

Aiming to Enhance Corporate Value through Tireless Improvement of Governance



Over the past few years, the MOL Group has accelerated governance reforms through such measures as revising the director remuneration plan and the formulation of succession plans. What have these reforms achieved? What are the remaining issues? How should governance evolve to reflect the Group's ongoing advance into a different growth phase? To address such questions, a dialogue was held between Junichiro Ikeda, MOL's representative director and chairman executive officer, and Etsuko Katsu, one of the Company's outside directors.

[The dialogue was held in April 2022.]

Junichiro Ikeda
Representative Director
Chairman Executive Officer

Governance Improvement through the Active Involvement of Outside Directors

Ikeda We have been focusing on governance reform over the past few years. Also, recent structural reforms of the containership business and various other businesses have reached favorable trajectories, and the Company as a whole is in very good shape. Moreover, I feel that governance reform has supported these structural reforms. Going forward, as we continue transforming ourselves into a social infrastructure group centered on marine transport, I believe that we should further evolve governance in a manner corresponding to this transformation.

As well as the sincere opinions received from outside directors and outside Audit & Supervisory Board members in various forums, there are external expectations in this regard,

such as those stemming from revisions to Japan's Corporate Governance Code. I recognize that proactively responding to these expectations remains extremely important.

Katsu Looking back on the years since I assumed the position of outside director, I believe that MOL has made great strides in governance. From the outset, I felt that both board members and MOL itself were determined to advance reforms. Particularly in the past few years, tangible results have been emerging, mainly with respect to the Board of Directors' greater effectiveness. Through the discussions of the Nomination Advisory Committee and the Remuneration Advisory Committee, we have achieved significant results, such as the formulation of a CEO succession plan and the revision of the director remuneration plan. In addition, various efforts have freed up time to discuss management issues from a long-term perspective. So, I feel that the Board is increasingly becoming a body that is focused on performing a supervisory role and examining and determining strategies. Coupled with the changes in the Tokyo Stock Exchange

market system and the creation of the Prime Market in April 2022, I believe that in-house awareness of the need to take the initiative in advancing reform is stronger than ever.

Ikeda As an example of how the opinions of outside directors have dictated the direction of the Group, our discussions when formulating MOL Group Environmental Vision 2.1, which was announced by the Company in 2021, left a particularly strong impression on me. The vision calls on us to achieve net zero GHG emissions for the entire Group by 2050. The goal initially proposed by executive officers was less ambitious. However, the unequivocal statements of an outside director to the effect that the proposed goal was inappropriate for the current era and that we must be more committed marked a turning point in discussions. In the end, the decision reached was that MOL, ahead of industry peers, would aim to achieve net zero GHG emissions for the entire Group by 2050.

Realization of this goal will require hardware that does not yet exist, including technologies and supply infrastructure for alternative fuels. Such feasibility issues inevitably made executive officers hesitant. Nonetheless, with the support of objective, big-picture viewpoints from outside the Company that looked ahead to the profile MOL should be pursuing, we were able to reach a momentous decision. Similarly, when we were formulating succession plans and revising the director remuneration plan, recommendations from outside directors led to more substantive, highly transparent decisions that included detailed provisions.

Katsu As you mentioned, the role of an outside director is to present independent opinions incorporating the viewpoints of investors and shareholders, have them reflected in business management, and appropriately present the results to the outside world. Further, ensuring engagement with society is extremely important. In particular, environmental, social, and governance (ESG) issues are areas that outside directors are becoming increasingly conscious of. In the process of formulating MOL Group Environmental Vision 2.1, the MOL Sustainability Plan, and Rolling Plan 2022, various opinions were put forward. By having Executive Committee members take these opinions into consideration, I believe that we were able to present the vision and plans to society in a more favorable light.

Ikeda At Board meetings, outside directors made recommendations that helped strengthen governance, but time constraints prevented extensive discussions. Therefore, in fiscal 2021 we established and began the operations of a new body called the Corporate Governance Council, which focuses exclusively on matters related to strengthening governance. As the council has only been in existence for a year, we are still finding our way to some extent. However, we have been using the council to elicit frank opinions from council members; categorize issues; seek proposals from Executive Committee members, depending on the type of issues

identified; and request that the Nomination Advisory Committee and the Remuneration Advisory Committee hold further discussions on certain issues.

Katsu As the number of topics requiring discussion at Board meetings increased, I also felt that the time available for discussing governance was becoming limited in Board meetings. In addition, I think holding discussions at a venue separate from Board meetings is conducive to the creation of an atmosphere in which opinions can be exchanged among both internal and outside directors more freely than before. Further, we have designed the administration of the council so that it functions practically, rather than just being a venue for exchanges of opinions.

A company's overall target profile for corporate governance represents, in a sense, the corporate profile to which the entity should aspire. The Nomination Advisory Committee and the Remuneration Advisory Committee have consistently engaged in substantive discussions on their respective fields, but the Corporate Governance Council encompasses all governance-related themes, including topics discussed by these committees and the Board as well as topics related to auditing and internal control. I believe that the facilitation of systematic discussions on MOL's governance through the establishment of the council was a major achievement of fiscal 2021. The council also had fruitful discussions on such governance-related topics as cross-shareholdings, how outside directors should engage in dialogue with investors, and the training of directors.

Etsuko Katsu
Outside Director



We will further evolve governance to support MOL's major transition from a marine transport company to a social infrastructure group.

► Junichiro Ikeda

Reasons for and Aims of the Revisions of the Skills Matrix and the Director Remuneration Plan

Katsu The composition of the Board is one of the fundamental elements of governance. The Company has recently revised its skills matrix for directors. The Nomination Advisory Committee and the Corporate Governance Council were able to hold thorough discussions regarding the type of expertise that is lacking in the current Board and, with an eye on the Company's target profile, the type of expertise the Board should possess. Moreover, I believe that these initiatives were extremely effective in enhancing the transparency of MOL from an external viewpoint.

Ikeda In revising the skills matrix for directors recently, we advanced our approach by clearly separating and discussing experience and knowledge universally required in corporate management and experience and knowledge required in the management of a company that provides marine transport, which is a highly specialized industry. The previous skills matrix for directors did not differentiate clearly between these two types of experience and knowledge. As a result, we were able to renew our common understanding of the types of experience and knowledge that are truly needed by the senior management team of MOL as a social infrastructure group centered on marine transport.

We also deepened discussions on the types of knowledge that the Board should acquire going forward. Experience and knowledge are notably lacking in relation to technologies, including IT and DX skills.

Katsu Looking at the examples provided by other companies, some have chief digital officers on their boards of directors. Technologies and data analysis will be indispensable for the evolution of the Company's customer services. Also, having a Board that comprises members with different attributes and fields of activity is very good in the sense that discussions cover a range of opinions.

Of course, simply preparing a skills matrix is not the aim. Forming a Board that contributes to the sustainable growth of MOL is the key goal. For this reason, skills matrixes and succession plans overlap to a large degree. Currently, the Company has a succession plan for the CEO, but there are no clear succession plans for members of the Board and outside directors. Therefore, the Nomination Advisory Committee should discuss an officer appointment system that is linked to the skills matrix.

Ikeda You mentioned the need for succession plans for Board members. As well as utilizing the skills matrix in the appointment of Board members beginning from fiscal 2023 onward, we will cohesively manage succession plans in conjunction with a range of measures, including the training of existing directors and the development of future management personnel.

Katsu As succession plans are managed in such a way, I hope that the diversification of directors will also progress in terms of nationality, gender, age, and experience. In particular, the fundamental ideas about corporate management of non-Japanese executives are varied, and I think being exposed to opinions based on overseas perspectives will lead to new ideas.

Moving on to the revision of the director remuneration plan in fiscal 2021, the incorporation into the evaluation system of highly transparent financial indicators for single fiscal year performance-based remuneration and long-term target contribution-based remuneration was a major achievement. On the other hand, we spent considerable time discussing how to incorporate ESG indicators into the director remuneration plan in fiscal 2021, but this issue has been left unresolved. I hope that the Remuneration Advisory Committee will continue to discuss the issue in fiscal 2022.

Ikeda When we were discussing revision of the director remuneration plan, initially some suggested that we should incorporate ESG indicators. In fact, we included safety indicators in the director remuneration plan ahead of time. Meanwhile, an essential concept underpinning the director remuneration plan is that the adopted indicators must be closely linked to MOL's business performance and the

sustained enhancement of corporate value. I think just formally including indicators does not mean anything. While managing the MOL Sustainability Plan, announced in April 2022, I would like to spend a little more time assessing which type of indicators are appropriate.

Katsu With respect to both the skills matrix and the director remuneration plan, reaching decisions does not mean that the matters are closed. I think the key is to constantly monitor systems as the times and the Company should flexibly analyze the systems and explore various possibilities.

