



## **Ebara Corporation**

ESG Meeting 2021

November 29, 2021

## Event Summary

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<b>[Company Name]</b>	Ebara Corporation	
<b>[Company ID]</b>	6361-QCODE	
<b>[Event Language]</b>	JPN	
<b>[Event Type]</b>	Analyst Meeting	
<b>[Event Name]</b>	ESG Meeting 2021	
<b>[Date]</b>	November 29, 2021	
<b>[Number of Pages]</b>	24	
<b>[Time]</b>	16:30 – 17:45 (Total: 75 minutes, Presentation: 41 minutes, Q&A: 34 minutes)	
<b>[Venue]</b>	Webcast	
<b>[Number of Speakers]</b>	3	
	Masao Asami	Director, President, Representative Executive Officer
	Sakon Uda	Independent Director, Chairman of the Board of Directors
	Shu Nagata	Executive Officer, Division Executive of Corporate Strategic Planning and Human Resources Division

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## Presentation

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**Matsushita:** Thank you very much for taking time out of your busy schedule to join us today for the ESG Meeting 2021 of Ebara Corporation. We will now begin the meeting.

Today's material has been emailed to everyone. Please refer to that material.

I would like to introduce the Company representatives. Mr. Asami, Director, President, Representative Executive Officer.

**Asami:** My name is Asami. Thanks.

**Matsushita:** Mr. Uda, Independent Director, Chairman of the Board of Directors.

**Uda:** I am Uda. Thank you.

**Matsushita:** Mr. Nagata, Executive Officer, Division Executive of Corporate Strategic Planning and Human Resources Division, in charge of Investor Relations.

**Nagata:** This is Nagata. Thank you.

**Matsushita:** I am Matsushita from Corporate Strategic Planning Department and will serve as moderator today. Thanks.

Today, Mr. Asami will begin with an explanation of our ESG management, human resource strategy, and corporate culture reform initiatives, followed by Mr. Uda's explanation of our corporate governance reform initiatives. Afterwards, we will take your questions. The end time is scheduled to be 17:45 PM.

Mr. Asami will now begin the explanation.

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# Long-Term Vision — E-Vision 2030



## Solve Social Issues Through Our Business with Technology and Passion, and Support Our Globe

### Five Material Issues (Materiality)



**1. Contribute to the creation of a sustainable society**

We will utilize our technologies to passionately support the creation of a sustainable, environmentally friendly world with ample food and water, and safe and reliable social infrastructure.



**2. Elevate standards of living and support abundant lifestyles for all**

We will utilize our technologies to passionately support economic development that enables the world to end poverty and realize ever-evolving and abundant lifestyles.



**3. Conduct comprehensive environmental management**

We will promote the reduction of CO2 emissions from our business operations and maximize our use of renewable energy to move toward a carbon-neutral world.



**4. Promote working environments that encourage challenge**

We will promote a Group culture of competition and challenge, and provide diverse employees with meaningful work and comfortable working environments.



**5. Enhance corporate governance**

We will lay out a vision for and pursue growth through offensive and defensive governance that supports high-level management capabilities.

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**Asami:** Thank you all for coming here today. I'll start with an explanation.

Since its establishment in 1912, Ebara has been working to solve social issues by providing technologies, products, and services that are needed and demanded by the times and the era, and we have been able to spend 109 years doing so.

In 2020, we set up our first long-term vision, E-Vision 2030, in order to think of new ways to contribute for the next 100 years. It's been almost 2 years since we started thinking under the slogan to Support our Globe with Technology and Passion.

First of all, the UN population statistics show that the world population will increase from 7.7 billion to 11 billion by 2100. The population will increase from 4 billion to 5 billion in Asia, and in Africa, from 1 billion to 4 billion. On the other hand, the population in Europe, North and South America, and the US remains the same at about 1 billion. I wondered what would happen in the future.

In addition, we have been thinking about what issues Ebara should tackle in light of climate change, global warming, disasters, food shortages, and water shortages, and have formulated the 5 material issues.

The first is to contribute to the creation of a sustainable society.

The next is to evaluate standards of living, and support abundant lifestyle with semiconductors, IoT, which Ebara calls ICAC5, cloud computing, AI, automated driving, and 5G communication.

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In addition, in order to carry out the first and second points, we will conduct comprehensive environmental management.

In order to realize the first, second, and third points, we need to promote a working environment that encourages challenge.

Furthermore, we will further enhance corporate governance with the Board of Directors at the top, which supports all of the above. With those material issues, we are now in the process of implementing E-Plan 2022, the first medium-term management plan to achieve E-Vision 2030.

