

# Basic Policy on Corporate Governance of ENEOS Group

## Chapter I General Provisions

### 1. The purpose of establishing the Basic Policy on Corporate Governance of ENEOS Group

(1) ENEOS Group (\*1) shall realize the ENEOS Group Philosophy and achieve its sustainable growth and increase its corporate value (\*2) over the medium- to long-term by establishing and operating a structure for transparent, fair, timely and decisive decision-making in its business operation, respecting the needs and perspectives of shareholders and also customers, business partners, employees and local communities (this structure, hereinafter referred to as “Corporate Governance”).

(\*1) “ENEOS Group” means the business group which consists of ENEOS Holdings, Inc. (“the Company”) and the subsidiaries, including ENEOS Corporation, JX Nippon Oil & Gas Exploration Corporation, JX Metals Corporation, ENEOS Materials Corporation, ENEOS Power Corporation, and ENEOS Renewable Energy Corporation (“the Principal Operating Companies”).

(\*2) “Corporate value” means overall value including economic and social value (contributing to resolve social issues) generated through the business activities of the ENEOS Group, and reputation appraised by every stakeholder.

(2) Under this recognition, the Company hereby provides a basic concept of, and matters for the establishment and operation of the Corporate Governance of ENEOS Group, for the purpose of appropriately establishing and operating the Corporate Governance.

(3) This Basic Policy is a commitment to a range of stakeholders of ENEOS Group, including shareholders and also customers, business partners, employees and local communities. All the officers of ENEOS Group shall understand this Basic Policy. The Company shall make any necessary amendment to optimize it in accordance with any change in the business environment and management risks.

### 2. Realization of the “ENEOS Group Philosophy”

ENEOS Group has established the “ENEOS Group Philosophy” as follows, as the basis of ENEOS Group’s business activities and shall realize it by establishing and operating its Corporate Governance appropriately.

#### **【ENEOS Group Mission】**

**Harnessing the Earth’s power for the common good and for the day-to-day life of each individual, we will contribute to the development of our communities and help to ensure a vibrant future through creation and innovation in energy, resources, and materials.**

#### **【Our Five Core Values】**

(1) **As a member of the community**

**High ethical standards**

**Based on our core principles of integrity and fairness, we conduct all of our business activities in accordance with our high ethical standards.**

**Health, safety, and environment**

**We give the highest priority to health, safety, and environmental initiatives, which are vital to the well-being of all living things.**

- (2) **Supporting day-to-day life**  
**Focus on customers**

**We strive to meet the expectations and evolving needs of our valued customers and of society as a whole through the stable provision of products and services while creating new value as only we can.**

- (3) **For a vibrant future**  
**Taking on challenges**  
  
**Moving forward**

**Taking changes in stride, we rise to the challenge of creating new value while seeking innovative solutions for today and tomorrow. Looking to the future, we continue to grow, both as individuals and as a company, through the personal and professional development of each and every employee.**

### **3. Implementation of the “ENEOS Group Code of Conduct”**

The officers and employees of ENEOS Group shall fully recognize that the achievement of sustainable growth of corporations and creation of corporate value over the medium- to long-term can be brought about only as a result of the provision of resources and contributions made by a range of stakeholders, including shareholders, customers, business partners employees and local communities, and shall endeavor to appropriately cooperate with these stakeholders by implementing the following “ENEOS Group Code of Conduct”.

In order to realize an effective Corporate Governance, it is important for the ENEOS Group directors, officers and employees to live up to the code of conduct in compliance with high ethical standards in executing operations. The Company shall periodically monitor the status of implementation of the “ENEOS Group Code of Conduct” by such means as the questionnaire and undergo the review by the Board of Directors of the Company.