Creation of a Board of Directors That Functions Even More Favorably

Ikeda At the beginning of our conversation, I mentioned the importance of further evolving governance as the Company enters a new phase of growth. One of the issues related to this evolution is the position and role of the Board in the Company. To give one specific example, due to its institutional design, MOL has a Board that has for some time played a major role in execution. Consequently, the Board spends considerable time deliberating decisions on individual projects. On the other hand, I believe that we should strengthen the Board's primary roles, such as discussing the formulation of medium- to long-term strategies, the monitoring of investment progress, and Companywide risk management.

To secure time for such discussions and enhance the Board's effectiveness, we have been conducting Deliberation on Corporate Strategy and Vision (→ page 69) and transferring authority to the Executive Committee and below. However, I feel that these measures are reaching the limit of their usefulness. Although this is not an issue on which we can reach a conclusion immediately, we plan to proceed with discussions at the Corporate Governance Council including a review of institutional design.

Katsu I endorse this plan. The roles of MOL's Board are becoming increasingly focused on supervision and the examination and determination of strategy, and I think discussions on the type of governance that MOL should pursue, including optimal institutional design, will be extremely meaningful. I also strongly feel the need to further increase the opportunities for in-depth discussions on medium- to long-term strategies.

The recent changes in MOL and its business environment are one of the reasons why discussions on management strategies must be enhanced. Thanks to favorable business results in fiscal 2020 and fiscal 2021, the Group has accumulated a tremendous amount of cash. I believe that outside observers will be paying very close attention to how this cash is invested going forward and how the results of investments are monitored. In addition, environmental strategies are entering a critical phase. Given the numerous items that require analysis from a broad perspective—such as the outlook for global energy supply and demand, the wide range of alternative energy sources, and the reduction of CO₂ emissions—I think furthering discussions on environmental strategies, with reference to expert opinions, is necessary.

Ikeda Lastly, in enabling the Company to continue evolving its governance, I believe that my role as chairman of the Board is to manage it in ways that encourage lively discussions on long-term strategies. Further, I see my role as ensuring that the opinions expressed in these discussions are properly conveyed to Executive Committee members, that appropriate action is taken based on these opinions, and that feedback is provided to the Board on the results of these actions. To these ends, open communication between the Board and Executive Committee members is indispensable. Accordingly, I will actively play a bridging role between the two groups. I will also endeavor to improve the governance of the Company with reference to the recommendations you have provided today.

I feel that the Board of Directors is increasingly becoming a body that is focused on performing a supervisory role and examining and determining strategies.

► Etsuko Katsu

Board of Directors and Audit & Supervisory Board Members

(As of June 22, 2022)

Nomination Advisory Committee member Remuneration Advisory Committee member

Internal Directors



Representative Director
Junichiro Ikeda
 Born 1956
 Number of the Company's shares held: 96,300 shares
 Attendance at the Board of Directors' meetings: 18 of 18 (Attendance rate: 100%)
 Number of years as Director: 9 years
 Apr. 1979 Joined Mitsui O.S.K. Lines, Ltd.
 Jun. 2004 General Manager of Human Resources Division
 Jun. 2007 General Manager of Liner Division
 Jun. 2008 Executive Officer
 Jun. 2010 Managing Executive Officer
 Jun. 2013 Director, Senior Managing Executive Officer
 Jun. 2015 Representative Director, President, Chief Executive Officer
 Apr. 2021 Representative Director, Chairman Executive Officer (to present)



Representative Director
Takeshi Hashimoto
 Born 1957
 Number of the Company's shares held: 44,700 shares
 Attendance at the Board of Directors' meetings: 18 of 18 (Attendance rate: 100%)
 Number of years as Director: 7 years
 Apr. 1982 Joined Mitsui O.S.K. Lines, Ltd.
 Jun. 2008 General Manager of LNG Carrier Division
 Jun. 2009 Executive Officer, General Manager of LNG Carrier Division
 Jun. 2011 Executive Officer
 Jun. 2012 Managing Executive Officer
 Jun. 2015 Director, Managing Executive Officer
 Apr. 2016 Director, Senior Managing Executive Officer
 Apr. 2019 Representative Director, Executive Vice President Executive Officer
 Apr. 2021 Representative Director, President, Chief Executive Officer (to present)



Representative Director
Toshiaki Tanaka
 Born 1960
 Number of the Company's shares held: 27,900 shares
 Attendance at the Board of Directors' meetings: 18 of 18 (Attendance rate: 100%)
 Number of years as Director: 2 years
 Apr. 1984 Joined Mitsui O.S.K. Lines, Ltd.
 Jun. 2011 General Manager of Iron Ore & Coal Carrier Division
 Jun. 2014 Executive Officer, General Manager of Iron Ore & Coal Carrier Division
 Jun. 2015 Executive Officer
 Apr. 2017 Managing Executive Officer
 Jun. 2020 Director, Managing Executive Officer
 Apr. 2021 Director, Senior Managing Executive Officer
 Apr. 2022 Representative Director, Executive Vice President Executive Officer (to present)



Director
Kenta Matsuzaka
 Born 1961
 Number of the Company's shares held: 32,100 shares
 Attendance at the Board of Directors' meetings: 15 of 15 (Attendance rate: 100%)
 Number of years as Director: 1 year
 Apr. 1984 Joined Mitsui O.S.K. Lines, Ltd.
 Jun. 2014 General Manager of LNG Carrier Division
 Jun. 2015 Executive Officer, General Manager of LNG Carrier Division
 Apr. 2017 Executive Officer
 Apr. 2018 Managing Executive Officer
 Apr. 2021 Senior Managing Executive Officer
 Jun. 2021 Director, Senior Managing Executive Officer (to present)



Director
Yutaka Hinooka
 Born 1961
 Number of the Company's shares held: 19,500 shares
 Attendance at the Board of Directors' meetings: 15 of 15 (Attendance rate: 100%)
 Number of years as Director: 1 year
 Apr. 1985 Joined Mitsui O.S.K. Lines, Ltd.
 Jun. 2012 General Manager of Liner Division
 Apr. 2016 Executive Officer, General Manager of Liner Division
 Apr. 2018 Executive Officer
 Apr. 2019 Managing Executive Officer
 Jun. 2021 Director, Managing Executive Officer
 Apr. 2022 Director, Senior Managing Executive Officer (to present)

Outside Directors



Outside Director (Independent Officer)
Hideto Fujii
 Number of the Company's shares held: 6,600 shares
 Attendance at the Board of Directors' meetings: 18 of 18 (Attendance rate: 100%)
 Number of years as Outside Director: 6 years
 Jun. 2015 Adviser, Sumitomo Corporation
 Jun. 2016 Outside Director, Mitsui O.S.K. Lines, Ltd.



Outside Director (Independent Officer)
Etsuko Katsu
 Number of the Company's shares held: 12,600 shares
 Attendance at the Board of Directors' meetings: 18 of 18 (Attendance rate: 100%)
 Number of years as Outside Director: 6 years
 Apr. 2003 Professor, School of Political Science and Economics, Meiji University
 Jun. 2016 Outside Director, Mitsui O.S.K. Lines, Ltd.
 Nov. 2016 Administrative Board Member, International Association of Universities (IAU)
 Apr. 2018 Chairman of Fund Management Advisory Committee, The Japan Foundation
 Mar. 2019 Outside Director (Audit and Supervisory Committee Member), Dentsu Group Inc.



Outside Director (Independent Officer)
Masaru Onishi
 Number of the Company's shares held: 9,000 shares
 Attendance at the Board of Directors' meetings: 18 of 18 (Attendance rate: 100%)
 Number of years as Outside Director: 3 years
 Apr. 2013 Trustee, KEIZAI DOYUKAI (Japan Association of Corporate Executives)
 Jun. 2015 Trustee, International University of Japan
 Jul. 2018 Visiting Professor, Toyo University
 Jun. 2019 Outside Director, TEIJIN LIMITED
 Jun. 2019 Outside Director, Mitsui O.S.K. Lines, Ltd.
 Feb. 2021 Senior Advisor, Alton Aviation Consultancy Japan Co., Ltd.
 Jun. 2021 Outside Director, Kadoya Sesame Mills Inc.

Please visit our website for details on the positions and duties of executive officers and Group executive officers.
<https://www.mol.co.jp/en/corporate/executive/index.html>

* Only important concurrent positions and certification registration years have been included in the resumes of outside directors and outside Audit & Supervisory Board members.