## Materiality and KPIs (Integrated Report 2021 p.17-18) Continuously Monitoring Progress and Results



Five Material Issues (ESRS) Materiality	Related SDGs	Desired Outcomes	Challenges	Key Measures and KPIs	2022/23 Targets		
<p><b>1. Contribute to the creation of a sustainable society</b></p> <p>We will utilize our technologies to comprehensively support the creation of a sustainable, environmentally friendly world with ample food and water and safe and healthy local infrastructure.</p> <p>Resilient to serious environmental problems and economic development of the global level, by creating robust and industrial infrastructure that will both reduce CO<sub>2</sub> emissions and stimulate economic activity</p> <p>Secure infrastructure is operating stably for both and secure long</p> <p>Secure water supply to meet increasing water demand due to population growth and social development</p> <p>Secure stable water supply to meet increasing water demand due to population growth and social development</p> <p>Secure water supply to meet increasing water demand due to population growth and social development</p>		<p>Secure infrastructure is operating stably for both and secure long</p> <p>Secure water supply to meet increasing water demand due to population growth and social development</p> <p>Secure stable water supply to meet increasing water demand due to population growth and social development</p>	<p><b>Sustainable, environmental</b></p> <p>Economic and social development (only in developing countries) that will both reduce CO<sub>2</sub> emissions and stimulate economic activity at the global level</p> <p><b>Social infrastructure</b></p> <p>Economic and social development (only in developing countries) that will both reduce CO<sub>2</sub> emissions and stimulate economic activity at the global level</p> <p><b>A society with no one left behind</b></p> <p>In a society where everyone can flourish, we will contribute to the realization of a sustainable society</p>	<p>Improving energy saving and reducing product weight</p> <p>Fuel Machinery &amp; Systems Business: Concrete development and completion of new green engine series</p> <p>Phosporic Machinery Business: Development of new models using front-wheel drive</p> <p>Construction Machinery Business: Development of new models using front-wheel drive</p> <p>Environmental Parts Business: Practical application of hydrogen-fueled fuel cell power generation system (FCV)</p> <p>Stable operation of social infrastructure</p> <p>Environmental Parts Business: Long-term comprehensive contracts for VVO projects (hydrogen fuel)</p> <p>Stable water supply to diverse regions</p> <p>Fuel Machinery &amp; Systems Business: Expansion of water pump sales</p>	<p>Achieve 100% conversion (target 2023)</p> <p>27% (per unit) (target 2023)</p> <p>Achieve 100% conversion (target 2023)</p> <p>Construction of devices (target 2023)</p> <p>Achieve 100% response rate</p> <p>Achieve 100% response rate</p> <p>Achieve 40% sales volume target of 100%</p>		
				<p><b>2. Promote standards of living and support advanced technologies for all</b></p> <p>We will utilize our technologies to comprehensively support economic development that enables the world to end poverty and realize ever-existing and abundant "lifestyles."</p>	<p>Contribute to the development of the semiconductor industry technological progress and production</p> <p>Expand advanced factory operations through smart production and services</p> <p>Expand that using industrial parks and facilities built during the period of rapid economic growth can be re-used safely and stably</p>	<p>Development of manufacturing equipment to meet the evolutionary changes for semiconductors</p> <p>Phosporic Machinery Business: Development of new models using front-wheel drive</p> <p>Phosporic Machinery Business: Development of economic technologies for the next generation of larger products</p>	<p>Achieve 100%</p> <p>Achieve 100%</p>
				<p><b>3. Combat comprehensive environmental management</b></p> <p>We will promote the reduction of CO<sub>2</sub> emissions from our business operations and maximize our use of renewable energy to create a carbon neutral world.</p>	<p>Structurally reduce environmental impact and increase economic value</p>	<p>Reduce CO<sub>2</sub> emissions from business activities</p> <p>Reduce CO<sub>2</sub> emissions from business activities</p> <p>Reduce CO<sub>2</sub> emissions from business activities</p>	<p>2030 30% reduction (target 2023)</p> <p>2030 85% or higher</p>
				<p><b>4. Promote working environments that encourage challenge</b></p> <p>We will promote a Great Culture of competition and challenge, and create diverse employees with meaningful work and comfortable working environments.</p>	<p>Build a corporate culture throughout the Group of competition and challenge and increase employee engagement</p>	<p>Establishing a foundation to achieve sustainable growth</p> <p>Global development of systems</p> <p>Production of systems</p> <p>Production of systems</p>	<p>100% (target 2023)</p> <p>100% (target 2023)</p>
				<p><b>5. Enhance corporate governance</b></p> <p>We will set out a vision for and pursue growth through diverse and effective governance that supports high-level management activities.</p>	<p>Enhance transparency and accountability through proactive corporate information disclosure and dialogue with stakeholders</p> <p>Review the EBARA Way, the EBARA Group's general values, to enhance corporate value</p> <p>Established a system to systematically identify, measure, and manage risk</p> <p>Supply chain risk are reviewed to ensure business continuity</p> <p>Internal controls are properly implemented in the Group, and a system is built to suit the controls in place</p> <p>Secure compliance with laws and regulations in all regions without exception, and ensure that the Group operates based on high ethical standards</p>	<p>Second opportunities to dialogue with stakeholders</p> <p>Progress of the EBARA Way participation rate for training related to the EBARA Way</p> <p>Strengthen supply chain management</p> <p>Thoroughly implement internal controls on a global scale</p> <p>Changing compliance procedures training</p>	<p>100% (target 2023)</p> <p>100% (target 2023)</p> <p>100% (target 2023)</p> <p>100% (target 2023)</p>

In order to realize materiality, it is necessary to set KPIs, monitor them, and take necessary measures, as described in the Integrated Report.

Today's session is an ESG briefing, so I would like to focus on the hydrogen project, our response to climate change, and our human resources strategy.

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# Response to Climate Change

## Pursuing Carbon Neutrality



To achieve carbon neutrality,  
**we will launch a company-wide project in 2022,**  
 and pursue initiatives to achieve  
 a carbon-neutral society.



### ■ Disclosure Based on TCFD Recommendations (Schedule)



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First of all, I would like to talk about the response to climate change.

As for the realization of carbon neutrality, while people are calling for carbon neutrality by 2050, Ebara will launch a Company-wide project in 2022 to firmly address this issue.

The history of the disclosure is written at the bottom of this page. In 2019, we will endorse TCFD’s recommendations, and after scenario analysis in 2020, this year we reported on governance, strategy, risk management, metrics, and targets on Ebara’s website and in the integrated report.

For 2022, we are continuing to analyze scenarios of what we can do, especially for businesses in the oil and gas market and the Precision Machinery Business facing the semiconductor market, and we will disclose these qualitatively and quantitatively in 2022.

From 2023 onward, we will carefully evaluate the results of the quantitative data disclosed and consider what to do next so that we can reflect them in our business strategy. We are trying to realize the contribution to the environment that Ebara aims to make in 2030.

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## Hydrogen Business Project

Aiming to Contribute to Achieve a Sustainable Society and an Ever-evolving and Abundant Lifestyles

**A project under the direct control of the President** was launched in August. Started joint development of a turbo pump for a rocket that will launch an ultra-small satellite.



<p>◆ Hydrogen production by gasification from waste plastic</p> <ul style="list-style-type: none"> <li>• EUP (Ebara Ube Process)</li> <li>• ICFG (Internally circulating fluidized-bed gasification system)</li> </ul> 	<p>◆ Technology for compress and transport hydrogen</p> <ul style="list-style-type: none"> <li>• Compressors</li> </ul> <p>◆ Technology for carrying cryogenic liquid</p> <ul style="list-style-type: none"> <li>• Pumps</li> </ul> <p>Participating in NEDO's Development of Technologies for Realizing a Hydrogen Society project; demonstration of technology planned in 2022</p> 	<ul style="list-style-type: none"> <li>◆ Technology for large hydrogen power generation facilities</li> <li>◆ Technology for hydrogen stations</li> <li>◆ <b>Technology for turbo pumps for rockets</b></li> <li>• Pumps, etc.</li> </ul> 
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On the other hand, in addition to the impact of carbon and climate change on our business, and how we will contribute to the realization of a sustainable society, we are also determined to contribute to the realization of a hydrogen society.

