

## **Basic Policy on Internal Control System**

Under the “ENEOS Group Philosophy” and considering the “ENEOS Group Code of Conduct”, the Company will develop, based on the following basic policies, a system aimed at enduring the properness of operations (the internal control system), and shall operate the system.

In operating the internal control system, the Company shall make efforts to continuously improve the system, and regularly monitor the operational status at the Executive Council’s meeting, so that the internal control system will be implemented across the entire ENEOS Group and done so effectively.

### **1. System to Ensure that Execution of the Duties by the Directors and the Employees Complies with Laws and Regulations, and the Articles of Incorporation**

- (1) The Company shall comply with laws and regulations, its articles of incorporation, and its rules, etc., in its entire operational spectrum by developing and enforcing rules aimed at fully ensuring compliance, so that the Company may carry out its corporate activities fairly and improve society’s trust in the ENEOS Group, whether in or outside of Japan.
- (2) The Company shall develop and operate organizational systems, such as committees, aimed at fully ensuring compliance, as well as regularly conduct inspection activities regarding the ENEOS Group’s status of compliance, and shall take appropriate measures that correspond to the inspection results.
- (3) The Company shall pursue early detection and early correction of the breaching of laws and regulations, as well as develop and operate a whistleblowing system that cooperates with attorneys-at-law in order to appropriately protect the whistleblower complaining of a breach of laws and regulations. Also, the Company shall develop and operate systems required to ensure that any person who reports any incident to the Company by using a whistleblowing system or by any other appropriate method, is not treated unfavorably on the grounds of making such a report (including by expressly prohibiting such treatment in the relevant rules, among others).
- (4) In order to achieve appropriate operation of the Board of Directors’ meetings, the Company shall establish “Rules for the Board of Directors.” Based on these rules, it shall hold Board of Directors’ meetings once every month in principle, and decide on the execution of important business activities after thorough deliberations, as well as receive reports from directors in an appropriate manner on the status of execution of their duties.
- (5) By having outside directors attend the Board of Directors’ meetings and participate in deliberations thereof, the Company shall aim to ensure objectivity and further improve the adequacy of decisions on the execution of business activities.

- (6) The Company shall establish the Internal Audit Department, which will be in charge of internal auditing and which will implement audits independently from other divisions.
- (7) The Company shall develop and operate an internal control system aimed at ensuring trust in its financial reporting, as well as evaluate the effectiveness of the reporting every year, and make any necessary corrections.
- (8) To prevent a relationship between the Company and anti-social forces, the Company shall set the basic policy for the entire ENEOS Group, and each company under the ENEOS Group shall develop and enforce the rules, etc. that correspond to each of their actual business activities, and fully ensure that the rules, etc. are complied with.

## **2. System for the Storage and Management of Information related to Execution of Duties by the Directors and the Employees**

- (1) The execution of duties by the directors and the employees shall in principle be conducted in writing, and the rules, etc. on document preparation, management, or the like shall be established and enforced.
- (2) The Company shall properly prepare minutes of the Board of Directors' meetings based on laws and regulations, and shall develop and enforce rules, etc. on the preparation, approval process, storage, or the like of approval documents for each management position.
- (3) The Company shall develop and enforce rules, etc. aimed at preventing wrongful use, disclosure, and divulgence of company information, and at appropriately handling confidential information and personal information, as well as to protect its IT system from outside threats. In addition, the Company shall, through providing opportunities such as internal training, ensure that the employees fully comply with the rules, etc.
- (4) Based on the Companies Act, the Financial Instruments and Exchange Act and the Timely Disclosure Rules of the stock exchange, the Company shall appropriately prepare business reports, financial statements and annual securities reports, and shall disclose the company information appropriately and in a timely manner.

## **3. Rules and Other Systems for the Management of Risk of Loss**

- (1) In submitting an important matter, such as regarding a substantial amount of investment, to the Board of Directors' meeting or the Executive Council's meeting, policies on treatment of risks pertaining to the matter shall be defined after sorting out the anticipated risk. In addition, the Company shall, as necessary, appoint outside legal, accounting, tax and other advisors, and seek their opinions.

- (2) The Company shall appropriately identify and analyze various risks that may impair the ENEOS Group's corporate value, such as radical changes in the economy and financial conditions; drastic fluctuation in crude oil, copper metal, or other resource prices, or in currency exchange rates; and the occurrence of a large earthquake; and shall develop and enforce systems and rules, etc. aimed at dealing with these risks.
- (3) The Company shall promote internal control systems in order to manage the risks for the achievement of organizational goals in each department and shall develop and operate necessary systems and rules in order to achieve this.
- (4) The Company shall achieve safety, preserve environment and maintain health, and shall develop and operate necessary systems and rules for these purposes.
- (5) To prepare for an event where a crisis or emergency significantly affects the ENEOS Group's management, the Company shall appropriately transmit and manage information regarding the crisis or the emergency, and shall develop and enforce systems and rules, etc. aimed at preventing the occurrence and expansion of damage.