Internal Audit & Supervisory Board Members



Audit & Supervisory Board Member
Toshiaki Takeda
 Born 1964
 Attendance at the Board of Directors' meetings: 18 of 18 (Attendance rate: 100%)
 Attendance at the Audit & Supervisory Board Members' meetings: 11 of 11 (Attendance rate: 100%)
 Number of years as Audit & Supervisory Board Member: 3 years
 Apr. 1986 Joined Mitsui O.S.K. Lines, Ltd.
 Jun. 2015 General Manager of General Affairs Division
 Apr. 2018 General Manager of Secretaries & General Affairs Division
 Jun. 2019 Audit & Supervisory Board Member, Mitsui O.S.K. Lines, Ltd. (to present)



Audit & Supervisory Board Member
Masanori Kato
 Born 1961
 Attendance at the Board of Directors' meetings: 15 of 15 (Attendance rate: 100%)
 Attendance at the Audit & Supervisory Board Members' meetings: 9 of 9 (Attendance rate: 100%)
 Number of years as Audit & Supervisory Board Member: 1 year
 Nov. 1985 Joined Mitsui O.S.K. Lines, Ltd.
 Jun. 2013 General Manager of Marine Safety Division
 Apr. 2016 Executive Officer
 Apr. 2017 Managing Executive Officer
 Apr. 2021 Adviser
 Jun. 2021 Audit & Supervisory Board Member, Mitsui O.S.K. Lines, Ltd. (to present)

Outside Audit & Supervisory Board Members



Outside Audit & Supervisory Board Member (Independent Officer)
Junko Imura
 Attendance at the Board of Directors' meetings: 18 of 18 (Attendance rate: 100%)
 Attendance at the Audit & Supervisory Board Members' meetings: 11 of 11 (Attendance rate: 100%)
 Number of years as Outside Audit & Supervisory Board Member: 3 years
 Aug. 1994 Registered as a certified public accountant
 Sep. 2015 Visiting Professor, Tama Graduate School of Business
 Jul. 2018 Established Imura Accounting Office
 Jun. 2019 Outside Audit & Supervisory Board Member, Mitsui O.S.K. Lines, Ltd.
 Dec. 2019 Outside Audit & Supervisory Board Member, T. HASEGAWA CO., LTD.
 Jun. 2020 Outside Director, Audit and Supervisory Committee Member, Mitsubishi UFJ Trust and Banking Corporation



Outside Audit & Supervisory Board Member (Independent Officer)
Satoru Mitsumori
 Attendance at the Board of Directors' meetings: -
 Attendance at the Audit & Supervisory Board Members' meetings: -
 Number of years as Outside Audit & Supervisory Board Member: -
 Apr. 1993 Registered as an attorney at law at Daini Tokyo Bar Association
 Joined Asahi Law Offices (currently serves as Managing Partner)
 Apr. 2008 Family Affairs Conciliator, Tokyo Family Court
 Oct. 2011 Extraordinary Member, Government Panel Addressing Disputes Over Compensation for Nuclear Accidents
 Apr. 2018 Audit & Supervisory Board Member, Kur & Hotel Co., Ltd.
 Jun. 2022 Outside Audit & Supervisory Board Member, Mitsui O.S.K. Lines, Ltd.

Specific Experience, Expertise, and Skills Expected of Members of the Board of Directors

(For details on revisions implemented at the end of fiscal 2021, please refer to page 59.)

		Experience, etc., considered important for corporations					Experience, etc., considered important for corporations supporting social infrastructure			
		Corporate management	Finance / Accounting	Legal affairs / Risk management	ESG	Human resources / Diversity	Safety	Technology	Marketing / Business strategy	Global business
Board of Directors	Internal	Junichiro Ikeda Representative Director	●		●	●	●	●		●
		Takeshi Hashimoto Representative Director	●	●	●	●	●		●	●
		Toshiaki Tanaka Representative Director	●			●		●		●
Board of Directors	Outside	Kenta Matsuzaka Director				●	●		●	
		Yutaka Hinooka Director		●	●				●	●
		Hideto Fujii Outside Director	●	●	●	●				
Board of Directors	Outside	Etsuko Katsu Outside Director		●		●				●
		Masaru Onishi Outside Director	●					●	●	●
	Audit & Supervisory Board members	Internal	Toshiaki Takeda Audit & Supervisory Board Member			●	●		●	
		Masanori Kato Audit & Supervisory Board Member			●		●	●		
Outside		Junko Imura Audit & Supervisory Board Member		●	●	●	●			
	Satoru Mitsumori Audit & Supervisory Board Member	●		●	●	●				

Corporate Governance

Corporate Governance as the Foundation of Business Management

At the same time as being one of the MOL Group's five Sustainability Issues, corporate governance provides a foundation for the other four Sustainability Issues and for the implementation of Rolling Plan 2022. In recent years, the Company's business structure has become more complex. In addition to its simple, long-standing business model of transporting goods from one point to another, the Company has entered into such upstream and downstream areas as FPSOs and FSRUs. The Company is building a system that enables

the Board of Directors, the Executive Committee, and other bodies and councils to fulfill required functions and roles, such as establishing Companywide strategies, identifying fields for new forays, determining resource allocation, screening individual investments and businesses, and managing and monitoring risk as well as ensuring that the initiatives implemented in relation to such matters help address the Sustainability Issues.

Corporate Governance Structure

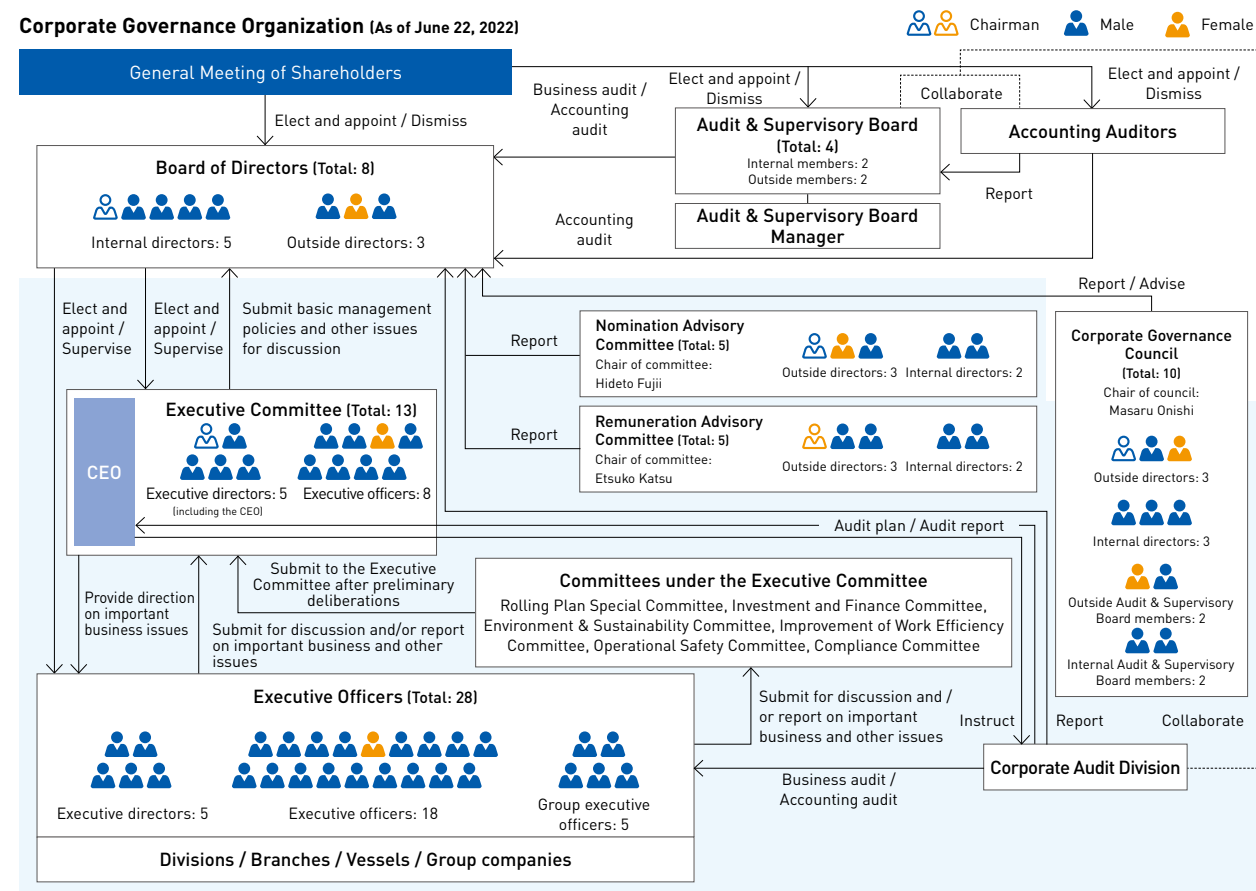
In addition to the audit functions performed by the Audit & Supervisory Board, which is independent from the Board of Directors, the Board of Directors comprises internal directors, who are also responsible for the execution of business operations, and outside directors, who specialize in supervisory functions. MOL realizes operations that are legally compliant, appropriate, and efficient by ensuring that the supervisory capabilities of the Board of Directors are effective.

In fiscal 2021, the Corporate Governance Council was established under the Board of Directors to serve as a forum

for facilitating unrestricted discussion and incorporating outside knowledge with respect to overall issues related to the enhancement and strengthening of the corporate governance structure. The council is helping to improve the effectiveness of the Board of Directors by providing it with reports and recommendations. Further, the Company complies with all principles of Japan's Corporate Governance Code.