As explained based on the concepts of production, transportation, and use, in August, we launched a corporate project under my direct supervision for the first time in 36 years.

Regarding transportation, we are participating in the NEDO project. Regarding production, Ebara's unique incinerator technology will be used to contribute to chemical recycling of waste plastics.

Regarding use, we, of course, develop pumps for hydrogen stations. In addition, as we recently announced, Muroran Institute of Technology and Interstellar Technologies Inc. are collaborating to launch a rocket called ZERO in 2023 in Taiki-cho, Tokachi, Hokkaido. We will be able to contribute to this project with our turbopump, which is called one of the most difficult parts of the rocket.

Ebara has a history of receiving commissions and consultations from external organizations involved in aviation development and supporting them for more than 20 years, so we would like to make a solid contribution there. I am very much looking forward to witnessing the launch in 2023.

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**The purpose of the EBARA Group is to contribute to society by providing products and services that support society, industry and living**

To contribute to society through business and continue to grow,  
**each employee needs to use ingenuity and creativity and always try new things**

### **E-Vision 2030 Materiality 4**



#### **Promote working environments that encourage challenge**

We will promote a Group culture of competition and challenge, and provide diverse employees with meaningful work and comfortable working environments.

By 2030, the EBARA Group aims to be a corporate group where  
**employees think for themselves, actively try new things  
with a sense of speed, and produce tangible results  
regardless of nationality or gender.**

Next is the fourth element of materiality.

The management strategy includes the things I just mentioned, but it goes without saying that the human resource strategy and the human resources to realize it are extremely important.

Many of Ebara's employees have the aspiration and desire to support social infrastructure and society at the margins, and to be of service to others.

On the other hand, we have been doing this for more than 100 years. While we have been able to continue our business, I think it is also true that there is a little bit of a corporate culture that says we should just keep doing what we were doing yesterday, and that we don't need to change.

It is very important to change the culture to one of competition and challenge, both internally and externally. In addition, as I mentioned earlier, in addition to our business in Japan, we will also contribute in various ways, such as disaster countermeasures, improving society, and creating an evolving rich lifestyle.

As it is still very important to expand our business overseas, we will change people and culture, regardless of nationality or gender, to think about what is necessary for new things and what we want to do, and to challenge new things with a sense of speed. We will change our mentality to one that produces tangible results. That's what we really want to do. We believe that this is a major issue for the future.

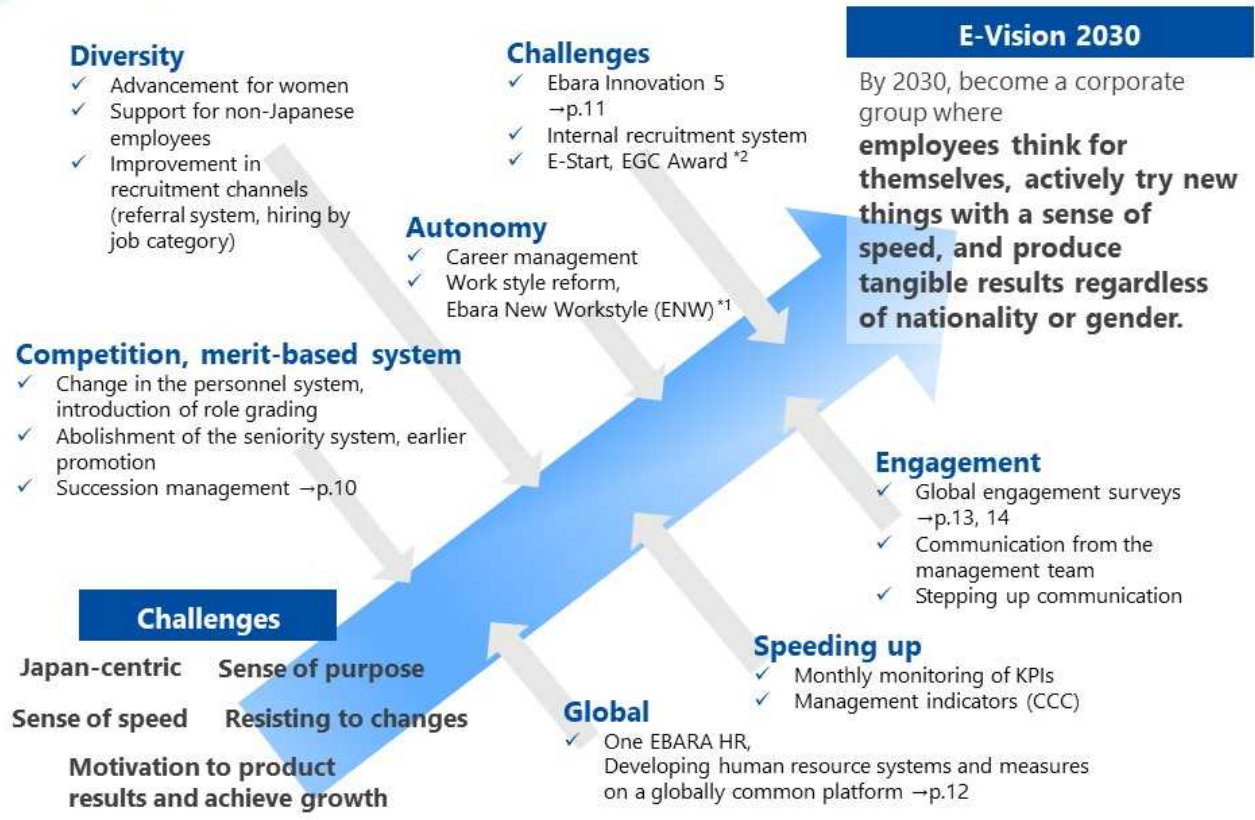
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# Gaps between Visions and Current Situations



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\*1 Ebara New Workstyle: a new work style after the COVID-19 pandemic

\*2 E-Start: new business idea competition EGC Award: global challenges awards system

In the upper right-hand corner, you can see Ebara’s vision of what we want to be in 2030 as a company. On the other hand, the lower left figure shows a qualitative or symbolic representation of the current state of the Company.

