



Corporate Governance

Basic Concept of Corporate Governance

The Company, a company originating in Japan which co-creates energy, will continue to strive to create new values together with its customers and stakeholders, while aiming to harmonize with the environment and society in the spirit of diversity and inclusiveness.

With this aim in mind, the Company recognizes the importance of constructing positive relationships with all stakeholders, including customers, shareholders, business partners, local communities and employees, by fulfilling its social responsibility as a good corporate citizen, improving management transparency and promoting sound and sustainable growth.

Japan's Corporate Governance Code is aimed at achieving sustainable corporate growth and increasing medium to long-term corporate value through Dialogue with Shareholders. The Company which strives to become a socially respected and highly trusted company believes that it must comply with the code in principle.

The Company attaches great importance to be self-governing, thinking by ourselves and judge ourselves in accordance with the Company's vision. In addition, the Company openly discusses its business status and management circumstances with Independent Outside Directors and Independent Outside Audit & Supervisory Board Member with a wide range of knowledge and backgrounds and sincerely absorbs their unrestricted views, thereby endeavoring to continue operating in a transparent and fair manner.

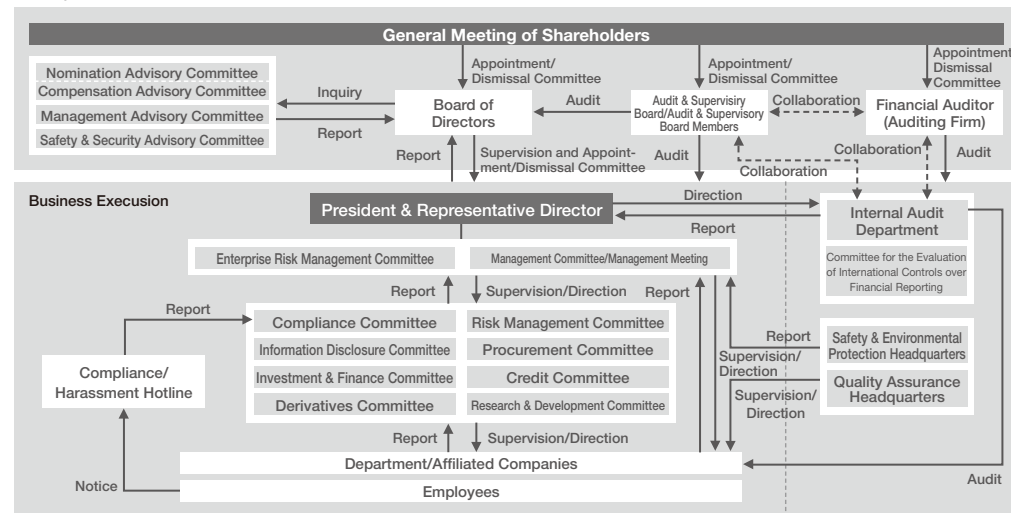
Outline of Corporate Governance System

While the Board of Directors of the Company shall make important business decisions and supervise the execution of business, the Company, as a company with Audit & Supervisory Board, shall ensure that Audit & Supervisory Board Members and the Audit & Supervisory Board that are independent of the Board of Directors shall audit the execution of duties by officers and employees.

The Board of Directors shall, in accordance with laws, regulations, the Articles of Incorporation, and other rules set down by the Company, make decisions on business strategy, business planning and other key business matters for the Company and supervise the execution of business.

In order to increase the objectivity of the Board of Directors, the Company has made it possible to separate the roles of the chairperson and the CEO by revising a clause in the Articles of Incorporation stipulating that the CEO will serve as the chairperson of the Board of Directors to read that the chairperson will be determined by the Board of Directors.

■ Corporate Governance Structure



With regard to matters other than those mentioned above, the Company shall delegate authority for business execution to the Representative Director and CEO, Management Meeting, Directors who also serve as Executive Officers, Executive Officers and General Managers, with a view to facilitating decision making on the execution of business. The Management Meeting, which has the Representative Director and some Executive Officers as its members, decides on business execution based on the Authority Rules.

Each Committee

Management Advisory Committee and Safety and Security Advisory Committee

To maintain management transparency and soundness, our company has established two committees as advisory bodies to the Board of Directors, the "Management Advisory Committee" and the "Safety and Security Advisory Committee." Both committees receive frank opinions on our company from a third-party perspective and reflect them in management improvements.

The "Management Advisory Committee" is positioned as a body that advises on issues related to overall management reform. In principle, it meets once every six months and receives recommendations from 2 outside advisors.

The "Safety and Security Advisory Committee" has consulted on security issues, particularly technical issues, to prevent large-scale disasters at refineries and plants. Recent changes in the business environment have increased the importance of ensuring safety in business deployment, new businesses, and overseas expansion. Therefore, we have set up a working group within the Safety & Environmental Protection Headquarters to select themes appropriate to the business development and receive recommendations from outside experts each time.

Nominating Advisory Committee and Compensation Advisory Committee

To enhance the transparency and objectivity of its nomination and compensation functions, as advisory bodies to the Board of Directors, our company has established the "Nominating Advisory Committee" and "Compensation Advisory Committee" which are comprised of Independent Outside Directors and independent outside auditors, and chaired by Independent Outside Directors.

The "Nominating Advisory Committee" reports on the president's proposal submitted to a general meeting of shareholders, for the election of candidates for Directors and Audit & Supervisory Board Members, as well as the election of the President and Representative Director and Executive Officers. "Compensation Advisory Committee" also reports on matters related to the remuneration of Directors and Executive Officers.

Management Committee, Enterprise Risk Management Committee, and Other Committees

In addition to examining management issues such as the Group's strategy and governance, the "Management Committee" has been established to deliberate on important business execution issues. In addition, the "Enterprise Risk Management Committee" has been established as an organization to discuss and decide matters related to the Group's risk management and to monitor them as necessary.

At the bottom of the "Management Committee" are 5 specialized committees to discuss specialized risks in business execution: "Investment and Finance Committee," "Derivatives Committee," "Procurement Committee," "Credit Committee," and "Research & Development Committee." In addition, we have established the "Risk Management Committee" and the "Compliance Committee" under the "Enterprise Risk Management Committee" in order to strengthen our response to business risk cases and develop a framework for reviewing and drafting risk management policies. In addition, we have established the "Committee for the Evaluation of International Controls over Financial Reporting" to strengthen J-SOX compliance and the "Information Disclosure Committee" to provide timely and appropriate information disclosure based on the Group's information disclosure policy.

For an overview of each committee, please refer to page 53 of the Idemitsu Sustainability Report 2019.