For details, please refer to the corporate governance report <https://www.mol.co.jp/en/sustainability/governance/corporate/report/pdf/governance.pdf?v=0622>

Corporate Governance Organization (As of June 22, 2022)



Major Organizations

Board of Directors

As the central decision-making body of the Company, the Board of Directors deliberates and adopts resolutions on basic policies and the most important matters in relation to the business management of the MOL Group. The Board of Directors is focused on supervision and the analysis of strategy, with deliberation and decisions on individual issues delegated to the Executive Committee as much as possible. Specifically, one hour of each three-hour meeting of the Board of Directors is devoted to Deliberation on Corporate Strategy and Vision, in which one topic related to management strategy, the long-term vision, or general management is discussed, and internal

directors, outside directors, and outside Audit & Supervisory Board members participate in a free exchange of opinions. (For details on the main agenda items discussed, please see page 69.) These exchanges of opinions are utilized in the formulation of each fiscal year's management plan. Moreover, since fiscal 2018 Board member discussion sessions have been held as required after meetings of the Board of Directors to provide an opportunity for early information sharing and discussion on important matters that have yet to reach the stage of being formally submitted as agenda items.

Audit & Supervisory Board

The Audit & Supervisory Board draws up audit plans and reports and shares the results of audits. All Audit & Supervisory Board members attend meetings of the Board of Directors, and full-time members also attend Executive Committee and other committee meetings to audit the

deliberation and decision-making processes. By combining the information held by the full-time members with the high level of specialized expertise of the outside members, MOL has created a system that ensures the active exercise of authority from an objective standpoint.

Nomination Advisory Committee and Remuneration Advisory Committee

The Nomination Advisory and Remuneration Advisory committees have been voluntarily established as organizations under the Board of Directors. Nominating candidates for the position of director and formulating proposals on remuneration are fundamental corporate governance functions, and the establishment of these organizations is intended to facilitate in-depth deliberations by expert committees. Both committees are chaired by outside directors and are composed of

three outside directors, the chairman, and the CEO. The Nomination Advisory Committee deliberates the election, appointment, and dismissal of directors and executive officers. From an objective standpoint, the Remuneration Advisory Committee examines director remuneration, including incentives for the long-term enhancement of corporate value.

Main Agenda Items Deliberated by the Advisory Committees in Fiscal 2021

- Nomination Advisory Committee (convened six times)**
Chair of committee: Masaru Onishi (outside director)
Main Agenda Items
- Target profile, composition, and skills matrix of the Board of Directors
 - Selection of the next CEO based on the succession plan for the CEO and the method of selecting a successor in the event of an emergency
 - Appointment of fiscal 2022 directors, Audit & Supervisory Board members, and executive officers
 - Election, appointment, and dismissal of Audit & Supervisory Board members and other matters

- Remuneration Advisory Committee (convened nine times)**
Chair of committee: Hideto Fujii (outside director)
Main Agenda Items
- Fiscal 2020 director bonuses and fiscal 2021 director remuneration
 - Revision of the remuneration plan for non-executive directors
 - Analysis of the peer group to ensure the appropriateness of remuneration levels
 - Policy for decisions on such matters as the remuneration of individual directors and other matters

Corporate Governance Council

With the aim of enhancing and strengthening the corporate governance structure, the Corporate Governance Council was established under the Board of Directors in fiscal 2021 to serve as a forum for facilitating specialized ongoing discussions on corporate governance that incorporate outside knowledge. Appointed by the Board of Directors, the council's members comprise three internal directors, all three outside directors, and all four Audit & Supervisory Board members. The council has a high degree of expertise and objectivity. In addition to being chaired by an outside director, the council is able to appoint outside experts and have them participate in deliberations.

Main Agenda Items Deliberated by the Corporate Governance Council (convened four times in fiscal 2021)

- Chair of council: Etsuko Katsu (outside director)
- Role of the Corporate Governance Council and selection of topics for deliberation
 - Identification of corporate governance issues in the MOL Group in light of revisions to Japan's Corporate Governance Code
 - Revision of internal rules to secure time for deliberations by the Board of Directors
 - Various issues (cross-shareholdings and improvement of the skills of directors and Audit & Supervisory Board members) and other matters

Executive Committee and Committees under the Executive Committee

Within the scope of the basic policy approved by the Board of Directors, MOL transfers a significant amount of authority to conduct businesses to the Executive Committee. This helps to expedite decision-making on individual matters. Six committees exist under the Executive Committee to study and deliberate particularly important matters which are brought to the Executive Committee, as well as cross-divisional propositions.

Appointment and Dismissal Procedures of Directors and Audit & Supervisory Board Members

The Nomination Advisory Committee has been established to heighten the objectivity, transparency, and accountability of the selection procedures of directors and Audit & Supervisory Board members. The committee submits reports to the Board of Directors after selecting candidates in light of standards established by the committee on gender equality and other issues as well as the experience, expertise, and skills deemed desirable for members of the Board of Directors, which were identified in the form of a renewed skills matrix at the end of fiscal 2021. (Reports on candidates for the position of Audit & Supervisory Board member are submitted upon receiving the consent of the Audit & Supervisory Board.)

To strengthen audit functions, outside Audit & Supervisory Board members also attend meetings of the Nomination Advisory Committee and can state opinions.

With due consideration for the reports submitted by the Nomination Advisory Committee, the Board of Directors determines candidate directors and candidate Audit & Supervisory Board members.

- ▶ **Standards for Appointing Directors**
 - a) Personnel who are able to contribute to enhancement of the corporate value of the Company based on a wealth of experience and knowledge
 - b) Personnel who are able to make management decisions globally from a broad-ranged perspective and foresight
 - c) Personnel with high ethical standards and solid common sense
- ▶ **Standards for Appointing Audit & Supervisory Board Members**
 - a) Personnel who have an appropriate set of experience, qualification, ability, and expertise
 - b) Personnel who possess a high degree of financial and accounting knowledge (more than one member)

CEO Succession Plan

To ensure the appointment of a suitable CEO in a timely and appropriate manner, in fiscal 2019 the Company formulated a CEO succession plan that establishes the requirements and selection process in relation to the position of CEO as well as a development plan for successor candidates.

Based on the succession plan, the Nomination Advisory Committee deliberates proposals for the next CEO, including

the re-appointment and dismissal of the incumbent CEO, and submits reports to the Board of Directors.

Based on the aforementioned plan, in fiscal 2021 the Nomination Advisory Committee deliberated the selection of candidates for the next CEO and selection reasons, a development strategy, and a method of selecting a successor in the event of an emergency.

Independence Criteria for Outside Officers

The Company has established the following criteria for the independence of outside directors and outside Audit & Supervisory Board members. With reference to said criteria, all incumbent outside directors and outside Audit & Supervisory Board members are deemed to have independence.

▶ Independence Criteria

The Company deems a person to have independence if none of the following items of the independence criteria is applicable to them.

- 1 A person who is an executing person of the Company or its subsidiaries or a person who has served as an executing person of the Company or its subsidiaries during the past 10 years
- 2 A current major shareholder of the Company; an executing person of such a shareholder; or a person who has fallen under either category during the past three years
- 3 An executing person of a company in which the MOL Group directly or indirectly holds 10.0% or more of the total voting rights or a person who has fallen under this category during the past three years
- 4 An executing person of a company that has accepted a director from the MOL Group; an executing person of the parent company or a subsidiary of such a company; or a person who was an executing person of any such company during the past three years
- 5 An executing person of a financial institution or other major creditor that is essential to the MOL Group's financing to the extent of being irreplaceable or an executing person of the parent company or a major subsidiary of such a financial institution or other major creditor
- 6 A party for whom the MOL Group is a major business partner; if the party is a company, an executing person of the company or of its parent company or major subsidiary; or a person who was an executing person of any such company during the past three years
- 7 A major business partner of the MOL Group; if the business partner is a company, an executing person of the company or of its parent company or major subsidiary; or a person who was an executing person of any such company during the past three years
- 8 A person who is an accounting auditor of the MOL Group; an employee of such an accounting auditor; or a person who has fallen under either category during the past three years
- 9 A consultant, an accounting professional, or a legal professional to whom the MOL Group provides remuneration that is in the form of significant sums of money or other assets and does not include the remuneration of directors or a person who has fallen under any of these categories during the past three years
- 10 A person to whom the MOL Group provides donations or grants exceeding a certain amount or a person who has fallen under this category during the past three years
- 11 A close relative of a person to whom any of the aforementioned items 1 through 10 is applicable
- 12 Any other person who may have a conflict of interest with general shareholders and whose circumstances can reasonably be deemed to prevent the person from fulfilling duties as an independent outside officer

For details on Independence Criteria for Outside Officers, please refer to the following: **Criteria for Outside Officers, page 19, Notice of Convocation of the Ordinary General Meeting of Shareholders for fiscal 2021**
<https://www.mol.co.jp/en/ir/stock/gms/pdf/notice22.pdf>

Initiatives for the Realization of the Functions of Outside Directors and Outside Audit & Supervisory Board Members

Support provided to outside directors and outside Audit & Supervisory Board members in fiscal 2021

- Implementation of training for officers
- Provision of prior explanations in person or in writing of matters to be discussed by or reported to the Board of Directors as well as the acceptance of questions from directors and Audit & Supervisory Board members and the provision in advance of responses from the executive officers in charge

Major activities of outside directors and outside Audit & Supervisory Board members in fiscal 2021

- Lectures and discussions at management schools
- Participation in naming and delivery ceremonies for new vessels
- Participation in the safe operation campaign

Initiatives to Enhance the Effectiveness of the Board of Directors

Evaluation of the Effectiveness of the Board of Directors

With the aim of further increasing the effectiveness of the Board of Directors and its subordinate committees—namely, the Nomination Advisory and Remuneration Advisory committees and the Corporate Governance Council—the Company conducts an annual survey, which seeks self-evaluations from each director and Audit & Supervisory Board member regarding the content of agenda items and deliberations, the contribution of each member of the Board of Directors, and the management and administration of its activities. The results of this analysis and evaluation as well as the identification of issues and the analysis and implementation of improvement measures are incorporated into a one-year schedule.