#### **【ENEOS Group Code of Conduct (excerpt)】**

##### **Introduction**

- 1. Compliance**
- 2. Safety and security**
- 3. Environmental conservation**
- 4. Health enhancement**
- 5. Respect for human rights**
- 6. Product and service quality**
- 7. Equitable and fair transactions**
- 8. Appropriate relationships with governments and public administrations**
- 9. Avoidance of conflicts of interest**
- 10. Corporate asset protection and management**
- 11. Information management and disclosure**
- 12. Establishment of a healthy work environment**
- 13. Contribution to the development of civil society**
- 14. Actions for violations and measures to prevent recurrence**

\* ENEOS Group Code of Conduct (full text)  
As set forth in Exhibit 1

### **4. Formulation and implementation of a medium-term management plan**

- (1) The Company shall set out how ENEOS Group as a whole should be in the future as “the Long-Term Vision” and shall formulate, after accurately identifying the company’s cost of capital, a medium-term management

plan and other management plans, identifying risks and opportunities based on the business environment for the purpose of achieving its sustainable growth and increasing its corporate value over the medium- to long-term. The Company shall articulate a business strategy and earnings plan, set out a target value of earning power and capital efficiency, and explain about reviewing the business portfolio and the allocation of management resources for achieving the plans and targets.

- (2) ENEOS Group shall recognize that a medium-term management plan is an important commitment to stakeholders and shall do its best to achieve the plan. The Company shall explain to stakeholders these efforts through its business report and integrated report.
- (3) Should the Company fail to deliver on the medium-term management plan, the Company shall fully analyze the reasons underlying the failure, disclose the conclusion of the analysis, and formulate the next medium-term management plan, taking into account such analysis. With respect to the capital policy, the Company shall clarify the definition and the content thereof, and then explain such policy in the announcement of each medium-term management plan.

**【Medium-Term Management Plan】**

As set forth in Exhibit 2

## **5. Promotion of diversification of personnel**

ENEOS Group shall promote diversification of personnel regardless of their gender, age or nationality, since the gathering of personnel with diverse experience and values can facilitate the emergence of flexible and new ideas and these will be a strength which supports sustainable growth.

## **Chapter II Basic Concept for Corporate Governance of ENEOS Group**

### **1. Basic matters on establishment and operation of Corporate Governance**

By establishing and operating the Corporate Governance appropriately, ENEOS Group shall realize the ENEOS Group Philosophy and achieve its sustainable growth and increase its corporate value over the medium- to long-term. Based on this recognition, the Company shall establish and operate the Corporate Governance of ENEOS Group as follows:

- (1) Business management as the holding company

The Company takes charge of formulating the ENEOS Group Philosophy, ENEOS Group Code of Conduct, basic management policies such as medium- to long-term management plans and budgets (hereinafter referred to as “Basic Management Policies”), allocating management resources and overseeing the management of each subsidiary from the perspective of optimizing the value of ENEOS Group as a whole, .

- (2) Management structure of the Company and the Principal Operating Companies

ENEOS Group is a group of companies whose principal business consists of six business fields: energy business, oil and natural gas exploration and production business, metals business, high performance materials business, electricity and city gas business, and renewable energy business. In order to strongly advance portfolio management under the Company’s strong leadership, ENEOS Group has established a structure, under which the Company serves as a holding company and six operating Companies which promote each

principal business are placed thereunder.

The Principal Operating Companies: ENEOS Corporation, JX Nippon Oil & Gas Exploration Corporation, JX Metals Corporation, ENEOS Materials Corporation, ENEOS Power Corporation, and ENEOS Renewable Energy Corporation shall respectively establish business execution structure where their autonomy, agility, and independence are further enhanced depending on their business characteristics under the Basic Management Policies specified by the Company.

(3) Organization

The Company is a company with audit and supervisory committee.

(4) Board of Directors

The Board of Directors of the Company consists of more than one inside directors and outside directors. With such composition, the Board of Directors of the Company shall manage the Company in accordance with the following policies.

- (a) Focus on deliberation and decision of the Basic Management Policies and oversight of the execution of operations.
- (b) As an effort to improve agility of the execution of operations, delegate part of decision-making on the execution of material operations to the President of the Company.
- (c) With respect to the material matters such as appraisal of return on investment, risks, progress of execution of material operations of the Company and the Principal Operating Companies, the Board of Directors shall receive reports from persons such as the President of the Company and the President of each Principal Operating Company, verify its consistency with the Basic Management Policies and oversee such matters.

(5) Audit and Supervisory Committee

- (a) The Audit and Supervisory Committee shall carry out audits with a high degree of effectiveness and objectivity conduct audits in an organized and systematic fashion through appropriate collaboration between the full-time audit and supervisory committee members, who are given the strong power to gather information, and the audit and supervisory committee members who are outside directors, who have a high degree of independence, in addition to a wealth of knowledge and experience.
- (b) The Audit and Supervisory Committee shall oversee the execution of operations through each audit and supervisory committee member exercising the voting right that he or she has as a director at the Board of Directors meetings as well as exercising the right to state his or her opinion on personnel affairs and compensation of directors who are not audit and supervisory committee members.