Since we are a manufacturer, we tend to think product oriented, and since we are a manufacturer that originated in Japan and our headquarters is in Japan, we have a Japan-centric mindset. The sense of purpose is also not very clear. We tend to think we should just keep doing what we’ve been doing.

Also, as it is very difficult to change or do something new, we tend not to think we need to do new things. With the lack of speed, I believe it is necessary to change it to the direction of the upper right corner.

The blue arrow indicates growth we should make, while the gray arrows indicate various measures that we should implement.

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## Succession Management (Management of Successors to Managers)



### Purpose

- ✓ Creating a pool of human resources systematically and avoiding the risk of a lack of successors
- ✓ Checking the adequacy of the present manager from multiple perspectives without assuming they remain in the position  
Selecting people with stronger leadership qualities and appointing them to revitalize the organization
- ✓ Monitoring the cultivation plan for the successor candidate and the status of cultivation



### ■ Started succession reviews in 2018

Company Presidents, Division Executives, and General Managers are subject to reviews

### ■ In 2020, the President reviewed the qualifications of Section Managers as well



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One of them is succession management.

In 2015, Ebara became a Company with Three Committees. After that, the Nomination Committee considered how to come up with a succession of presidents, how to come up with the appointment of a president, and that process as well, and as a result of that consideration, I was the first president selected.

The president, Company presidents, and division executives should all be properly selected, and successors should be identified and examined to avoid business risks. We will continue our business and produce results. Of course, it is important to identify successors and train them properly.

I believe, however, that the most important person is the section manager. In 2018, we implemented the succession management for up to the general manager level. Last year, for the first time, we conducted a succession management for the section managers. Specifically, I did the review for 394 positions.

I asked general managers to write down which points of view the managers selected the section managers with. I've reviewed the results.

There are 4 perspectives. Even when I was selected, I also received some comments from the Nomination Committee as the qualification of a leader. First of all, they should have a lively curiosity. They should have a brilliant insight. They should have the courage to make decisions after properly assessing the risks.

They should get people involved. They cannot do anything on your own, so they should get others involved. They should have the influence to involve both subordinates and related departments. In addition, they should be able to tell their subordinates why they are here, where they are going, and what they are going to

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do, based on a firm grasp of history and the current state of affairs. Instead of management skills, we need to properly select a person with such leadership skills as a section manager. That was my message to them.

At first, many of the comments were focused on their knowledges and experiences, in order to maintain and protect the organization and carry out what needs to be done. In order to change people's mindset, I have been conveying the kind of leadership that I think is important, as I mentioned earlier.

## Encouraging Employees to Take on New Challenges in "Ebara Innovation 5"



**Employees need to take on new challenges without being constrained by the existing framework** to make changes to achieve a Group culture of competing and taking on challenges

### ■ Started Ebara Innovation 5 (EI5) to encourage employees to take on challenges

Under the program, individuals or teams can set themes distinct from their existing duties and spend up to 5% of the working hours (about two hours per week) pursuing those themes.

- ✓ They can set any themes that lead to contributing to the corporate value of the EBARA Group.  
(e.g. considering new products, improving the operations under their control, enhancing skills)
- ✓ Encouraging each employee to take on challenges at their own discretion.



Flowers do not bloom if you do not sow seeds.

**The EBARA Group supports those who sow seeds.**

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The other measure is Ebara Innovation 5.

It is also related to the succession. In essence, the managers of Ebara have been selected with the main goal of maintaining the organization and accomplishing what needs to be done, as the name, manager, indicates.

Even if a person who is motivated and wants to change things or make things better says, "Chief, I want to do this," it is not accepted, because the manager does not feel the need to change. I have heard such cases.

I have heard that Google told their employees to spend 20% of their office hours on new things, not on what they're doing now. At Ebara, to encourage people who have the motivation to make improvements to play an active role and grow, I said our employees should use 5% for Ebara Innovation, which will be 2 hours a week.

I thought that by creating this system, the Company would be able to convey its message and what the Company wants its employees to do, so I asked HR to create this system.

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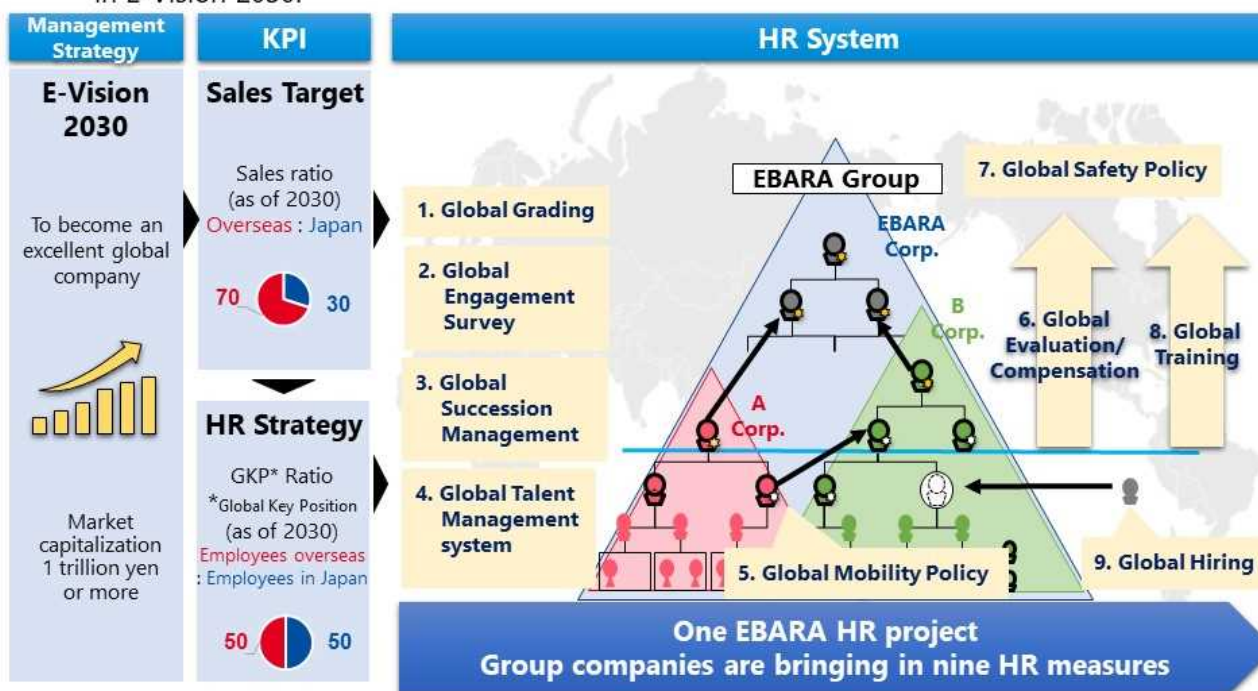
We now have a system where our employees can make a proposal of a project, all of which I will accept if there is no problem and will be in charge of. As long as the theme is to increase Ebara's corporate value, any theme is acceptable.

