

Compliance

Basic Approach

The JXTG Group works to achieve thorough compliance, calling for high ethical standards in our Group Philosophy as well as our Code of Conduct.

Compliance-related cases in which the JXTG Group incurred heavy fines or penalties in fiscal 2017 are stated under “Compliance Violations” on p.25.

JXTG Group Code of Conduct (excerpt)

1. Compliance

- (1) We ensure compliance with laws, contracts, and corporate regulations and follow social norms and customs in an appropriate manner.
- (2) We shall neither ignore nor participate in any compliance violations.

Compliance Promotion Structure

The JXTG Group Compliance Committee, chaired by the officer (director) responsible for the Legal & Corporate Affairs Department of JXTG Holdings, has been established under the JXTG Group CSR Council, which is chaired by the president of JXTG Holdings. The committee adopts policies for actions related to compliance matters that must be addressed by the Group as a whole, and reports on the results of these activities.

Whistle-Blowing System (Compliance Hotline)

To detect legal violations in the early stages and take prompt corrective actions, principal Group companies have set up whistle-blowing systems (compliance hotlines) for their employees and those of our contractors as well. In addition to reporting within Group companies, whistle-blowers, who may elect to remain anonymous, can also make reports to designated external attorneys-at-law.

We are now working to set up similar hotlines for overseas subsidiaries in accordance with the circumstances of each country. At certain overseas subsidiaries, we have already introduced in-house whistle-blowing systems that accept reports in multiple languages.

Compliance Inspections ♥

Compliance inspections are conducted annually as an initiative to proactively ascertain our state of compliance with laws, contracts, and corporate regulations at each workplace. Through interviews by managers with each member of their staff, issues with compliance spanning the entire scope of operations are identified, and solutions are developed and implemented. This functions as the core of the JXTG Group’s compliance promotion structure.

Compliance Training ♥

JXTG Group Philosophy cards and JXTG Group Code of Conduct handbooks are given to all executives and employees of the JXTG Group to instill awareness that each individual is responsible for compliance in his or her day-to-day business operations. We also conduct training on topics related to compliance, such as anti-monopoly laws and the prevention of bribery.

In fiscal 2017, training was conducted for Group companies for the following: prevention of insider trading, compliance with competition laws, and the prevention of bribery.

Initiatives to Prevent Bribery and Corruption

The JXTG Group will not tolerate bribery in any form. We have internal regulations in place to prevent bribery at our Group companies inside and outside of Japan, and all officers and employees actively work under a clear commitment by management to prevent bribery.

In addition, as indicated below, we have established the JXTG Group Anti-Corruption Policy.

Specifically, a mechanism has been put in place to check for bribery involving travel expenses, business entertainment, gift giving, and donations, taking into consideration the laws and regulations of each country. We also implement third-party due diligence procedures to prevent our involvement in bribery through a third party such as an agent, agency, or distributor.

Employees are able to access relevant internal regulations at any time via the company’s in-house intranet or other means. They also undergo various forms of compliance

♥: Indicates the Group’s top CSR priorities. Please see p. 9.

training on the prevention of bribery. In this manner, we are working to raise employee awareness of this important issue.

Internal audits and other means are used to continuously monitor whether these mechanisms are functioning properly. The results of monitoring are reported to the JXTG Holdings Board of Directors through the CSR promotion structure and the Internal Control Council. Furthermore, we have a system in place to promptly detect and rectify problems through our whistle-blowing system.

In fiscal 2017, there were no occurrences of serious violations related to bribery or corruption, and no internal disciplinary measures related to such violations.

The Group is participate in the United Nations Global Compact, and actively supports the 10 Principles, including anti-corruption.

Establishment of Anti-Corruption Policy

The JXTG Group established basic rules on the prevention of bribery and corruption within “7. Equitable and fair transactions” and “8. Appropriate relationships with governments and public administrations” of the JXTG Group Code of Conduct, and requested cooperation not only from the Group but also companies in the value chain to aid in compliance. However, we decided to establish an official anti-corruption policy in order to further clarify that the Company will not be involved in nor tolerate any acts of bribery or corruption. Going forward, we will continue to raise awareness concerning the application of the JXTG Group Code of Conduct and ensure compliance with it.

JXTG Group Anti-Corruption Policy

The JXTG Group conducts its business activities under the JXTG Group Philosophy, which states that 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.

This policy was formulated as a guideline for the entire Group to prevent corrupt practices along with actions complicit in corrupt practices, as well as to fulfill its corporate responsibilities to society.

1. Basic Approach

Under this policy, officers and employees, of the JXTG Group, both inside and outside of Japan, are required to comply with laws on the prevention of corrupt practices in Japan and other countries and prevent corrupt practices as well as actions complicit in corrupt practices.

2. Compliance with Applicable Laws and Regulations

The JXTG Group complies with applicable laws and regulations in the countries and regions where it conducts its business activities.

3. Prohibited Actions

The JXTG Group prohibits, both directly and indirectly,

corrupt practices along with actions complicit in corrupt practices among its officers and employees, etc., both inside and outside of Japan, regardless of whether the other party is a public servant or a private individual.