(6) Outside directors

To take advantage of a wealth of knowledge and experience of outside directors and to ensure transparency and objectivity in decision-making, the Company shall take the following measures:

- (a) in determining the Basic Management Policies at the Board of Directors of the Company, request outside directors to be involved, from the stage of consideration and to fully discuss it from multiple points of view; and in decision-making on and overseeing execution of material operations, fully verify its consistency with the Basic Management Policies, taking opinions of outside directors into account; and
- (b) in determining personnel affairs and remuneration of directors at the Board of Directors of the Company, ensure transparency of the decision-making process by consulting with the Nomination Advisory Committee and the Compensation Advisory Committee, a majority of whose members are outside directors, and which

are chaired by an outside director.

- (7) Executive officers, Group Chief Officers, and the Executive Council
  - (a) The Company shall appoint executive officers who execute operations agilely pursuant to a decision of the Board of Directors.
  - (b) In order to enhance group governance, the Company shall appoint Group Chief Officers as the roles by which strengthening collaboration among the Principal Operating Companies, optimizing resource allocation, etc.
  - (c) For the President to make decisions on execution of operations as chief operating officer, the Company shall establish the Executive Council as a consultative body for matters to be decided by the President, which shall consist of the President, the Executive Vice Presidents, the Senior Vice Presidents who have been appointed by the President, and the President of each Principal Operating Company, and have the Executive Council make decisions through careful deliberations.
  - (d) A full-time audit and supervisory committee members shall attend the Executive Council, grasp a process of important decision-making, and the status of execution of operations, and share such process and status with other audit and supervisory committee members.
- (8) Corporate governance framework of Principal Operating Companies
  - (a) Each Principal Operating Company is a company with audit and supervisory committee or company with board of corporate auditors (as defined in the Companies Act of Japan). Each Principal Operating Company has a Board of Directors to enable directors to oversee each other's performance of duties. Each Principal Operating Company shall fully analyze the risk of the business and verify the conformity of the execution of operations performance to the Basic Management Policies. The full-time audit and supervisory committee member of the Company concurrently serves as the full-time corporate auditor of ENEOS corporation. The Company shall also dispatch, if necessary, its full-time audit and supervisory committee member to the Principal Operating Companies as a part-time director who is an audit and supervisory committee member or a part-time corporate auditor, and cause such director or corporate auditor to audit the execution of the duties by the directors of the Principal Operating Company.
  - (b) Any decision-making regarding the matters related to the execution of operations of a Principal Operating Company (including matters on the execution of material operations of a subsidiary of such Principal Operating Company) shall be made by such Principal Operating Company.
  - (c) Each Principal Operating Company shall report to the Company the status and other matters established by the Company regarding the execution of material operations.
  - (d) In order to appropriately monitor the Board of Directors of the Principal Operating Companies or audit the execution of the duties by the directors of the Principal Operating Companies, the Company shall dispatch, if necessary, its Executive Vice Presidents or Senior Vice Presidents to the Principal Operating Companies as part-time directors who are not audit and supervisory committee members or part-time directors, or part-time director who are audit and supervisory committee members or part-time corporate auditors of the Principal Operating Companies.

## **2. Policy on dealing with the Corporate Governance Code**

The Company accepts and practices all of the principles of the "Corporate Governance Code" established by Tokyo

Stock Exchange, since the Company considers it effective in order to establish and operate the Corporate Governance.

### **Chapter III Establishment and operation of Corporate Governance**

#### **1. Establishment and operation of internal control system**

(1) To ensure appropriateness of execution of operations in ENEOS Group, the Board of Directors of the Company shall establish the “Basic policy on the development and operation of the internal control system”, and oversee the operational status thereof. To ensure effective operation of the internal control system, the Company periodically monitors the operation status thereof in the Executive Council. The President shall report the result of such monitoring to the Board of Directors.

#### **【Basic Policy on Establishment and Operation of Internal Control System】**

As set forth in Exhibit 3.