We started this at the end of September, and we have already received dozens of items. This is one of the things we are looking forward to seeing the results of.



## Strengthening Global Human Resource Management

The Group has been pursuing "One EBARA HR" to strengthen global human resource management and achieve the overseas business development set out in E-Vision 2030.



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To strengthen Ebara's global human resource management, under the concept of One EBARA HR, the measures for evaluation, grading, education, hiring, and treatment, as listed here, will be visualized globally and shifted from Japan-centered to overseas-centered.

As overseas sales continue to increase, we would like to make sure that the group is organized horizontally, promote visualization, reallocate, and hire the necessary personnel to the necessary places, and retain them.

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# Engagement Surveys



## Initiatives to Increase Employee Engagement

- **Have been conducting global engagement surveys since 2019**  
Surveys of all employees at EBARA Group in Japan and overseas
- **Develop and implement an action plan to increase engagement**  
The entire Group and each departments examine measures based on survey results

### Engagement Survey Score 3-year Trend



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This is a survey we started in FY2019 to see what happens to employee engagement when such measures are taken.

The following is an explanation of the 3 times we have done this, from 2019 to 2020, and from 2020 to 2021, where the increase in score was particularly high.

We made surveys if the management team is communicating properly. As for the management of Ebara Global, if the message is properly sent out and if follow-up is being done. We made surveys on safety, ethics, and compliance. We also made a survey on sustainable engagement, which the vertical bar chart indicates.

In the first year, 2020, we saw a significant improvement, and in 2021, the improvement was not as large as in 2020, but we are seeing an improvement.

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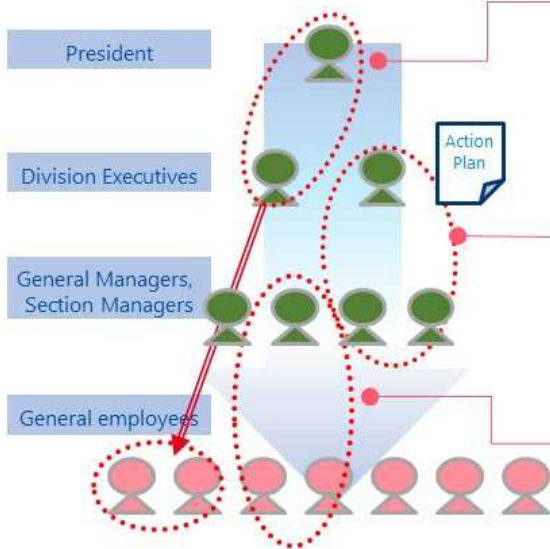


# Engagement Surveys



## Action Policy in the entire Group

### Management-led Actions



#### 1. Reinforcing communication from the management

- ✓ President Asami and others actively visit workplaces and post video messages.
- ✓ Division Executives visit offices and factories to improve their working environments through communication with employees working at manufacturing sites

#### 2. Using survey results in management

- ✓ Division Executives develop and implement action plans to have employees work together, enhance their motivation, and increase productivity.
- ✓ Engagement survey results are disclosed to section managers and positions above that level.

#### 3. Regular one-on-one meetings between manager and section member

- ✓ Reinforcing feedback, including evaluation and career management, to improve section member engagement
- ✓ Obtaining information about ways of working, working environments, and physical and mental health through regular one-on-one meetings and examining improvement measures within a division

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Not only the scores indicate the improvement. Please refer to the page 14.

We are visualizing what we can do to increase engagement, and based on this, I think it is very important to communicate from the top. The company presidents, division executives, and general managers, including myself, have sent out messages to employees.

As for the management of the survey results, the results are shared with the general managers and section managers, so they can see what they still need to improve, and the managers are obligated to take the lead in making improvements.

Also, what I started when I was a company president of Precision Machinery Business was one on one meetings. In communication, it is very important to show that you are willing to listen to what the other person is thinking. When a subordinate is asked a question by a supervisor who has never asked before, the subordinate thinks that the supervisor is trying to listen to what he or she is thinking, and that the supervisor approves of him or her. Recognizing that this is the beginning of communication, we promote one-on-one meetings.

Based on the results of the survey, we are trying to improve engagement through these efforts.

**Matsushita:** Thank you very much.

Mr. Uda, Independent Director, Chairman of the Board of Directors, will explain our corporate governance reform efforts.