Summary of Survey Implementation	<p>Respondents 13 officers, comprising all directors (six internal directors and three outside directors) and all Audit & Supervisory Board members (two full-time Audit & Supervisory Board members and two outside Audit & Supervisory Board members)</p>	<p>Implementation and Evaluation Method February 2022 Provision of effectiveness evaluation survey to all directors and Audit & Supervisory Board members April 2022 Discussion at the Corporate Governance Council based on the results April 2022 At a meeting of the Board of Directors, separate reports and discussions on items for which effectiveness was established, on items identified as issues, and on items to be addressed in fiscal 2022</p>	<p>Main Items in Self-Assessment Survey</p> <ul style="list-style-type: none"> • Overall assessment of the Board of Directors (composition, administration, management plans, risk management system, internal control, compliance, sustainability-related items, nomination, and remuneration) • Content of fiscal 2021 initiatives <ul style="list-style-type: none"> —Effectiveness of Deliberation on Corporate Strategy and Vision —Effectiveness of the Nomination Advisory and Remuneration Advisory committees —Effectiveness of the Corporate Governance Council —Mutual supervision and monitoring among directors and Audit & Supervisory Board members
Results of Fiscal 2021 Evaluation	<p>Items for Which Effectiveness Was Established</p> <ol style="list-style-type: none"> 1 The Board of Directors deliberated individual issues based on the MOL Group Corporate Mission, the MOL Group Vision, and the MOL CHARTS values as well as the general goals of the management plan. Also, in Deliberation on Corporate Strategy and Vision, sufficient time for the discussion of management strategies and individual business strategies was secured, and the Board of Directors played an effective role in the execution of respective strategies. 2 The deliberations of the Nomination Advisory and Remuneration Advisory committees were reported in a transparent and objective manner to the Board of Directors. In addition, both advisory committees and the Corporate Governance Council convened with an appropriate frequency and certain progress was achieved. 3 Supervision was appropriate, including mutual monitoring and checks among directors and Audit & Supervisory Board members. 	<p>Issues Recognized by the Board of Directors</p> <ol style="list-style-type: none"> 1 Ongoing initiatives that are based on discussion of the new skills matrix which ensure the skills and diversity needed for the Board of Directors 2 Selection of issues that really need discussion by the Board of Directors and measures to secure the time for the deliberation of such issues (need for continuous discussion on the management and administration of the activities of the Board of Directors as well as the delegation of authority and organizational design) 3 Clarification of approach to the cost of capital and continuous discussion on the allocation of resources, including human capital, intellectual property, and safety management 4 Continuous discussion on the Groupwide governance structure, risk mapping, and internal control 	
Fiscal 2022 Initiatives	<ol style="list-style-type: none"> 1 Use the Corporate Governance Council as a forum to fully discuss the selection of issues that should really be discussed at meetings of the Board of Directors (Deliberation on Corporate Strategy and Vision) 2 Make structural improvements that help enhance deliberations (delegation of authority, organizational design, and enhancement of the participation and contribution of each director and Audit & Supervisory Board member) 3 Establish a road map for the realization of a Board of Directors whose composition is based on the new skills matrix 4 Establish a basic policy on corporate governance for the MOL Group 		

Deliberation on Corporate Strategy and Vision

Beginning in fiscal 2021, the agenda items shown in the table below were selected and deliberated. The deliberation at meetings of the Board of Directors of overall issues related to the management plan and the MOL Group Vision facilitates effective deliberation of individual business issues. In light of deliberations at meetings of the Board of Directors, Nomination Advisory and Remuneration Advisory committees, and Corporate Governance Council, the Company establishes appropriate topics and ensures that Deliberation on Corporate Strategy and Vision contributes to the enhancement of corporate value.

Main Agenda Items of Deliberation on Corporate Strategy and Vision Conducted by the Board of Directors in Fiscal 2021

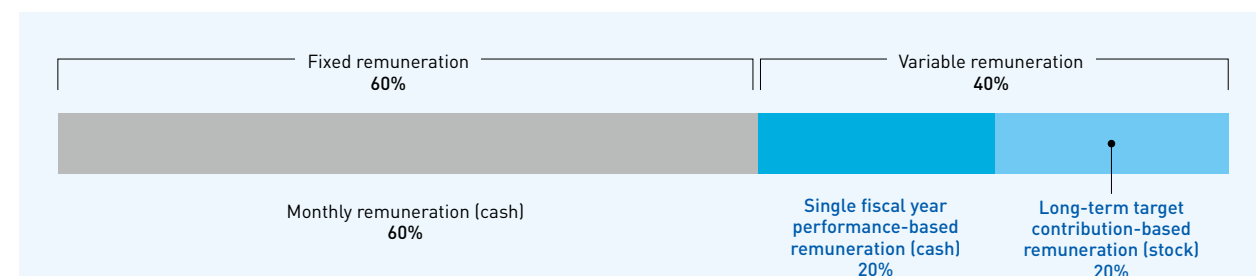
Month and Year	Agenda Item	Month and Year	Agenda Item
April 2021	Outlook for the containership business	October 2021	Strategy of the dry bulk business
May 2021	Outlook for the real property business	December 2021	Goals of the next management plan
July 2021	Plans for the domestic terminal business	January 2022	General assessment of overall risks (risk mapping)
September 2021	Portfolio and investment strategy	April 2022	Diversity of human resources

Remuneration Plan for Directors and Audit & Supervisory Board Members

Remuneration of Executive Directors

Given the business characteristics of marine transport, contribution to the enhancement of both short-term performance and medium- to long-term performance is expected. Accordingly, the remuneration of executive directors comprises monthly remuneration, single fiscal year performance-based remuneration, and long-term target contribution-based remuneration. (The Company changed to the current remuneration plan in fiscal 2021.)

Model Remuneration Assuming Achievement of Performance Targets



Note: The above diagram is an approximation that has been calculated premised on certain Company performance and share price levels. The above percentages change in accordance with the Company's business performance and share price.

Monthly Remuneration (Cash)	Monthly remuneration is paid as a fixed remuneration based on responsibilities to encourage robust business execution.
Single Fiscal Year Performance-Based Remuneration (Cash)	Single fiscal year performance-based remuneration links remuneration to consolidated ordinary profit, which is a performance indicator set out in the Rolling Plan, thereby incentivizing achievement of the plan's goals. This type of remuneration also links remuneration to the safe operations KPI and the 4 ZEROES benchmark, thereby reflecting safety in evaluations and fostering a greater awareness of safety. In addition, to provide an incentive for directors to improve the performance of the business divisions for which they are responsible, in addition to Companywide performance the degree of achievement of the profit targets of respective business divisions is reflected in the amount paid.
Long-Term Target Contribution-Based Remuneration (Stock)	MOL has introduced a performance-linked stock remuneration system with the objective of aligning the interests of directors more closely with those of shareholders by increasing the number of Company shares that directors own and with the objective of linking remuneration to the Company's medium- to long-term share price and performance. Under this system, stock is granted based on the degree of achievement of predetermined share price indicators as well as earnings benchmarks and targets over a certain time frame. A portion of this remuneration is paid in cash as a source of funds for income tax payments by the director.

