

# Management Philosophy

## Basic Policy on Internal Control System to Ensure Business Appropriateness

We believe it is indispensable for the sustainable growth of Showa Shell Sekiyu Group, recognizing our responsibility for all stakeholders such as shareholders, customers, business partners, employees and society, to increase our corporate value through the business management fully considering environmental and social aspects in addition to financial ones such as profit and dividend. Our group consisting of Showa Shell Sekiyu, its subsidiaries and some affiliates ("Group Companies"), as one enterprise, shall fulfill its social responsibility and pursue further in transparency and effectiveness of management.

For this purpose, we hereby set the basic policy below to establish a system with autonomous check functions (internal control system), aiming the long-term sustainable growth by conducting a balanced and robust business management.

### 1. System to ensure that execution of businesses by directors and executive officers comply with laws and the Articles of Associations.

- a To set the Code of Conduct to make directors, executive officers and employees recognize distinctly duties of compliance with laws and the responsibilities to the society.
- b Under the Code of Conduct, to set concrete compliance rules regarding related major laws and regulations such as anti-monopoly law, insider trading, export control, environmental regulations and others, and to thoroughly work on the compliance with them.
- c To appoint a director or an executive officer in charge of the Code of Conduct and to set up organizations and committee etc. so as to establish cross functional compliance systems and control them.
- d To set Rules of the Board of Directors, Guidelines of Items for Resolution of the Board of Directors, Rules of the Executive Officers, Rules of the Executive Committee and Authorization Rule etc. in order to conduct businesses in line with laws and the Articles of Association.
- e To regularly request each executive director and executive officer to submit a written confirmation regarding an appropriateness of contents of financial reports and a compliance level etc..
- f The Board of corporate auditor will audit maintenance level of the internal control system and regularly exchanges information and opinions with directors.
- g To inquire the Corporate Governance Committee, an advisory body mainly consisting of knowledgeable people outside the company, for evaluation and proposal regarding important issues with respect to management and to ensure further improvement in transparency and objectivity of management.

### 2. Information record management system regarding business execution by directors and executive officers.

- a Authorization by a director or an executive officer shall be recorded in a designated form and all of such authorization records shall be subject to audit.
- b Minutes of an important meeting such as the board of directors, the executive committee etc., authorization documents and contracts shall be retained over the necessary period specified by related laws or internal rules.
- c To set rules with respect to information management and endeavor to make them well-known. For disclosure purpose, related information shall be centralized at one function and when an important decision is made, such should be disclosed in timely and appropriate manner.

### 3. Rules and systems with respect to loss-related risk management officers.

- a To specify various potential risks in a business environment of our group and work out measures in line with their characteristics and regularly review an effectiveness of the measures.
- b To set basic policy with respect to health, safety, security and environmental preservation and set up a specialized department to roll out company-wide education/training activities and improve a control system through regular audits.
- c To lay down a Crisis Management Plan and a Business Continuity Plan and regularly drill and review them so as to continue important businesses even if an unforeseen incident such as a disaster or an accident etc. occurs.

### 4. System to ensure efficiency in business execution by directors and executive officers

- a To make our organization simple without superposed layers for a quick decision-making, and upon delegation by the board of directors, decisions on certain important business executions shall be made by a mutual consent in the Executive Committee.
- b To specify the scope of authorization power of each director or executive officer, and take a designated procedure for delegation of authorization power when necessary so as to enable a flexible decision-making.
- c When making a decision on an important matter, the board of directors, the Executive Committee and anyone with authorization power will consult with certain committees providing advices as requested by inquiries so as to reflect opinions from expert point of views of various related departments.
- d To set upon a middle term business plan, an annual budget plan etc. and regularly review their progress and work out measures for an efficient business execution.
- e To maintain secured Information Technology environment to enable accurate and speedy grasp/communication of management information and improve business efficiency.

## 5. System to ensure that an execution of businesses by employees comply with laws and the Articles of Associations

- a Under the Code of Conduct, to set concrete compliance rules regarding related major laws and regulations such as anti-monopoly law, insider trading, export control, environmental regulations and others, and to thoroughly work on the compliance with them.
- b When allocating employee's duties and fixing related business execution flow, to consider not only business efficiency but also mutual checking balances between or within the related departments.
- c Internal Control Promotion Committee and Internal Control Promotion Department are established in order to improve the quality of business activities and make effective company-wide integration of functions related to internal control in our group.
- d The internal audit department is under direct control of both Chairperson and Vice Chairperson and shall regularly check the status of business execution of each department and an effectiveness of internal control system; and also report the results and subsequent improvements of those to directors and the board of corporate auditors.
- e To regularly request a responsible person of each department to submit a written confirmation regarding an appropriateness of contents of financial reports and a compliance level etc..
- f To establish a whistle blower system and make it well known to cope with a situation an employee might raise a question anonymously with respect to performing a social responsibility or compliance with laws.

## 6. System to ensure an appropriateness of business in our Group

- a Group Companies share the spirits of SSSKK's Code of Conduct, Basic Policy on Health, Safety, Security and Environmental Preservation and other various important basic policies and put them into practice in each company as SSSKK does.
- b To regularly request a responsible person of subsidiaries etc. to submit a written confirmation regarding implementation status of systems to ensure an appropriateness of contents of financial reports and a compliance level etc. so as to confirm effectiveness of those and regularly review them. Further, our internal audit department and a corporate auditor of each Group Company seconded from SSSKK shall conduct audit to verify reported matters.

## 7. Matters with respect to employees to support business of corporate auditors when requested.

- a To set up a secretariat of the board of corporate auditors and assign employees of SSSKK to support business of the board of corporate auditors.

## 8. Matters with respect to independency of the employees in the previous clause from directors.

- a As for nomination, changes in personnel and treatment with respect to the employees in the previous clause, a consent by the board of corporate auditors is required.

## 9. Reporting System from directors or employees to auditors and any other reporting systems to auditors

- a In related company rules, to specify duties of immediate report to the board of corporate auditors upon arising any incidents which might have some impact on company' business management and to make such a practice well known.

## 10. Any other systems to ensure an effective audit by corporate auditors

- a Corporate auditors can attend any important meetings and minutes of those meetings, if recorded, shall be sent to the board of corporate auditors.
- b The results of audit by the internal audit department and accounting auditors and the subsequent improvements shall be reported to the board of corporate auditors . The board of corporate auditors shall regularly exchange information among the internal audit department and accounting auditors.