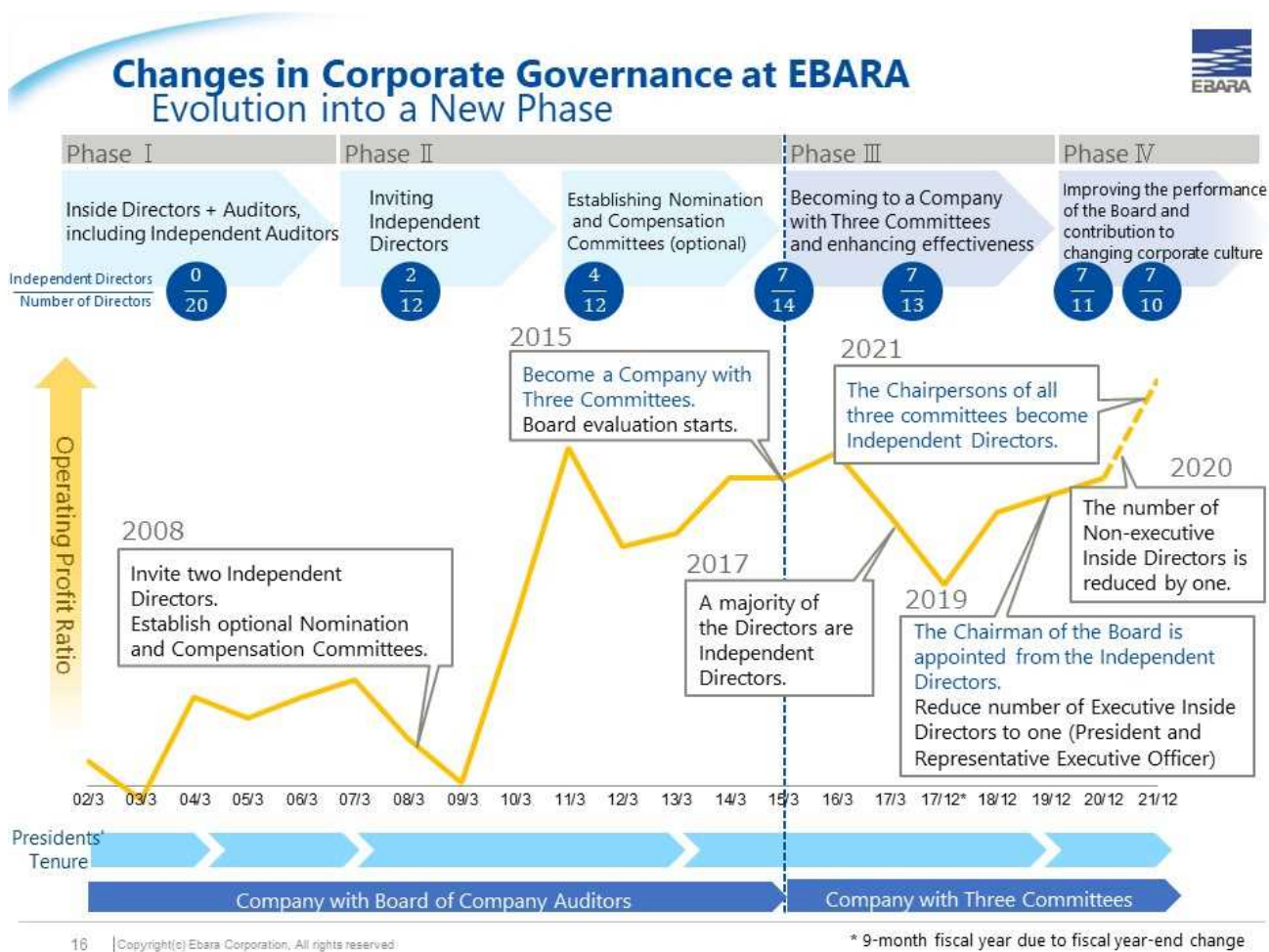
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Mr. Uda has been a member of our Board of Directors since 2011 and was appointed Chairman of the Nomination Committee in 2015 and Chairman of the Board of Directors in 2019. Mr. Uda, please.



**Uda:** Hello, everyone. I am Uda.

First of all, in the 5 material issues, the President mentioned the need for further innovation in governance. This diagram shows where we've been and where we're going.

In 2003, 2004, and 2005, I think Ebara was facing various problems, such as deficits in overseas construction and other areas.

At that time, President Yago cleaned up the situation. I think the situation was quite severe around 2009, and we decided to reform governance for the future, and I joined the Board in 2011 as an independent director.

Just before that, the Company was a Company with Board of Corporate Auditors, and first 2 independent directors joined the Board. I joined as 1 of the 4 members when the number of independent directors increased from 2 to 4.

As you can see in the diagram above, Phase I is a common type of company that has internal directors and external auditors. Phase II is when the Company invited independent directors, and later introduced the Nomination Committee and the Compensation Committee, though on a voluntary basis.

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I served as a member of the voluntary Nomination Committee and later as the Chairman of the statutory Nomination Committee of a Company with Three Committees. I became acutely aware of the completely different role of both of the Nomination Committees, including responsibilities and importance.

The letters in the circle underneath are the number of independent directors to the number of directors. It means that the Company is now run by 10 directors with 7 independent directors.

There was a jump from Phase II to Phase III, where we shifted to a Company with Three Committees. There was some discussion that there should have been some stages in the process, but we decided that a Company with Three Committees would be a good way to realize a monitoring board or solid governance, and in 2015, although the Secretariat had a tough time, we made a drastic change.

We entered Phase III after the change. I think until about 2 years ago, although the form of a Company with Three Committees has been progressively established, I think it was in Phase III that we kept thinking about how to improve the effectiveness of this system.

As it says here, independent directors, starting from 7/14, became a majority with 7/13. In 2019, an independent director took on the role of Chairman of the Board of Directors. Also, the President and Representative Executive Officer became the only director involved with business operation.

In fact, this was a very big jump. This means that the Board of Directors proceeds with the supervisory function of a monitoring board in a Company with Three Committees, and the Board of Directors as an organization of salaried employees who have risen to the top will no longer exist. Only President Asami attends the Board meetings as a Director who also serves as an Executive Officer, and he is responsible for the execution side.

After that, there have been only 2 non-executive directors from within the Company, the Chairman of the Company (*Kaichou*) and a non-executive director from finance. All 3 committees are now chaired by independent directors, and, of course, the majority of the committee members are independent. This is not only a change in form, but also a battle for how to improve the effectiveness of the system, and I believe that we have reached a certain level of reform.

We are now in Phase IV, which I think we should talk about today, which is to improve the performance of the Board of Directors itself. Also, I believe that we have entered a stage where the Board of Directors will make a certain amount of contribution to the reform of the corporate culture, as the President just mentioned. I would like to talk about this point.