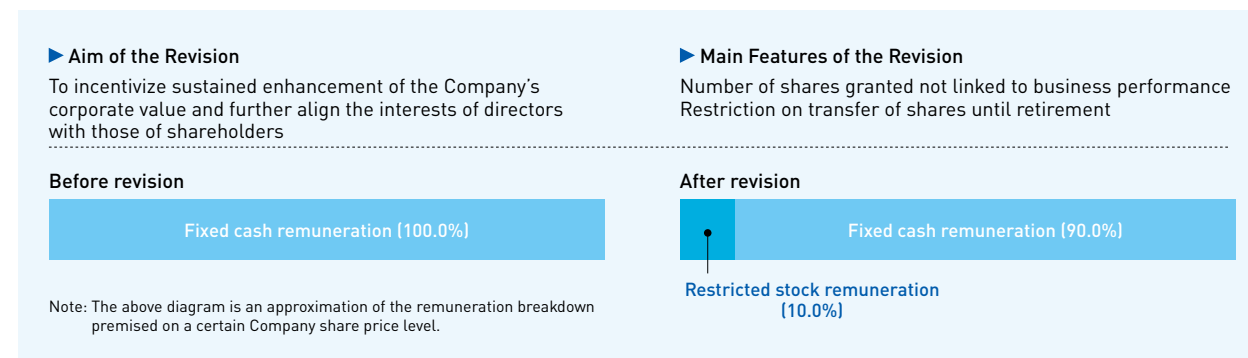
In fiscal 2021, the degrees of achievement of KPIs, which were used as the basis of the calculation of single fiscal year performance-based remuneration and long-term target contribution-based remuneration, were as shown in the table below.

KPI	Weight	Targets and KPIs of Rolling Plan 2021 and the MOL Sustainability Plan		Fiscal 2021 Results	Calculation Results and Total Payment
		Target	Actual		
Single Fiscal Year Performance-Based Remuneration	(A) Consolidated ordinary profit (loss)	• ¥100.0 billion	• ¥721.7 billion		¥656.0 million
	(B) Ordinary profit (loss) by division	• Dry bulk business: ¥13.0 billion	• ¥43.2 billion		
		• Energy and offshore businesses: ¥26.0 billion	• ¥19.8 billion		
		• Product transport business: ¥55.0 billion	• ¥62.9 billion		
		• Associated businesses: ¥10.0 billion	• ¥7.4 billion		
	(C) Degree of achievement of safe operations indicators	• 4 ZEROES violations: 0	• 5 (violations accompanying 3 accidents)		
		• Downtime frequency rate: ≤ 1.00 incident per ship per year	• 0.29		
• Average downtime: ≤ 24.00 hours per ship per year		• 25.34			
	• Lost time injury frequency: ≤ 0.50 injuries	• 0.19			
Long-Term Target Contribution-Based Remuneration	Total shareholder return* (growth rate versus TOPIX and growth rate of total shareholder return versus competitors)	—	• Growth rate versus TOPIX: 208.7%		¥157.0 million
	ROE	• Fiscal 2021 (initial projection): 15.0% • Fiscal 2027 (target): 10.0–12.0%	• 76.5%		
	Targets for individual directors	—	• Execution of Rolling Plan 2021 • Improvement of financial strength • Conversion of DAIBIRU and Utoc into wholly owned subsidiaries Etc. (set according to each director's field of responsibility)		

* The total of capital gains and dividends

Remuneration of Non-Executive Directors

Upon receiving the approval of the General Meeting of Shareholders convened in June 2022, in fiscal 2022 the Company began providing remuneration in the form of Company stock to non-executive directors, including outside directors.



Fiscal 2022 Stock Remuneration

► Shares of common stock **1,485** ► **¥3,030.00** per share ► Total stock remuneration **¥4,499,550**

Remuneration of Audit & Supervisory Board Members

The breadth of knowledge required of Audit & Supervisory Board members and the gravity of their responsibilities are increasing due to the expansion of the Company's business domain from traditional marine transport to encompass non-marine transport businesses—including offshore, logistics, and real property businesses—and due to changes in quality and quantity of the Company's risk exposure, which reflects a rise in the levels of social responsibility that corporations are expected to meet. Against this backdrop, the Company has increased the remuneration limit of Audit & Supervisory Board members from ¥9.0 million per month to ¥12.0 million per month, the first time this limit has been changed in 17 years.

Remuneration for Directors and Audit & Supervisory Board Members in Fiscal 2021

Category	Number of people	Total remuneration (millions of yen)	Total remuneration, by type (millions of yen)		
			Basic remuneration Monthly remuneration (cash)	Performance-based remuneration Single fiscal year performance-based remuneration (cash)	Non-monetary remuneration Performance-linked stock remuneration (stock-based)
Directors (of whom outside directors)	9 (3)	1,175 (41)	362 (41)	656 (0)	157 (0)
Audit & Supervisory Board members (of whom outside Audit & Supervisory Board members)	5 (2)	95 (24)	95 (24)	— (—)	— (—)
Total (of whom outside directors or outside Audit & Supervisory Board members)	14 (5)	1,270 (65)	457 (65)	656 (0)	157 (0)

Notes:

- The above remuneration includes remuneration related to one Audit & Supervisory Board member who was not an outside Audit & Supervisory Board member and who resigned at the conclusion of the Ordinary General Meeting of Shareholders convened on June 22, 2021.
- Amounts of less than ¥1.0 million have been rounded down to the nearest ¥1.0 million.

Overview of Risk Management

As a company engaged in a wide range of operations around the world, MOL is exposed to a variety of risks. In addition to overseeing a risk management system, the Board of Directors identifies new risks that need to be better managed and formulates risk-related policies through the Corporate Governance Council and through Deliberation on Corporate Strategy and Vision.

As shown in the table below, divisions are assigned to each individual risk, and pursuant with specific internal rules and regulations each risk is quantified and risk mitigation measures are taken, including the reduction of exposure

through hedging and the transfer of risk through insurance. In normal times, relevant business divisions submit proposals and reports on individual measures to the Executive Committee and its subordinate committees, which enables an understanding of and decision-making in relation to risks throughout the Company. In the event of an emergency, the CEO serves as director general, establishes a response headquarters that comprises the core members of the Executive Committee as well as related executive officers and general managers, and ensures an appropriate and prompt response to the situation.

Major Risks in Business Operations

Risk	Responsible Division	Key Management Rules and Guidelines
Operational risks	Marine Safety Division Marine Technical Management Division Liquefied Gas Ship Management Strategies Division Legal Division	Rules for Headquarters of Crisis Control, Rules for Headquarters of Emergency Control for Serious Marine Incidents, and manuals established by respective ship management companies
Shipping market fluctuation risks, customer credit risks, and country risks	Corporate Planning Division	Asset Risk Control, Market risk management rules
Exchange rate, interest rate, and bunker price fluctuation risks	Finance Division (exchange rates, interest rates) Bunker Business Division (bunker prices)	Market risk management rules
Climate change risks	Environment & Sustainability Strategy Division	MOL Group Environmental Policy Statement, MOL Group Environmental Vision 2.1
Cybersecurity risks	MOL Information Systems, Ltd.	ICT governance rules, ICT security rules, and Critical ICT Incident Response Team Regulations
Natural disaster and epidemic risks	Secretaries & General Affairs Division and Marine Safety Division	Rules for Crisis Management Office, Rules for Headquarters of Emergency Control for Disaster and Pandemic, and MOL BCP summary
Compliance risks	Corporate Audit Division Divisions responsible for Group company management	Compliance rules, Group company management rules, Internal audit rules
Risks related to human rights and various risks in the value chain	Environment & Sustainability Strategy Division Human Resources Division	MOL Group Human Rights Policy, MOL Group Basic Procurement Policy, MOL Group Supplier Procurement Guidelines, Declaration of Harassment Prevention, Compliance rules, and Rules of Conduct

Measures to Upgrade Risk Management

MOL faces risks stemming from changes in the value of its assets, which are the source of the Company's business returns, due to fluctuations in the shipping market. With such risks in mind, in fiscal 2014 we introduced a framework for Total Risk Control, renamed Asset Risk Control in fiscal 2022. Under the framework, quantitative evaluations of risk are conducted by verifying the adequacy of shareholders' equity levels relative to the amount of value at risk (VaR). Moreover, the Board of Directors and the Executive Committee regularly review these evaluations. (For details, please see page 27 as well as "Shipping Market Fluctuation Risks, Customer Credit Risks, and Country Risks" on the opposite page.)

Further, we are continuing to upgrade administration systems for risks related to project and ship management, the business continuity plan (BCP), and compliance. Based on the experience of responding to an oil spill off Mauritius caused in August 2020 by the chartered vessel WAKASHIO, in 2021 we stipulated the establishment of a Headquarters of Crisis

Control in the event of the actualization of a risk event that could significantly impact the business activities of the Group. In such a contingency, this headquarters will strive to ensure the continuity of the Group's businesses, maintain corporate value, and implement appropriate countermeasures based on due consideration for social impact. We have also launched an endeavor focused on establishing a risk assessment process for the periodic identification and evaluation of the risks faced by certain Group companies.

In addition, we aim to introduce a system that enables overall analysis of geopolitical risks and sustainability-related risks—both of which are becoming increasingly important due to changes in the external environment—and produces results that can be used in management decision-making. In 2022, the Board of Directors conducted deliberations focused on an overall assessment of risks and began exploring the establishment of Companywide risk mapping.