#### **4. System to Ensure Efficient Execution of Duties by Directors and Employees**

- (1) The Company shall set forth, in its rules on organization and authority, the organizational structure, management positions and business activity allocations in the Company, as well as matters for approval and the approval authority that correspond to each skill and management position, and have the duties executed in an efficient manner.
- (2) In order to improve the effectiveness of business execution, the Board of Directors shall delegate a part of its important decision-making on business execution to the President, and shall focus on the deliberations and determinations of the basic policies on management and basic policies for the development of internal control systems as well as on the oversight of the execution of duties by directors and executive officers.
- (3) The matters to be resolved by the Board of Directors shall in principle be approved by the President in advance. In addition, on the granting of the President's approval, the Executive Council shall be established as a body that discusses the President's approval of the matter, and appropriate and efficient decision-making shall be conducted after the management of the Company have conducted examination and deliberation.
- (4) As well as formulating a long-term business plan for ENEOS Group, the Company shall develop a management plan for the next three (3) years in the Medium-Term Management Plan, and shall develop and operate management control systems such as the budget system and the objectives management system.
- (5) The Company shall establish and operate an optimal IT system from the perspective of proper

information management, standardization and optimization of business and strengthening of the internal control system.

## **5. System to Ensure Appropriate Business Operation within the Corporate Group**

- (1) Regarding the “ENEOS Group Philosophy” and the “ENEOS Group Code of Conduct,” the Company shall define them as the philosophies and standards of conduct common to each company under the ENEOS Group, and shall aim to disseminate them among and have them fully understood by each company.
- (2) Under the supervision of the Board of Directors to the entire ENEOS Group, in order to establish the energy business centered operational structure of the group, the management of the Company and the ENEOS shall concurrently hold the management posts and shall integrally operate the two companies’ Executive Council and the management divisions. Under the Company’s policies on management, JX Nippon Oil & Gas Exploration and JX Nippon Mining & Metals shall create, according to their business characteristics, highly self-directed, flexible and independent business operation systems.
- (3) The Company shall set forth, in its “Rules for the Board of Directors” and the rules on organization and authority, the matters to be resolved at, approved by, or reported to the Company’s Board of Directors’ meetings and the Executive Council’s meetings from among the matters regarding execution of the business activities of the group companies, and shall enforce those rules in an appropriate manner.
- (4) The Company shall set forth, in its rules, the basic matters regarding the operation of the ENEOS Group, such as the mission, purposes, basic role, structure of authority for decision-making in the ENEOS Group companies, as well as develop and enforce the rules, etc. that should be applied to the entire ENEOS Group, and shall aim to have each company under the group share and comply with the rules, etc.
- (5) Regarding the systems related to internal control systems of the ENEOS Group (including systems related to compliance and systems related to internal controls through IT), the Company shall develop and operate them as systems that include the group companies, considering the business characteristics of the group companies.
- (6) The Company shall appropriately develop and operate a compliance system, risk management system, system to execute business efficiently, and other internal control system of the ENEOS Group by monitoring the development and operation of the internal control system at the Executive Council’s meeting.

## **6. System to Ensure Effective Auditing by the Audit and Supervisory Committee**

- (1) The Company shall respect the audit standards and the audit plans set forth by the Audit and

Supervisory Committee, and shall cooperate in the smooth performance of audits and the development of conditions for an audit.

- (2) The Company shall take the measures necessary so that the Audit and Supervisory Committee members are able to attend important meetings, such as the Executive Council's meetings, and understand the process of making important decisions and the status of execution of business activities. In addition, the Company shall develop and operate systems for the Company and the group companies to appropriately report on the matters which the Audit and Supervisory Committee members request.
- (3) The Company shall develop and operate systems for the Audit and Supervisory Committee to receive reports on any fact that may be identified concerning the Company or the group companies, such as material breaches of laws and regulations or the articles of incorporation, fraudulent acts, or facts that could cause considerable damage to the Company, immediately when such a fact is identified. In addition, the Company shall develop and operate systems for the auditor of the group companies to report on the matters, such as audit result, which the Audit and Supervisory Committee members request.
- (4) The Company shall develop and operate systems required to ensure that any person who reports any incident to the Company by reporting to the Audit and Supervisory Committee is not treated unfavorably on the grounds of making such a report (including by expressly prohibiting such treatment in the relevant rules, among others).
- (5) The Representative Director and other management shall hold meetings with the Audit and Supervisory Committee members regularly, and exchange opinions on matters such as the ENEOS Group's management issues.
- (6) The Internal Audit Department, which is in charge of internal audits, shall make efforts to maintain close cooperation with the Audit and Supervisory Committee, such as exchanging views about audit plans and audit results.
- (7) The Company shall establish the Office of Audit and Supervisory Committee as an organization independent from the business execution sections, and the employees appointed exclusively to the office shall assist in the Audit and Supervisory Committee's duties. Treatment of personnel, such as evaluation and transfer of such employees, shall be determined after prior discussions with the full-time Audit and Supervisory Committee members, in order to ensure the effectiveness of instructions that the Audit and Supervisory Committee gives to such employees.
- (8) The Company shall, upon an Audit and Supervisory Committee member's request, appropriately bear any expenses or debt associated with the execution of duties of the Audit and Supervisory Committee member pursuant to Article 399-2, paragraph 4 of the Companies Act.

End.