

## Evaluation of the Board of Directors' Effectiveness

May 16, 2024

Nippon Sanso Holdings Corporation

Nippon Sanso Holdings Corporation's Principles of Corporate Governance approved at the Board of Directors meeting on October 15, 2015, provides that the board will carry out an annual analysis and evaluation of the overall effectiveness of the board, based on each director's self-evaluation, and will make a summary of the results public in a timely and appropriate manner. The Board implemented the first analysis and evaluation of its effectiveness in the fiscal year ended March 2016, and has since continued efforts to improve its effectiveness. The following is a summary of the results of the analysis and evaluation of the effectiveness of the Board of Directors during the fiscal year ended March 2024 (hereinafter, "the term").

### 1. Evaluation process

- (1) Evaluated officers: Board Directors (9 persons)
- (2) Evaluation method: Each director was asked to fill out a questionnaire in which evaluation items were listed and submit it to the Secretariat of the Board of Directors after entering his/her evaluations. The Secretariat compiled and anonymized the evaluations of the directors in a report and distributed the report to all directors. The Board met to discuss the evaluations and decided on matters to be improved during the term.
- (3) Evaluation items (overview):
  - (i) What the Board was or was not be able to discuss effectively regarding the following points identified as the challenges of the term based on the results of the effectiveness evaluation conducted in the previous item (fiscal year ended March 2023)
    - (a) The company's role as a holding company should be discussed continuously.
    - (b) The Board should continue discussions as to how the company can contribute to customers and society through its businesses, including hydrogen business, regarding the realization of carbon neutrality.
  - (ii) Areas where the Board was or was not able to effectively function during the term, regarding its four responsibilities\* laid out in the Principles of Corporate Governance
  - (iii) What the Board should discuss and monitor on a priority basis in the current term (fiscal year ending March 2025)
  - (iv) Status of discussions on human capital management
  - (v) Activities of the Advisory Committee on Appointments and Remuneration
  - (vi) Composition of the Board of Directors
  - (vii) Dialogue with shareholders and investors
  - (viii) Operation of the Board meetings, support for outside directors, and training for directors

\* Four responsibilities of the Board: (i) Supervise the overall business and its management, (ii) Establish and maintain a system of internal control, (iii) Choose, appoint, and dismiss the CEO and other management personnel, evaluate them, and decide their level of remuneration, (iv) Decide business strategy and take on important executive decisions

#### (4) Schedule

- (i) The Secretariat briefs the directors on the method, items, and schedule of Board effectiveness evaluation of the term (January 19, 2024)
- (ii) Directors submit their evaluation results to the Secretariat (Deadline: February 9, 2024)
- (iii) The Secretariat distributes the report of evaluation results to the directors (March 29, 2024)
- (iv) The Board discusses the evaluations (April 25, 2024)
- (v) Based on the above discussions, the Board decides an annual schedule, including details of what is to be discussed on a priority basis by the current-term Board (May 13, 2024)

## 2. Evaluation results

(1) Below are the evaluation results regarding the points that had been identified as the term's challenges.

- (i) The company's role as a holding company should be discussed continuously.

Although the "role as a holding company" was not discussed as an individual agenda, discussions on this theme were conducted through deliberations and reporting on issues. The common understanding is that an operating company is responsible for businesses and a holding company is responsible for strategy formulation and governance, whereas regarding a specific role of a holding company, there were opinions such as "It is considered constructive/productive to hold discussions for each specific challenge (for example, strengthening a global legal structure, developing global human resources, sharing best practices among Group Companies, and promoting women's active participation)," and "The Board should accumulate specific roles to be fulfilled through discussions about matters to be resolved or reported in Board meetings, and explore roles to be further enhanced and roles that have not been identified based on 'roles that are emerging' at some stage."

- (ii) The Board should continue discussions as to how the company can contribute to customers and society through its businesses, including hydrogen business, regarding the realization of carbon neutrality.

Regarding our contribution to decarbonization through our businesses, we have established the Carbon Neutral Working Group as a collaboration across Group Companies to provide customers with products and services that contribute to the environment. During the term, the Board reviewed and approved an agreement to supply oxygen to 1PointFive, which promotes the Direct Air Capture (DAC) business in Texas, the U.S. to collect CO<sub>2</sub> directly from the air.

As for this theme, while some members presented the opinion that "Exhaustive discussions have not been conducted," others offered such opinions as "I think there are a huge number of projects for carbon neutrality, but it is vital to wisely select projects according to the company's resources and technological capabilities," and "In addition to examination of individual projects, we have room to consider, in terms of organizational structure and business operation, in which order of priority we should work in the medium to long term on technological development to achieve carbon neutrality and promotion of innovation."

(2) Areas where the Board effectively functioned during the term

The Board considered itself as having fulfilled the roles it was expected to fulfill during the term. In addition, some members highly evaluated the Board's activities during the term on the following points.

- (i) Through the replacement of two Directors, the Board's skill matrix has been further broadened by having multiple members with business management experience while retaining existing skills, resulting in the Board's being able to hold wide-ranging and deep discussions on business risks and other matters.
- (ii) IR activities and the state of dialogue with investors and analysts including feedback were shared in Board meetings, which contributes to the effective functioning of the Board. In addition, descriptions in the integrated report are also easy to understand and are improved each year by reflecting feedback of opinions of shareholders, investors, etc. that is also shared in Board meetings.

(3) Points that needed improvement for the Board to more effectively function (excluding those already mentioned in 2. (1) above)

As points that needed improvement for the Board to more effectively function, opinions including the following were presented.

- (i) As we have not necessarily conducted sufficiently effective discussions about human capital, particularly promotion of women's active participation, it is necessary to determine and implement concrete measures as soon as possible while having a medium- to long-term outlook.
- (ii) Time pressure is high with only a monthly Board meeting. For matters to be reported that do not require resolution, we should consider breaking free from the constrain of holding it only once a month by utilizing a remote method and other means.

(4) In discussions conducted at the Board meeting held on April 25 of this year, there were opinions, such as that progress on five policies set in the medium-term management plan should be confirmed in light of the fact that the second year of the plan ended, and that the Board should work on the promotion of women's active participation on a top-priority basis.

Since April of last year, a liaison meeting for outside directors has been conducted after prior explanation on a monthly Board meeting to outside directors. Liaison meetings for outside directors include business explanation by the president, etc. of Group Companies for outside directors to understand the Group's businesses more deeply, and exchange of views among outside directors on various topics. Furthermore, a luncheon is held after the Board meeting to approve quarterly financial results, and inside and outside directors exchange their opinions there.

(5) Future challenges

Following the evaluation of the effectiveness and discussions of the Board of Directors, the Board will discuss the themes mentioned below in the current term.

- (i) The company's role as a holding company.
- (ii) How the company can contribute to customers and society through its businesses in order to realize carbon neutrality.
- (iii) Promotion of women's active participation, and advancement of diversity in human resources including exchange of human resources among Group Companies.
- (iv) Verification of progress made thus far on the medium-term management plan in anticipation of the next medium-term management plan.

Based on the results of the latest evaluation, the Board will continue striving to realize efficient and effective corporate governance and, through such efforts, to achieve our Group's sustained growth and improvement in corporate value.

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