Risk Management-Strengthening Measures to Date

Fiscal 2014	• Introduced Total Risk Control (now named Asset Risk Control)
Fiscal 2017–Fiscal 2018	• Revised Total Risk Control (Increased the consistency of investment criteria)
Fiscal 2018	• Introduced risk summary sheets for deliberations of the Board of Directors
Fiscal 2019	• Promoted the introduction of a fuel surcharge in preparation for stricter SOx regulations

Fiscal 2021	<ul style="list-style-type: none"> • Prepared MOL Group Environmental Vision 2.1 • Introduced internal carbon pricing • Established a crisis response framework • Began strengthening initiatives for chartered vessel owners • Began analysis aimed at upgrading Companywide risk management*1 • Began analysis with a view to strengthening Group company risk management
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*1 Risk mapping designed to identify overall risks and prioritize responses

Summary of Major Risks and Countermeasures

Risks Associated with Operations

Centered on marine transport, MOL operates roughly 800 vessels and offshore plants, and these vessels and plants are of many different types. As a company that provides social infrastructure, some of the most serious risks we face are damage to ships and cargo or injury to crew members caused by vessel collisions, ships running aground, fires and other accidents, as well as environmental pollution from leakage of cargo oil and bunker oil (oil spills). To prevent accidents from occurring, without regard to owned vessels or chartered vessels, MOL's Headquarters of Safety Operations, sales divisions, shipowners (for chartered vessels), and ship management companies work closely together on tangible and intangible aspects of safety, from training and supervising crew members to adoption of safety standard specifications which effectively maintain the safety of our vessels. We also make a variety of preparations to counter the dangers of piracy and terrorism by providing

sufficient training, putting in place precise operational rules, providing support from our Head Office, and installing necessary facilities.

Even in the event of an accident that could not be avoided despite our best efforts, involving damage to MOL or related parties, the Company is prepared with insurance policies that have the necessary amount of coverage (general liability insurance, hull and machinery insurance, war-risk insurance, loss of hire insurance) in order to secure adequate funds for any compensation and to avoid a major impact on the Company's business performance.

To mitigate reputational risk, MOL implements emergency response training once a year for major maritime accidents, responding to the media and disclosing information about the accident. Media consultants are hired when necessary.

Shipping Market Fluctuation Risks, Customer Credit Risks, and Country Risks

Another fundamental risk on a par with accidents in the marine transport business is the risk of fluctuations in the shipping market. To prevent excessive market risks, we manage risks by (1) limiting the total amount of risks, (2) dispersing risks, and (3) reducing the amount of risks during each fiscal year.

To limit total risk exposure, we take steps to obtain medium- to long-term contracts with domestic and overseas customers that are highly creditworthy. In addition to narrowing down the portion of the fleet that is exposed to the market, we work to minimize risks by setting vessel charter periods from shipowners to coincide with periods of contracts with customers, thus neutralizing our exposure to market fluctuation. When investing in vessels not allocated under medium- to long-term agreements, we carefully monitor future vessel supply-demand balance and selectively execute such investments.

To disperse risk, we use portfolio management that develops a fleet comprising diverse types of vessels subject to different patterns of market fluctuation. This approach helps us to balance market risk across divisions, compensating for peaks and troughs.

Last, we reduce the amount of risks during each fiscal year by using freight forwarding agreements (FFAs) to hedge risk on vessel types such as Capesize bulkers and VLCCs. We secure stable profits by reducing market exposure during each fiscal year.

We manage our total amount of shipping market risks with a method we uniquely developed, called Asset Risk Control (→ page 27), to periodically measure and control risks so that it does not become excessive in comparison with shareholders' equity.

Exchange Rate, Interest Rate, and Bunker Price Fluctuation Risks

Exchange Rates
While the revenues of the Group's core oceangoing marine transport business are mostly in U.S. dollars, some costs and borrowings are on a Japanese yen basis, presenting an exchange rate risk. MOL strives to limit its exposure by dollarizing costs and borrowings. To reduce this risk further, we also flexibly employ foreign exchange hedging to limit profit sensitivity.

Interest Rates
The MOL Group is constantly investing capital to build new ships and replace existing ones. When securing long-term funding for capital investment, in principle we hedge interest rate risk by using fixed-rate loans or interest rate swaps.


Bunker Prices
Bunker costs represent a large portion of ship operating costs, and in the past, price fluctuations had a significant impact on the MOL Group's profits. However, currently, most medium- to long-term contracts with customers contain bunker adjustment factor or bunker price surcharge clauses that have the customer shoulder the risk of bunker price fluctuations. For short-term contracts, we work out freight rates reflecting bunker prices at the time, or employ a formula to adjust freight rates that take into account changes in bunker prices. For the remaining exposure, we work to reduce the risk amount by using bunker forward trading. With these countermeasures, the impact of bunker price fluctuations on profit and loss is now very limited.

Climate Change Risks

By causing more severe weather and sea events, climate change such as global warming can present a danger to safe ship operations. The movement toward decarbonization to combat climate change has the potential to drastically change the business environment for MOL, which requires large volumes of bunker oil and transports various kinds of fossil energy as a main cargo, in the context of higher costs to comply with public regulations and a structural reduction in transport demand.

Under MOL Group Environmental Vision 2.1, which is in tune with these trends, MOL aims to achieve net zero GHG emissions by 2050. The Company has formulated and

disclosed a road map for achieving this goal, and is now in the process of introducing clean alternative fuels and energy-saving technologies while increasing the sophistication of efficient fleet operations. By developing and providing solutions for alternative fuel transportation and low-carbon or decarbonization technology, MOL views this change as a business opportunity as decarbonization stimulates new demand. The MOL Group uses a TCFD framework to visualize its climate change risks and formulate related policies.

 For details, please see "Conservation for Marine and Global Environment" on pages 46 to 49.

Cybersecurity Risks

MOL aims to prevent security incidents by implementing the following measures to counter cybersecurity risks that have increased in recent years. In the event one occurs, we will take steps to minimize any adverse effects.

- ① Create organization dedicated to cybersecurity, and establish a response system for serious ICT incidents (strengthen collaboration across worldwide Group companies, including operating vessels)
- ② Standardizing internal regulations, security tools, IoT environment updates, and operations within the Group
- ③ Assess Groupwide cyber risks and execute countermeasures
- ④ Implement e-learning and targeted email training to improve security awareness and literacy of executives and employees
- ⑤ To quickly gather information, coordinate with National Center of Incident Readiness and Strategy for Cybersecurity (NISC), JPCERT, Tokyo Metropolitan Police Department, Transportation ISAC Japan, and Nippon CSIRT Association
- ⑥ Other: Build a cybersecurity management system (CSMS) for operating vessels that complies with international rules, strengthen network security with cloud security services, and assess and devise countermeasures for ransomware

 For details on information security, please visit our website.
<https://www.mol.co.jp/en/sustainability/governance/security/index.html>

Natural Disaster and Epidemic Risks

To keep vessels operating even in the event of major earthquakes or other natural disasters and to fulfill our social role of maintaining supply chains, we have formulated a BCP manual and introduced satellite offices and backup systems, and also provide ample training. We have completed the distribution of notebook PCs to all executives and employees and put remote working environments in place that use cloud-based tools. In response to the ongoing COVID-19 pandemic that started at the outset of 2020, in February 2020 MOL quickly launched a response headquarters led by an

executive vice president. We implemented a range of measures to simultaneously ensure (1) securing the safety of related parties, and reducing the risk of spreading the infection, and (2) fulfilling MOL's mission to serve as social infrastructure. We transitioned to full-time teleworking and rapidly identified any impacts on operating vessels and took necessary measures. As a result, we have successfully maintained business operations without any major disruptions, with the exception of challenges for crew member changes due to restrictions on travel between countries.

Compliance Risks

Compliance Initiatives
In 2014, the Japan Fair Trade Commission (JFTC) found that the MOL Group had violated Article 3 of the Japanese Antimonopoly Act in certain car carrier shipping trades. In response, the MOL Group has updated its compliance rules, which determine the scope and Rules of Conduct of its executives and employees, and provided ongoing training to ensure that the importance of compliance—as the major premise of all corporate activities—is etched deeply into the minds of all executives and employees, and make it the linchpin of decisions in daily business operations. The Compliance Committee convenes every three months to discuss compliance matters within the Group and respond to any violation incidents. Further, the number and details of compliance events are disclosed within the Company to raise awareness among all executives and employees.

reports and consultations strictly confidential and ensure that personnel, including those cooperating with an investigation, are not treated unfairly. We also welcome compliance-related inquiries through our website from external parties, including customers and suppliers both domestic and international.


Initiatives to Comply with Antitrust Laws and Prevent Corruption

The MOL Group takes rigorous measures to ensure compliance with the Antitrust Act and prevent corruption. We have an Antimonopoly Act Compliance Code and an Anti-Corruption (Anti-Bribery) Policy, as well as a Do's & Don'ts Guide, which provides a set of more specific guidelines. We also implement a range of training sessions to keep all employees informed by providing them with overviews and points to note in relation to domestic and international laws and regulations.