(2) In order to detect and correct any violation of laws, including laws and regulations, articles of incorporation, contracts, and internal rules and regulations, at an early stage, the Company establishes and operates a whistle-blowing system which has an internal reporting contact and with which the audit and supervisory committee members and external lawyers shall cooperate. In operating the system, the Company shall protect appropriately those who report on any violation of laws, etc. by the use of the whistle-blowing system.

#### **2. Operation of the Board of Directors**

For promoting free and open exchange of views and constructive and high quality discussion in the Board of Directors’ meeting of the Company, the Chairman of the Board of Directors shall appropriately operate the proceedings and cause the secretariat of Board of Directors to:

- (1) set agenda, time for deliberation and frequency of the Board of Directors’ meeting in such a manner as allows discussions necessary and sufficient to decide on the Basic Management Policies and the execution of material operations and to oversee the execution of certain duties;
- (2) dispatch to outside directors materials for the agenda by three (3) days before the meeting in principle, and provide explanations to them about important agenda items before the meeting;
- (3) provide the members of the Board of Directors with the annual schedule of the Board of Directors meetings and the anticipated agenda in advance; and
- (4) provide directors with the results of analysis of anticipated risks and information on expert opinions so that directors can discharge their duty of care and appropriately make a business judgment.

#### **3. Evaluation of effectiveness of the Board of Directors of the Company**

The Board of Directors of the Company shall analyze and evaluate its effectiveness as a whole, taking into consideration the relevant matters including the self-evaluation of each director and shall disclose a summary of the results.

#### **4. Functions of the Audit and Supervisory Committee**

- (1) The Audit and Supervisory Committee shall appropriately formulate an audit standard and audit plan so that each audit and supervisory committee member can conduct audits effectively and efficiently, and shall share information with audit and supervisory committee members so that each audit and supervisory committee member can conduct its audit in an organized and systematic fashion.
- (2) To ensure that the Company appoints a suitable person with independence and expertise as the accounting auditor, the Audit and Supervisory Committee of the Company shall establish appointment criteria, rules on dismissal and non-reappointment and evaluation criteria, and thereby evaluate and appoint the accounting auditor in accordance with them.
- (3) For the purpose of adequately exercising the right to state opinions on personnel affairs and compensation of directors who are not audit and supervisory committee members at the General Meetings of Shareholders, the Audit and Supervisory Committee of the Company shall have one audit and supervisory committee member attend the meetings of the Nomination Advisory Committee and the Compensation Advisory Committee.

#### **5. Establishment of audit environment for the accounting auditor**

The Board of Directors and the Audit and Supervisory Committee of the Company shall secure enough time and opportunity for the accounting auditor to meet with officers and employees, and establish a system by which the accounting auditor is able to coordinate with audit and supervisory committee members, internal audit department and outside directors, in order for the accounting auditor to conduct an audit sufficiently. In case where the accounting auditor identifies any misconduct, inadequacies or concerns, the Company shall adequately respond to them.

#### **6. Outside director meeting and support to the outside directors**

- (1) In order for outside directors to gather information on management of ENEOS Group including the agenda of the Board of Directors and to exchange opinions and share awareness with other outside directors, the Company shall hold a meeting of its outside directors. Upon the request by such outside directors, the Company shall provide outside directors with necessary information upon request, and full-time directors, the accounting auditor of the Company, and the President of Principal Operating Companies shall attend the outside director meeting and exchange opinions with each other.
- (2) The General Manager of the Legal & Corporate Affairs Department shall, for outside directors who are not audit and supervisory committee members, and the General Manager of the Audit and Supervisory Committee Affairs Office shall for outside directors who are audit and supervisory committee members, act as the contact person with other officers and employees, and provide information in cooperation with relevant departments.

#### **7. Directors concurrently serving as other company's officer**

In the case where a director of the Company concurrently serves as an officer of one or more other companies, he or she shall ensure that his or her duty as a director of the Company shall not be hindered thereby. The Company

shall disclose in the business report the fact of any directors of the Company who are concurrently serving as officers of other listed companies.

## **8. Restrictions on conflicting interest transactions**

A director of the Company who intends to carry out a conflicting interest transaction shall go through a resolution of the Board of Directors' meeting of the Company and report the transaction records to the Board of Directors, as obliged pursuant to the provisions of the Companies Act of Japan.