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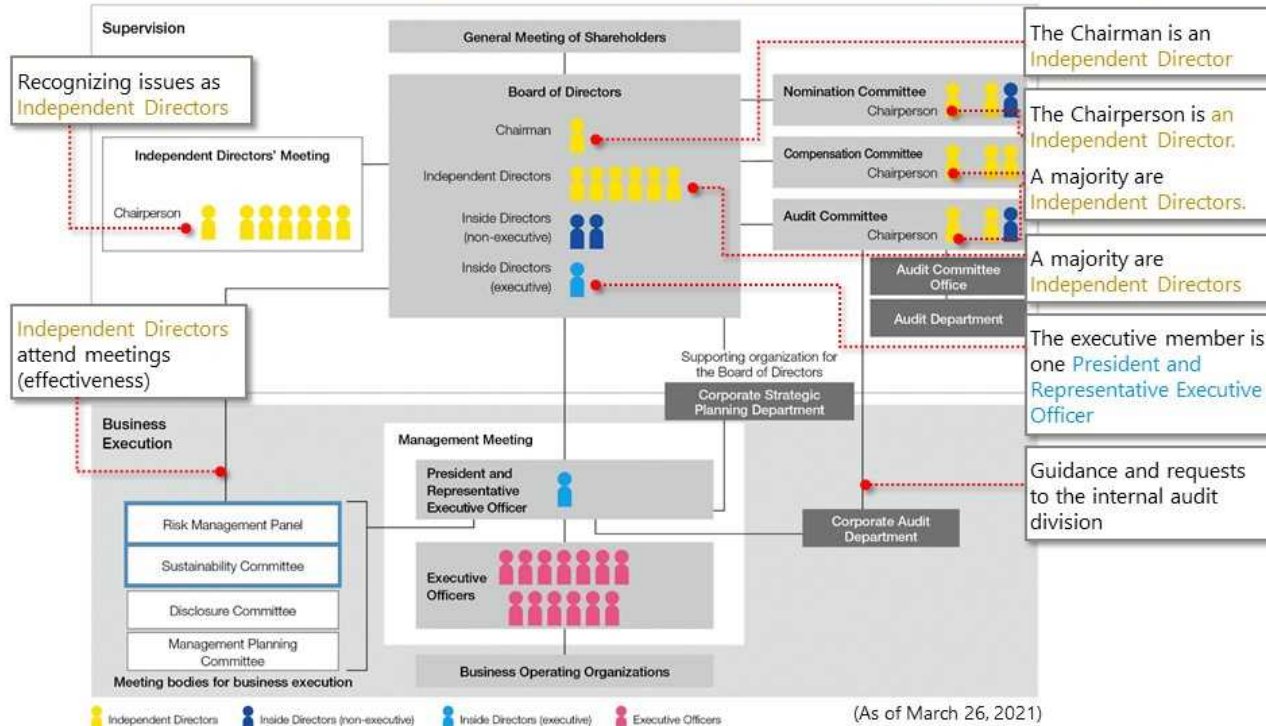




# Corporate Governance System: Company with Three Committees



Have Established a Progressive Governance System among Japanese Companies



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Before that, I'd like to tell you a little bit about the current situation. Let me get this straight.

The Board of Directors is chaired by me, who is from outside the Company, and has a total of 7 outside directors in yellow. Then, there are 2 non-executives in the Company, in dark blue. Then, the President is also the Executive Officer of the Company, with 1 person in light blue. This is the structure we have now.

There are 3 committees: the Nomination Committee, the Compensation Committee, and the Audit Committee, all of which are chaired by independent directors, and all of members of the Compensation Committee are independent directors. In the Nomination and Audit Committees, there are non-executive inside directors.

If you move to the left, you will see recognizing issues as independent directors. The independent directors' meeting has been going on since 2015. Before the Board of Directors meeting, the independent directors alone will be briefed by the officer in charge and have a free discussion.

The purpose is to deepen the independent directors' awareness of the issues. Of course, the Board of Directors is non-binding, so everyone speaks freely at the Board meetings, but the independent directors' meeting enables very efficient discussions at the Board meetings. As everyone comes to the Board meetings with a certain amount of awareness of what the issues are and what the challenges are, there is absolutely no one who says anything off the point.

In addition, there is a system that allows independent directors to sit on other executive committees, so I myself continue to sit on management meetings, risk management panels, and so on.

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As for auditing, since the audit committee is now chaired by an independent director, we have decided that we need to strengthen the internal control and the secretariat, and at the same time, we need to strengthen the operational audit and the audit department.

## Three-Way Discussions with ICGN CEO and Vice Chair, and Suggestions



Integrated Report 2021 p.53-



Kerrie Waring



Ian Burger



Sakon Uda

### Main Points

- **EBARA's corporate governance reform and enhancement of corporate value**
- **Challenges of diversity and inclusion**  
Importance of diversity for the business execution side and the engagement of the Board of Directors
- **Issues in the S (social) of ESG: S in a global company**  
Human rights, workforce safety, supply chain

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I believe that improving the performance of the Board of Directors is necessary in many areas. This ICGN is mentioned in this year's integrated report. As I'm sure you are well aware, it is the International Corporate Governance Network.

When I had a discussion with the top person, Ms. Waring, and a person named Mr. Burger, I made some discoveries.

The very important point is what the Board of Directors is doing to address the diversity and inclusion issue.

We tend to think that it is an issue for executives. However, in a Company with Three Committees, the Board of Directors is supposed to commit itself to medium- and long-term issues or contribute to solving problems. Therefore, it is directly asked what the Board of Directors thinks about the issue of diversity and inclusion.

In terms of social issues, human rights, occupational safety, and supply chain are themes. We were asked about the working environment of not only the Chinese subsidiary, but also the company that delivers to it. We also asked about accidents in each of the supply chains in Southeast Asia.

There were some questions that I couldn't answer immediately. What I can say is that the Board of Directors itself should be directly involved in each ESG issue and strongly support the execution of such issues. This has become a necessity.

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In addition, I believe that our Board of Directors is increasingly expected to contribute to the reform of corporate culture through such efforts.

I think it was a very big opportunity for me to feel that way.

## Initiatives to Improve the Effectiveness of the Board



Using the Evaluation of Board Effectiveness as the Driving Force for Reform

### The Key Points of Corporate Governance Reform Based on the Evaluation of Board Effectiveness

#### 1. Reform related to agenda and discussion at the Board meetings

- ✓ An Independent Director sets the agenda as the chairman of the Board
- ✓ Reinforcing discussions on medium- to long-term issues
- ✓ Holding Independent Directors' meetings to improve and deepen discussions at the Board meetings

#### 2. Reform related to the number of Board members and the composition of the Board

- ✓ The number and composition of Independent Directors
- ✓ Reduce number of Executive Inside Directors to one (President and Representative Executive Officer)

#### 3. Reform related to the effectiveness of committees

- ✓ Evaluating the effectiveness of the Nomination, Compensation, and Audit Committees
- ✓ Strengthening the system for supporting the Audit Committee

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We have been doing evaluation of Board effectiveness. What we have been doing is that independent directors are involved in and responsible for the agenda and discussions at the Board meetings.