4. Management of Payment Records

In cases where officers and employees, etc., of the JXTG Group provide money or other benefits to third parties involved in business execution processes, the JXTG Group will appropriately retain evidence of such transactions, and require that the money or other benefits be recorded in accounting records, accurately and without exception, in terms of amount, accounting item, etc., in order to prevent off-the-books handling.

5. Training

The JXTG Group will provide appropriate training to its officers and employees, etc., to ensure that this policy is appropriately implemented in the business activities of all JXTG Group companies.

6. Penalties for Violations

The JXTG Group will impose rigorous penalties on any of its officers or employees, etc., found to be in violation of this policy, based on the rules of the JXTG Group company the officer or employee belongs to. In addition, the JXTG Group will impose rigorous penalties on advisors, consultants, agents, or contractors, etc., hired by the JXTG Group if they are found to be in violation of this policy.

7. Compliance System

The presidents of all JXTG Group companies bear a responsibility to ensure that their officers and employees, etc., abide by this policy. In addition, officers or employees, etc., of the JXTG Group who detect any action that violates or could violate this policy are required to report such action immediately to their company.

8. Applicable Scope

This policy applies to all officers and employees of the JXTG Group. All business partners involved in the JXTG Group’s business activities will be requested to cooperate with this policy.

9. Positioning

This policy supplements the provisions of the JXTG Group Philosophy and the JXTG Group Code of Conduct.

Notes • JXTG Group: JXTG Holdings and the subsidiaries of JXTG Holdings, including both those directly and indirectly owned.

- Corrupt practices: Bribery, embezzlement, coerced benefit sharing, bid-rigging and other acts that involve the abuse of the authority or position of oneself or a third party.
- Bribery: Refers to both giving bribes, where money or other interests or benefits are offered, promised or actually given, and receiving bribes, where interests or benefits are requested or actually received, for the purpose of obtaining interests or benefits by wielding improper influence over the duties of the other party.
- Actions complicit in corrupt practices: Actions including judicial interference, concealment of corrupt earnings, money laundering, and instigation, assistance or conspiracy to commit corrupt practices.
- Employees: Employees, contract workers, and part-time employees of the JXTG Group, temporary workers dispatched to the JXTG Group, and other persons subject to the instructions or orders of the JXTG Group.
- Public servant: Includes, but is not limited to, national government employees, local government employees, persons engaged in official duties for international institutions, persons deemed to be engaged in public duties per laws and regulations, and officers and employees of companies effectively controlled by a national government or local government.

Compliance Violations

Nippo Corporation, a member of the JXTG Group, received a cease and desist order along with a surcharge payment order (134.24 million yen) for violating Japan's Antimonopoly Act during two-layered sound-proofing pavement work for the Tokyo Metropolitan Government, pavement work for Tokyo Port Terminal Corporation and pavement work for Narita International Airport Corporation.

Nippo Corporation is now carrying out measures such as training on Japan's Antimonopoly Act and regular audits (monitoring of sales representatives) performed by its in-house legal department in an effort to prevent reoccurrence of such violations in the future. JXTG Holdings will continue to provide guidance to Nippo Corporation to ensure that it maintains compliance with applicable laws and regulations.

Tax Matters Policy

Companies have a corporate social responsibility to appropriately honor their tax liabilities in the countries and areas in which they conduct their business activities. Therefore, we have formulated the JXTG Group Tax Matters Policy as follows.

JXTG Group Tax Matters Policy

The JXTG Group conducts its business activities under the JXTG Group Philosophy, which states that 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.

This policy was formulated as a guideline for the entire Group in fulfilling its responsibility to carry out its tax obligations appropriately.

1. Basic Approach

Among others, companies have a corporate social responsibility to appropriately honor their tax liabilities in the countries and areas in which they conduct their business activities.

2. Compliance with Applicable Laws and Regulations

We comply with the relevant tax laws and regulations in the countries and areas in which we conduct our business activities. We conduct our business activities in accordance with the purposes of the rules regarding international tax matters (such as the OECD Transfer Pricing Guidelines for Multinational Enterprises and Tax Administrations and the Base Erosion and Profit

Shifting Project).

3. Fostering Awareness of Tax Compliance

Through continuous training concerning tax matters and other relevant training, we make efforts to maintain and improve our awareness of tax compliance.

4. Optimization of Tax Costs

By using the Advance Pricing Arrangement and other relevant systems, we attempt to obtain agreement with tax authorities, and make efforts to reduce risks and optimize costs.

5. Establishment of Relationships of Trust with Tax Authorities

At the request of tax authorities, we timely and properly provide them with necessary information.

6. Applicable Scope

This policy applies to all officers and employees of the JXTG Group. All business partners involved in the JXTG Group's business activities will be requested to cooperate with this policy.

7. Positioning

This policy supplements the provisions of the JXTG Group Philosophy and the JXTG Group Code of Conduct.