## **Chapter IV Appointment of the Officers and Provision of Training**

### **1. Policy on nomination of director candidates**

The Board of Directors of the Company shall be composed of such appropriate number of directors as enables free, open and constructive discussions and exchange of opinions, and the Company shall select members thereof taking into account knowledge, experience and capability of each director. Under this recognition, the Company shall nominate director candidates in accordance with the following nomination policy and endeavor to ensure that more than one third (1/3) of the directors are independent outside directors who meet the "Standards for Consideration of Independence" prescribed by the Company. In nominating director candidates excluding outside director candidates, to ensure the impartiality and objectivity of the nomination process, a third-party organization shall conduct an evaluation (HR due diligence and interviews with director candidates) on the candidates from multiple perspectives by appropriate measures, and report the results to the Nomination Advisory Committee, which shall make a recommendation to the Board of Directors based on the deliberations before the nomination taking into account the results of HR due diligence.

#### **【Standards for Consideration of Independence prescribed by the Company】**

As set forth in Exhibit 4.

#### **(1) Policy on nomination of candidates for directors who are not audit and supervisory committee members**

With respect to the directors of the Company who are not audit and supervisory committee members, the Company shall nominate as a candidate a person who has high level of professional ethics, superior ability in strategic thinking and judgment, and flexibility to changes, and is also capable of decision-making and supervision of management in the light of the whole group optimization. Among the directors, two (2) or more directors shall be independent outside directors.

#### **(2) Policy on nomination of candidates for directors who are audit and supervisory committee members**

With respect to the directors of the Company who are audit and supervisory committee members, the Company shall nominate as a candidate a person who has high level of professional ethics and expert knowledge such as for law, finance, accounting, and are capable of auditing the performance of duties by directors appropriately and overseeing the execution of operations by the directors appropriately. The majority of the directors who are audit and supervisory committee members shall be independent outside directors.

## **2. Policy on appointment of the senior management members**

With respect to the senior management members of the Company(\*), the Company shall appoint a person who has a wealth of knowledge of business and expertise in management, and is capable of executing business appropriately in accordance with the decision of the Board of Directors of the Company.

(\*) The senior management members of the Company means those who are in charge of the mainstay of the execution of business of the Company, i.e. the President, the Executive Vice President and the Senior Vice Presidents of the Company.

## **3. Policy on dismissal of the directors and senior management members**

With respect to the directors and senior management members of the Company, the Company shall dismiss, or recommend the resignation of, the directors and senior management members of the Company after deliberation, if necessary, by the Nomination Advisory Committee in accordance with the procedures set by laws, etc., if they:

- (a) acted material violation of the laws, etc. and grossly damaged to the reputation of the ENEOS Group;
- (b) caused substantial detriment to the ENEOS Group by the action or omission in bad faith or with gross negligence; or
- (c) conducted any action or omission equivalent to the preceding two items.

## **4. Policy on appointment of directors who are not audit and supervisory committee members, directors, directors who are audit and supervisory committee members, and corporate auditors of the Principal Operating Companies**

The Company shall appoint directors who are not audit and supervisory committee members, directors, directors who are audit and supervisory committee members, and corporate auditors of the Principal Operating Companies in accordance with the following appointment policy:

(1) Policy on appointment of directors who are not audit and supervisory committee members and directors of the Principal Operating Companies

With respect to the directors who are not audit and supervisory committee members and directors of the Principal Operating Companies, the Company shall appoint a person who has high level of professional ethics, superior ability in strategic thinking and judgment, and flexibility to changes as well as a strong management sense for each business, and is also capable of decision-making and oversight of management, based on the Basic Management Policies.

(2) Policy on appointment of directors who are audit and supervisory committee members and corporate auditors of the Principal Operating Companies

With respect to the directors who are audit and supervisory committee members and corporate auditors of the Principal Operating Companies, the Company shall appoint as a corporate auditor a person who has high level of professional ethics and also has certain expert knowledge, such as for law, finance, accounting, and is capable of appropriately auditing the performance of duties by directors who are not audit and supervisory committee members or directors.

## **5. Policy on appointment of the senior management members of the Principal Operating Companies**

With respect to the senior management members of the Principal Operating Companies (\*), each Principal Operating Company shall appoint as a senior management member a person who has a wealth of knowledge of business and expertise in business management, and is capable of appropriately executing business in accordance with the decision of the Board of Directors of the Principal Operating Companies.

