding our own issues, we are also benchmarking what other companies are doing with our own issues in mind. In this case, we are benchmarking how information should be disclosed, for example, and the extent to which we should describe the roles, qualifications, and competencies.

Based on the results of the evaluation of Board effectiveness in 2020, Ebara has found that there is a lack of disclosure information and language regarding how to describe roles, qualifications, and competencies, and what criteria are used for selection. In response to such issues, the revised corporate governance basic policy was stipulated in considerable detail this time.

While benchmarking, we are trying to figure out where we are lacking, and we will solve it. We have been working on this issue for a long time, so we will further consider it as an issue while benchmarking. By benchmarking, we can find many examples of companies, such as ones that have their independent directors sign an agreement to do certain kinds of work. Under such circumstances, we discussed and decided that the most important thing was to write down and disclose our standards and reflected them in the revision.

Participant 3: I would like to know which companies you are benchmarking and which criteria the Board of Directors have.

Uda: We don't disclose which companies we are benchmarking. I am looking at disclosure materials from overseas and making my own judgments about what is excellent. Initially, when we started this benchmarking, we started by benchmarking companies with which Ebara has close relationships, or companies that are similar to us, or global companies that are our customers.

For example, in Europe and the US, there are awards for information disclosure from some kind of association. You are able to identify the good points, or the companies that are said to be excellent in the country. You can look at things like the integrated reports of those companies and see why the awards are given. We are trying to determine if this will be useful for our benchmarking.

As for where this benchmarking is heading, I'll not say what is right. The world's environment is always changing, and I think it is very important to be able to stay ahead of it.

In this sense, I don't think we are going the wrong way in terms of how the Board of Directors addresses ESG, which is also the theme of today's meeting, and how to understand and support execution with a sense of urgency.

Participant 3: When I looked at the careers of the independent directors, I noticed that many of them also held various outside positions. What kind of support system does the Company have in place to ensure that they are able to maximize their performance? How are you strengthening the system in this area, and how will you do so?

Uda: The performance of the Board of Directors is the performance of the Board as a whole, so, of course, there will be a diversity of opinions here. Even though each of us is busy, there

are always discussions at independent directors' meetings, which are held for about 2 hours, before Board of Directors' meetings.

In addition to that, they are also participating in other committees, such as the Sustainability Committee, so I think we are making a sufficient commitment in terms of time.

In fact, the bylaws mention the number of concurrently serving directors and officers. We are working with people who have the capacity to respond sincerely to Ebara's challenges. I don't think there is a single person who is concurrently serving 5 or 6 positions.

Also, in order to improve performance, in addition to the independent directors' meeting, of course, the executive side is also providing very strong support to the Board of Directors.

Nagata: The Board of Directors makes various comments and discussions from various perspectives, but I think it is very important for the executive side to follow up on these comments and discussions.

If we don't do anything, it won't do any good. We organize the opinions, follow up on them without fail, and report them again to the Board of Directors for new comments. This is a process to utilize the opinions of the Board of Directors for execution.

Participant 3: One last thing, if possible, I would like to ask about the contents of the integrated report.

In the area of non-financial data, there are companies that have recently been scoring and posting data such as employee satisfaction surveys. There are some companies whose employees appear to be unsatisfied. We are interested in whether we can see any improvement in the points that may be a little inconvenient for the Company. Please provide us with more data on non-financial aspects.

Nagata: For example, we have disclosed the results of the engagement survey, which Asami explained earlier, in the integrated report. In the future, we would like to enhance the disclosure of the "E" part as well, including TCFD.

Participant 4: After COP26, there was a lot of talk about bio-diversity in the international media, and recently by institutional investors. In particular, the "E" in ESG refers to the environment, not just the climate.

We don't hear much about it in Japan yet, there are quite a few reports on it overseas, and the selection of stocks is divided according to these themes. It may be the next challenge for Ebara, but do you have any thoughts or strategies on bio-diversity?

As for oil and gas, I think you have various measures such as the EUP, but I am concerned that Ebara may be viewed more harshly by the world on the theme of bio-diversity.

Asami: Ebara has always been committed to earth-friendly work and business and protecting the environment.

I think that we should do what we can to reduce GHG emissions equivalent to 100 million tons of carbon dioxide, and while supporting society and people's lives. I hope that we can contribute to changing things for the better on a global scale.

As for the oil and gas business, Ebara does not supply many fuel-related products upstream, but we do provide a lot of support in the chemical industry, including ethylene.

As the economies of emerging countries continue to grow, the increase in amount of plastic used in these countries is not going to stop suddenly. I think what Ebara can do is to accelerate the movement to recycle the carbon contained in chemicals and plastics.

I think there is a possibility that the scale of Elliott's compressor turbines will eventually shrink, but the market suggests that they will continue to grow over the next few decades. Ebara will support such things in a better way. At the same time, in our Environmental Plants Business, we are doing what we can to contribute to the chemical recycling of waste plastics, such as ICFG. I think it is Ebara's duty to contribute to keeping carbon out of the air. I think that is what Ebara should be doing, and we would like to promote that.

Nagata: I would like to add one point. The problem of pollution of the ocean due to sea surface cultivation is now becoming a social issue, and we are working on inland aquaculture as a new business based on the concept of resting the ocean. As the shift from marine aquaculture to inland aquaculture progresses, we would like to contribute to society with our fluid technology.

Participant 4: I believe that this theme of bio-diversity will continue to attract more attention in the future. It may be next year, but if you have any more specific information, I would love to hear it.

Asami: I would like to add a little more. We have also invested in the Real Tech Global Fund, which mainly focuses on Southeast Asia. There is also a company in Singapore called Shiok Meats that uses technology, such as cultured meat, to solve social issues. As for whether we can contribute to those food issues with technologies such as fluids, temperature control, and so on, we are studying various items in addition to what has been disclosed.

The Real Tech Global Fund has also invested in Shiok Meats, supporting them technologically, and helping them get out into the world. Through such activities, we would like to keep challenging what we can do, even if it is something that Ebara is not currently doing, by taking advantage of Ebara's strengths.

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