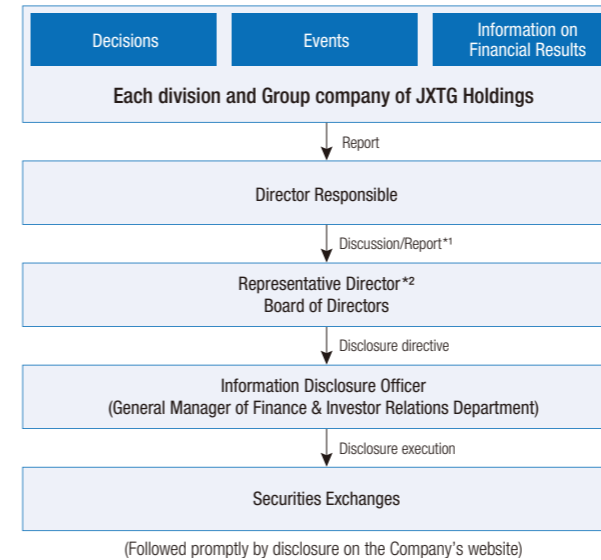
Disclosure Policy

The Company is fully aware that the timely and proper disclosure of corporate information is a key element of healthy capital markets. Accordingly, the Company makes efforts to ensure prompt, appropriate, and fair disclosure of information to shareholders and other investors with the aim of promoting transparency in management.

Systems are in place to obtain, manage, and disclose information on the Company as well as information on JXTG Group companies quickly and accurately. Information that is subject to the Timely Disclosure Rules is made public through the timely disclosure system (TDnet) provided by the Tokyo Stock Exchange and others, and the same information is made available on the Company's website. Information that is not subject to the Timely Disclosure Rules is disclosed proactively based on basic policies and disclosure standards.

The Company has prepared Insider Trading Prevention Regulations, and systems have been created to communicate regulations regarding insider trading throughout the JXTG Group.

Disclosure Framework and Workflow



*1 Whether timely disclosure is required is determined through consultation among the director responsible, the general managers of the General Administration, Legal & Corporate Affairs, and Controller departments, the information disclosure officer (general manager of the Finance & Investor Relations Department), and the general managers of any other relevant departments or offices.

*2 Disclosure of information regarding events that require urgent disclosure may be made on the authority of a representative director without being reported to the Board of Directors.

JXTG Group Disclosure Policy

The JXTG Group conducts its business activities under the JXTG Group Philosophy, which states that 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.

This policy was formulated as a guideline for disclosing material information in an accurate and clear manner.

1. Basic Approach

The JXTG Group fully recognizes that adequate and timely disclosure of company information is a cornerstone of sound capital market formation. The Company shall endeavor to expeditiously, appropriately, and impartially disclose information to shareholders and investors to establish a highly transparent corporate management.

2. Compliance with Applicable Laws and Regulations

The JXTG Group complies with the laws, ordinances and regulations applicable in the countries and regions where it conducts its business activities. JXTG Holdings, Inc., ("the Company") has adopted Insider Trading Prevention Regulations. Through these internal regulations, the Company has established controls to promote Group-wide awareness of insider trading regulations.

3. Disclosure Standards

The Company shall disclose material information, including information about financial results, and decisions and events likely to influence investment decisions, in compliance with applicable laws and regulations including Companies Act, Financial Instruments and Exchange Act and other laws and regulations, and the Tokyo Stock Exchange and other exchanges' rules on timely disclosure of corporate information by issuers of listed securities ("Timely Disclosure Rules"). In addition to information required to be disclosed by the Timely Disclosure Rules, the Company shall also proactively disclose other information in response to the needs and wishes of shareholders and investors.

4. Group Systems and Procedures for Timely Disclosure of Company Information

As the JXTG Group's holding company, the Company oversees the management of JXTG Group companies. The Company shall establish systems and procedures to expeditiously and accurately gather, manage, and disclose information about not only itself but also JXTG Group companies. A flowchart of the JXTG Group's timely disclosure procedures is shown at left.

5. Information Disclosure Methods

Information to which the Timely Disclosure Rules apply shall be disclosed by the Company via the Tokyo Stock Exchange's TDnet information disclosure system. In addition, after disclosure, the Company shall promptly post the same information on its website.

For information not subject to disclosure per the Timely Disclosure Rules, the Company shall accurately and impartially communicate the information to shareholders and investors in accord with the above Basic Policy and Disclosure Standards.

6. Quiet Periods (periods during which inquiries on financial results are declined)

To prevent information leaks concerning financial results, the Company shall observe quiet periods for three weeks before it publicly reports its financial results. During quiet periods, the Company shall refrain from answering any questions or otherwise commenting about its financial results. However, if a substantial deviation from the previously announced earnings forecast comes to light during a quiet period, the Company shall disclose such information.

7. Applicable Scope

This policy applies to all officers and employees of the JXTG Group. All business partners involved in the JXTG Group's business activities will be requested to cooperate with this policy.

8. Positioning

This policy supplements the provisions of the JXTG Group Philosophy and the JXTG Group Code of Conduct.