(\*) The senior management members of the Principal Operating Companies means those who are primarily in charge of the execution of business of each Principal Operating Company, i.e. the President, the Executive Vice President and the Senior Vice President of the Principal Operating Company.

## **6. Policy on dismissal of directors and corporate auditors, and the senior management members of the Principal Operating Companies**

With respect to directors and corporate auditors, and the senior management members of the Principal Operating Companies, each Principal Operating Company shall dismiss, or recommend the resignation of, directors and corporate auditors, and the senior management members of the Principal Operating Companies in accordance with the procedures set by laws, etc., if they:

- (a) acted material violation of the laws, etc. and grossly damaged to the reputation of the ENEOS Group;
- (b) caused substantial detriment to the ENEOS Group by the action or omission in bad faith or with gross negligence; or
- (c) conducted any action or omission equivalent to the preceding two items.

## **7. Establishment and operation of the Nomination Advisory Committee**

- (1) The Board of Directors of the Company shall establish as an advisory body for the Board of Directors the Nomination Advisory Committee, a majority of whose members are outside directors, and which is chaired by an outside director, and consult thereto on personnel affairs for directors of the Company (including appointment and dismissal). The Board of Directors of the Company shall allow one audit and supervisory committee member to attend the Nomination Advisory Committee's meetings so that the Audit and Supervisory Committee of the Company may adequately exercise the right to state opinions on personnel affairs of directors who are not audit and supervisory committee members at General Meetings of Shareholders.
- (2) The Company shall hold the Nomination Advisory Committee of the Company several times every year so that the Company shall appoint the directors of the Company, deploying sufficient time and resources. With respect to the Nomination Advisory Committee of the Company, the Company may from time to time hold it by judgement of the Chairman of the Nomination Advisory Committee.
- (3) The Board of Directors of the Company shall consult the Nomination Advisory Committee on the succession planning concerning the Chairman and the President of the Company, and the President of the Principal Operating Company.

## **8. Disclosure of reasons for appointment of directors**

The Company shall disclose the reasons for nomination of each director candidate.

## **9. Provision of training for directors of the Company and the Principal Operating Companies, and corporate auditors of the Principal Operating Companies**

- (1) Directors of the Company and the Principal Operating Companies and corporate auditors of the Principal Operating Companies shall make an effort to improve their knowledge and ability as they are responsible for performing duties in order to realize the ENEOS Group Philosophy, and thus to achieve sustainable growth of the ENEOS Group and increase corporate value of the ENEOS Group over the medium- to long term.
- (2) The Company and the Principal Operating Companies shall provide the directors of the Company and the Principal Operating Companies and the corporate auditors of the Principal Operating Companies with an opportunity to receive trainings on the Companies Act, the internal control system, business, finances, organization and other matters.
- (3) The Company shall explain to outside directors basic matters on the business of the Company at the time of their assumption of office, and provide an opportunity to get a better understanding on ENEOS Group such as business briefing session and facility tour thereafter.
- (4) Expenses necessary for self-improvement of directors of the Company and the Principal Operating Companies and corporate auditors of the Principal Operating Companies shall be respectively borne by the Company and the Principal Operating Companies.

## **Chapter V Determination of remunerations for Officers**

### **1. Policies regarding the determination of the calculation method for the remunerations for directors of the Company who are not audit and supervisory committee members, directors of the Principal Operating Companies excluding directors of the Principal Operating Companies who are audit and supervisory committee members, and executive officers of the Company and the Principal Operating Companies**

The remuneration for directors of the Company who are not audit and supervisory committee members, directors of the Principal Operating Companies excluding directors of the Principal Operating Companies who are audit and supervisory committee members, and executive officers of the Company and the Principal Operating Companies consists of the fixed amount remuneration paid every month according to each director or executive officer's role plus a bonus and performance-linked stock remuneration, the amount of which vary according to the financial performance of ENEOS Group; provided, however, that remuneration for outside directors consists only of the fixed amount remuneration paid every month.

### **2. Policy on determination of the calculation method for the remunerations for directors of the Company who are audit and supervisory committee members, directors of the Principal Operating Companies who are audit and supervisory committee members, and corporate auditors of the Principal Operating**

## **Companies**

The remuneration for directors of the Company who are audit and supervisory committee members, directors of the Principal Operating Companies who are audit and supervisory committee members, and corporate auditors of the Principal Operating Companies consists of only the fixed amount remuneration, paid every month according to his or her role.