Although I am chairing the Board meeting now, I will decide where and how to discuss medium- and long-term issues during the year, for example, by consulting with the secretariat and with the executive members.

Also, at every Board of Directors meeting, I participate in the Management Meeting as an observer, and I talk with the President and Chairman of the Company to discuss what kind of issues should be discussed at the Board of Directors' meetings.

What this means, in essence, is that the independent directors or chairperson make a commitment. I believe that the importance of an independent director involvement in setting the agenda should not be underestimated, as it helps to avoid running away and saying that you did not know. We strengthen discussions on medium- and long-term issues, as I just mentioned.

The independent directors meeting is very important in terms of improving the quality of the discussion, not for laying the groundwork or sharing information. The independent directors are able to understand the issues and get a direct explanation from the executives, and they can understand what kind of people are in charge of execution.

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The next point is the scale and composition. 7 out of 10 are now independent directors. In addition, 1 representative executive officer should participate in the Board meetings.

The next point is the committees. It is the same as I mentioned earlier.

## Issues and Initiatives Based on the Evaluation of Board Effectiveness in 2020



### ■ Examining initiatives for improving the effectiveness of the Board

Conducting benchmark analysis, etc. of companies having progressive governance in Europe and the United States

### ■ Making clear the roles, qualifications, and competencies of the Board members

Using the results in the evaluation of Board effectiveness, training, and the appointment of Directors and thereby enhancing the effectiveness of the entire Board

**In September 2021, the Company resolved to revise the Corporate Governance Basic Policy and disclosed the revision.**

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We have continued to do the evaluation of Board effectiveness including a survey of all directors, as well as external hearings and interviews.

In addition, for each issue, we conduct benchmarking of advanced governance companies overseas, or benchmarking with the guidelines, and then discuss what changes should be made every year.

Recently, we have clarified the necessary roles, qualifications, and competencies of each director and independent director to be used for evaluation of Board effectiveness, training, and selection of the Board members.

In general, there is a debate about the skills matrix, but in our case, this is disclosed, so, of course, you can look at it. The basic policy on corporate governance is disclosed, and in it, we have written about what kind of directors we need.

I feel it is extremely important for the recruitment and evaluation of directors by the Nomination Committee, as well as for evaluation or peer review.

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# Corporate Governance Basic Policy



## Main points of the revision

### ■ Making clear the roles and qualifications of the Directors

Clarifying the roles and qualifications of Directors required by the Company: roles and qualifications according to attributes (Independent Director, etc.) and positions (Chairman of the Board, Chairperson of a committee, etc.)

### ■ Response to the revised Japan's corporate governance code

Reviewing the matters for which governance needs to be strengthened over the medium to long term, including initiatives to address sustainability issues

➔ Conforming to all items of the code

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Corporate governance basic policy. This has been revised. Please take a look later.

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## e.g. Roles of the Chairman of the Board of Directors

### 1. Setting the agenda of the Board meeting

- ✓ Setting the agenda, which includes not only proposals of the executive side but also items chosen from a perspective from outside the Company
- ✓ Understanding the executive side's recognition of issues and examining agenda items that should be discussed at Board meetings

### 2. Revitalizing the Board of Directors and facilitating meetings

- ✓ Revitalizing discussions about strategic issues
- ✓ Questions effective for solving issues
- ✓ Facilitating the meeting to encourage challenges on the execution side

### 3. Taking the lead in the PDCA cycle in the Board of Directors

- ✓ Taking the lead in evaluating the effectiveness of the entire Board, each committee, and each Director

### 4. Active communication with the stock market

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The revised version of the basic policy describes the roles of each, including the role of the chairman of the Board..

Taking the chairman of the Board as an example, it is evaluated how well he or she understands the agenda setting for Board meetings, and how well he or she can set the necessary agenda while understanding the outside perspective.

Also, revitalizing the agenda management, and how to ask questions. The chair is now leading PDCA, the evaluation of effectiveness.

I think it is also required of a chairman to actively communicate and respond to the external world, such as the stock market. Those are written in the basic policy.

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## Future Issues: Evolving into a New Phase



**The Board will support the quick action of the executive side from a medium- to long-term strategic perspective.**

- **Supporting the growth of the EBARA Group to help solve ESG issues in the world**
  - ✓ Actively supporting new businesses, including hydrogen-related and chemical recycling businesses
  - ✓ Supporting the executive side from an ESG perspective and a medium- to long-term strategic perspective
- **Supporting the executive side in case of emergency and when unprecedented events occur, such as the COVID-19 pandemic**
  - ✓ The Board making preparations, including risk scenario simulations, to address uncertainty, examining countermeasures in consideration of the medium- to long-term impact
- **Monitoring the S (social) aspect of the global supply chain**
  - ✓ Responding to geopolitical risk, business continuity plan (BCP), responding to the S aspects of suppliers
- **Diversity and inclusion on the executive side**
  - ✓ Making contributions to changing the corporate culture, including the cultivation of executives

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In the future, and I will say this briefly at the end, I would like to support the growth of the Ebara Group in solving ESG issues.

Hydrogen and chemical recycling are not for short-term profits, but they are extremely important for the future significance of Ebara's existence, so we will actively support them. We will support execution from a medium- to long-term perspective.

In an emergency, as was the case with COVID-19, we need to be able to quickly identify a problem and create the awareness of importance and urgency. Also, we will actively discuss medium- to long-term risk scenarios.

Furthermore, every month, the Board of Directors receives information on how many people are infected around the world, but I think it is extremely important for the Board of Directors to look at the "S" in ESG, in order to understand how the working environment is.

While we say that we value the "S" in ESG, if when we are asked about the number of the current infected people in the Company, we cannot answer it, I don't think we are fulfilling our role.

The same is true for global supply chain monitoring.

The next point is diversity and inclusion on the executive side. I believe that the Board of Directors itself needs to be aware of these issues and support the execution of the business in this new phase.

We are now in Phase IV, and I don't know how far we will go, such as Phases V, VI, and VII, but I believe that governance is something that we should continue to work on and reform over the medium to long term.

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There is a lot of discussion about the short-term performance, but this is not the point. Rather, we will work to ensure that corporate value is not damaged, and that value is expanded over the medium to long term. I think it is actually important for governance to continue to reform ourselves as well.

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