### **3. Establishment and operation of the Compensation Advisory Committee**

The Board of Directors of the Company shall establish as an advisory body for the Board of Directors the Compensation Advisory Committee, a majority of whose members are outside directors, and which is chaired by an outside director, and consult thereto on policies regarding determination of the calculation method for the remunerations, remuneration systems and actual remuneration amounts for directors of the Company who are not audit and supervisory committee members, directors of the Principal Operating Companies excluding directors of the Principal Operating Companies who are audit and supervisory committee members, and executive officers of the Company and the Principal Operating Companies. The Board of Directors of the Company shall allow one audit and supervisory committee member to attend the Compensation Advisory Committee's meetings so that the Audit and Supervisory Committee of the Company may adequately exercise the right to state opinions on compensation of directors who are not audit and supervisory committee members at General Meetings of Shareholders.

### **4. Recovery and Cancellation of Remunerations for Officers**

The remunerations for directors of the Company and the Principal Operating Companies, corporate auditors of the Principal Operating Companies, and executive officers of the Company and the Principal Operating Companies, may be recovered and cancelled by the resolution of the General Meeting of Shareholders or the Board of Directors, or the discussion between directors of the Company or the Principal Operating Company who are audit and supervisory committee members or corporate auditors of the Principal Operating Companies, if they:

- (a) acted material violation of the laws, etc. and grossly damaged to the reputation of the ENEOS Group;
- (b) caused substantial detriment to the ENEOS Group by the action or omission in bad faith or with gross negligence;
- or (c) conducted any action or omission equivalent to the preceding two items,

provided, that in determining the recovery and cancellation of the remunerations, the Compensation Advisory Committee shall make a recommendation to the Board of Directors after the deliberations regarding the appropriateness of the recovery and cancellation, if necessary.

## **Chapter VI Relationship with Shareholders**

### **1. Respect of shareholders rights**

The Company shall treat every shareholder equally according to the number of shares held by them, and shall respect their rights.

## **2. Holding and operation of the General Meeting of Shareholders**

Under the understanding that voting rights at the General Meeting of Shareholders are important rights of shareholders, the Company shall take appropriate measures to fully secure such rights of the shareholders. Also, to have constructive communication with shareholders, the Company shall take appropriate measures to ensure the exercise of shareholder rights at the General Meeting of Shareholders, from the view point of shareholders.

- (1) The Company shall provide accurate information to shareholders through the convocation notice of the General Meeting of Shareholders so that shareholders can appropriately exercise their voting rights with sufficient time to consider the agenda. The Company shall disclose convocation notice promptly on the Company's website and send it to shareholders no later than three (3) weeks prior to the date of the General Meeting of Shareholders.
- (2) Being in mind the number of institutional and foreign shareholders, the Company shall establish such environment as allows shareholders to appropriately exercise their voting rights, including but not limited to preparing and disclosing the English version of the convocation notice and using electronic voting platform.
- (3) In the case where institutional investors who hold shares through custodians ("Beneficial Shareholders") express an interest in attending the General Meeting of Shareholders, the Company shall work with the trust banks and custodial institutions to consider such request. In the case where the Indirect Shareholders express an interest to observe (i.e. separate from other shareholders, and without exercising voting rights and without the right to ask any questions) the General Meeting of Shareholders, the Company will permit their attendance on condition that such Indirect Shareholders in advance follow the specific procedures which the Company sets out.

(Note: Under the Companies Act of Japan, only the shareholders whose names are registered in the official shareholders registry are entitled to attend (including asking questions) and vote at the General Meetings of Shareholders.)

- (4) The Company shall operate the General Meeting of Shareholders with due consideration to shareholders, including but not limited to determining the appropriate date of the General Meeting of Shareholders and securing sufficient time for a questions and answer session.
- (5) When a considerable number of votes have been cast against a proposal by the Company and the proposal has been approved, the company shall analyze the reasons behind opposing votes and why many shareholders opposed, and consider the need for shareholder dialogue and other measures.

## **3. Promotion of dialogue with shareholders**

The Company shall actively have a dialogue with shareholders leading to the increase in corporate value of ENEOS Group over the medium- to long-term, and shall take the following measures in addition to dialogue in the General Meeting of Shareholders:

- (1) the President of the Company shall oversee the dialogue with shareholders, and respective departments in the Company shall cooperate with each other and promote dialogue with shareholders;

- (2) the Company shall conduct a survey on who are the Beneficial Shareholders and promote dialogue with shareholders through visits to institutional investors both in Japan and overseas by the senior management members;
- (3) with respect to individual investors, the Company shall hold business briefing sessions all over Japan and set up a contact window for shareholders on the Company's website;
- (4) directors of the Company shall grasp the opinions obtained through dialogue with shareholders and take such opinions into account in the management of the ENEOS Group;
- (5) the Company shall make an effort to provide information through business report, integrated report and other forms of communication, in such a manner as is considerate and easy to understand, and disclose information in accordance with the "Disclosure Policy" of the Company.

**【Disclosure Policy】**

As set forth in Exhibit 5.

#### **4. Concept for anti-takeover measures**

- (1) The Company shall not adopt such anti-takeover measures as forcibly result in dilution of acquirers' shares.
- (2) When the shares in the Company are subject to a tender offer, the Board of Directors of the Company shall verify whether or not the tender offer is reasonable in the light of the increasing corporate value over the medium- to long-term and securing the common interest of shareholders, and then explain its opinion to shareholders.
- (3) When the Company carries out allotment of new shares which would result in a change of control or major dilution of shares, the Board of Directors of the Company shall thoroughly examine the necessity and rationality thereof, and take an appropriate procedure and information disclosure.

#### **5. Policy on authority to decide year-end dividend**

The decision of the year-end dividend and the exemption from liability of directors shall not be delegated to the Board of Directors and shall go through a resolution of the General Meeting of Shareholders.

**【Policy on shareholder return policy and capital policy】**

As set forth in Exhibit 6.

#### **6. Policy on shareholding in listed companies, exercising of voting rights as to cross-shareholdings and relationship with cross-shareholders**

- (1) Policy on shareholding in listed companies
  - (a) In principle, the Company and the Principal Operating Companies shall not hold any shares in listed companies. However, as strategic shareholding, the Company and the Principal Operating Companies may hold shares in companies which engage in any important business of ENEOS Group and which ENEOS

Group judges necessary to maintain or enlarge business of ENEOS Group.

- (b) With respect to exceptionally holding cross-shareholdings, the Company shall periodically assess whether or not to hold each individual cross-shareholding, specifically examining whether the purpose is appropriate and whether the benefits and risks from each holding cover the company's cost of capital at the Board of Directors of the Company. The company shall disclose the results of this assessment.

(2) Exercising of voting rights as to cross-shareholdings

With respect to exercising of voting rights as to cross-shareholdings, the company shall determine whether to vote for or against each proposal individually, based on the criterion whether or not the proposal contribute to increase Corporate value of the ENEOS Group over the medium- to long-term, taking into account the aim and purpose of the shareholding.

(3) Relationship with cross-shareholders

- (a) When shareholders who hold the Company's shares for the purpose of cross-shareholding (hereinafter referred to as "Cross-Shareholder") indicate their intention to sell their shares, the Company and the Principal Operating Companies shall not hinder the sale of the cross-held shares by, for instance, implying a possible reduction of business transactions.
- (b) The Company and the Principal Operating Companies shall not engage in transactions with cross-shareholders which may harm the interests of the Company, the Principal Operating Companies or the common interests of the Company's shareholders by carefully examining the underlying economic rationale.

## **Chapter VII Measures in respect of Corporate Pension Funds**

### **1. Establishment and operation of the Asset Management Committee**

- (1) Regarding to defined-benefit corporate pension plans (contract-type), ENEOS Group shall establish the Asset Management Committee consisting of persons who have expert knowledge such as for accounting, finance and human resources and representatives of the beneficiaries, making sure that corporate pension funds can perform their roles as asset owners.
- (2) The Asset Management Committee shall assist a responsible person of pension management by examining following matters:
  - (a) formulating and reviewing basic policy on pension management and consisting of basic management asset;  
and
  - (b) evaluating and reviewing the asset managers of corporate pension funds.

### **2. Monitoring of the asset managers of corporate pension funds**

The secretariat of Asset Management Committee shall periodically receive reports on the investment status from the asset managers of corporate pension funds, and then shall monitor whether or not the investment is in line with the basic policy on pension management.