With respect to corruption prevention, in fiscal 2022 we formulated a new Anti-Corruption Policy. As an addition to the Groupwide coverage of existing anti-bribery rules, the new policy calls on business partners involved in MOL's business activities to comply with the rules. Further, to reflect the growing expectations of society in recent years, we have prepared a version of the policy in English and posted the policy on our website. Moreover, the formulation of the policy is part of an action plan under the "anti-bribery" initiative focus of the "governance and compliance to support businesses" Sustainability Issue set out in the MOL Sustainability Plan.

Compliance Advisory Service Desks

The MOL Group has established internal and external compliance advisory service desks available in Japanese and English. These service desks can be used by officers, employees, and temporary staff of MOL and its Group companies. The external advisory service desk is entrusted to an outside attorney to run. The attorney transmits reports and consultations received to the Compliance Committee and continues to serve as a liaison between the Company and people submitting reports or seeking consultations. Both service desks keep

 For details on compliance, please visit our website.
<https://www.mol.co.jp/en/sustainability/governance/compliance/index.html>

Risks Related to Human Rights and the Value Chain

The MOL Group is stepping up measures related to respect for human rights and responsible procurement, which are initiative focuses set out under the “governance and compliance to support businesses” Sustainability Issue. In March 2022, we newly established the MOL Group Human Rights Policy and the MOL Group Supplier Procurement Guidelines and revised the existing MOL Group Basic Procurement Policy. Targeting

internal and external stakeholders, these policies and guidelines underscore our commitment to human rights. Also, we are reaching out to business partners to seek their understanding of and cooperation with the policies and guidelines so that together we can build a sustainable value chain based on due consideration for human rights, safety, and the environment.

Human Rights and Value Chain Policies and Guidelines

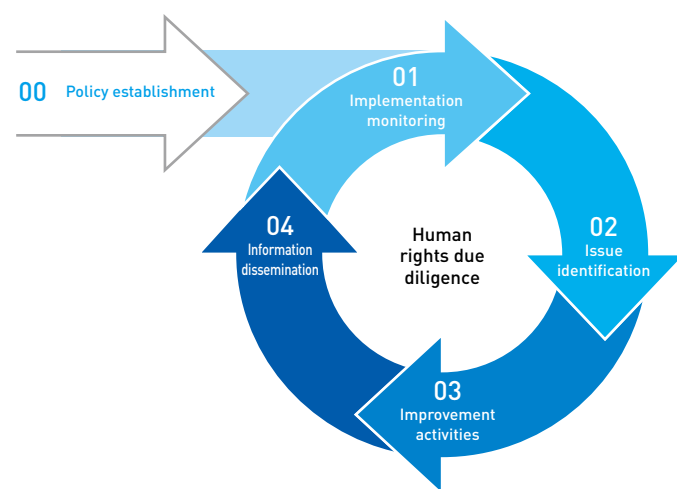
<p>MOL Group Human Rights Policy Newly established</p> <p>The policy reiterates the Group’s commitment to eliminating any violations of human rights in business activities as well as to advancing appropriate initiatives to this end.</p>	<p>MOL Group Basic Procurement Policy Revised</p> <p>The policy summarizes issues that must be taken into consideration in the procurement of the goods and services required by the Group for business activities. The recent revision clarifies the Group’s commitment to human rights.</p>	<p>MOL Group Supplier Procurement Guidelines Newly established</p> <p>While the MOL Group Basic Procurement Policy cover the issues that the Group must take into consideration, the guidelines summarize issues on which the Group would like cooperation from business partners.</p>
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Value Chain Management

Having established and developed policies and guidelines, we will build a value chain management system while strengthening related in-house measures. By following the steps shown below, in fiscal 2022 we will formulate and introduce a value chain monitoring system that incorporates human rights due diligence and ascertain the actual status of risks

related to the environment, human rights, and governance. Beginning from fiscal 2023, MOL will conduct activities aimed at reducing the risks identified while disclosing details of initiatives in a timely and appropriate manner to ensure accountability to stakeholders.

Steps That Will Establish Value Chain Management

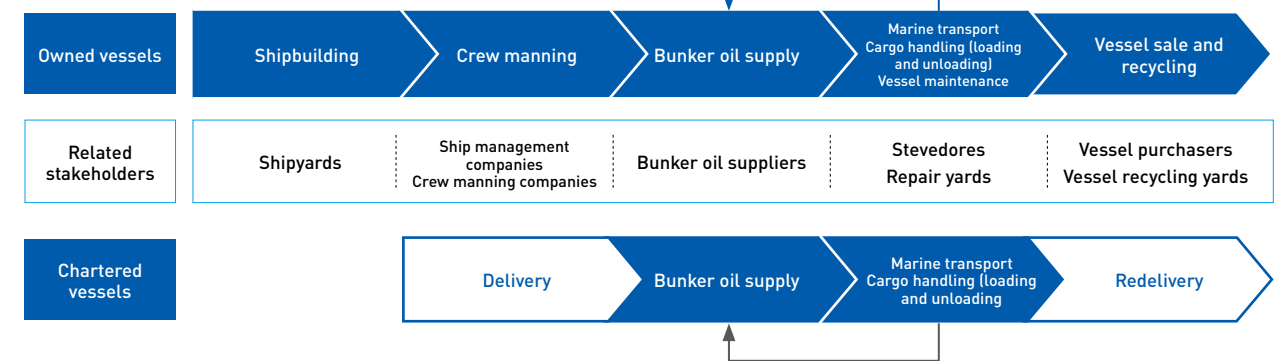


00 Policy establishment	Establishment of a human rights policy, basic procurement policy, and supplier procurement guidelines; periodic revision; and the explanation to suppliers of the purpose and details of policies and guidelines
01 Implementation monitoring	Implementation of written and on-site surveys to confirm that policies and guidelines are being appropriately reflected in the value chain
02 Issue identification	Based on the clarification of actual and potential risks in the value chain through monitoring, identification of issues related to human rights, safety, and the environment that must be resolved
03 Improvement activities	Improvement of initiatives that are aimed at addressing the identified issues and verification of the effectiveness of the improvements through monitoring conducted in the following fiscal year
04 Information dissemination	Steady dissemination of information on the Company’s initiatives to ensure their transparency

For details on the MOL Group Basic Procurement Policy and the MOL Group Supplier Procurement Guidelines, please visit our website. <https://www.mol.co.jp/en/sustainability/governance/procurement/index.html>
 For details on the MOL Group Human Rights Policy and human rights due diligence initiatives, please visit our website. <https://www.mol.co.jp/en/sustainability/governance/human/>

Initiatives for Specific Business Partners

The MOL Group’s Value Chain



Initiatives in Partnership with Chartered Vessel Owners

To ensure high levels of safety throughout our fleet, we not only apply the MOL Safety Standard Specifications to our owned vessels but also to vessels procured under medium- to long-term charter contracts. An additional aspect of our efforts to heighten safety levels involves actively sharing safety awareness and exchanging information and opinions with shipowners through visits to their vessels and offices as well as the holding of periodic liaison meetings with shipowners. Through such activities, we detect problems at an early stage and take prompt countermeasures. Also, we revise the MOL Safety Standard Specifications whenever necessary.

In 2020, an accident off Mauritius—in which the WAKASHIO, a bulk carrier chartered by MOL, ran aground and spilled oil—had a considerable impact on the local communities and the natural environment. Even though shipowners are legally liable for accidents involving chartered vessels, we understand the social responsibility that we have to take measures aimed at preventing the recurrence of such an accident. In response to the WAKASHIO accident we are strengthening measures to ensure the safety levels of chartered vessels. To further enhance the effectiveness of these measures, in relation to safety levels, we will establish KPIs, develop databases, expand and enhance management and support systems, and introduce new safety technologies. Partnering with shipowners, we will advance initiatives with a view to realizing world-leading safety levels.

Initiatives in Partnership with Vessel Recycling Yards

Upon reaching the end of their service lives, vessels must be scrapped (recycled) to ensure the safe operation of fleets and marine environmental protection. By weight, approximately 95.0% of a vessel is recyclable, and we have our owned vessels recycled by selling them to companies that specialize in vessel purchasing. Meanwhile, as vessel recycling is a labor-intensive industry, the major vessel recycling yards are located in developing countries. At these yards, the management of hazardous substances, environmental impact, and the occupational health and safety of laborers have become matters of international concern. To address such vessel recycling-related issues, the Hong Kong Convention for the Safe and Environmentally Sound Recycling of Ships (the Hong Kong Convention) was adopted by the International Maritime Organization in May 2009, and countries are advancing their respective ratification processes with a view to effectuation of the convention. The convention prohibits or limits the loading and use of hazardous materials on board vessels and requires the preparation and updating of inventory lists that record the quantities and locations of hazardous materials on board. Ultimately, this information must be provided to vessel recycling yards. Further, the convention obligates vessel recycling yards to establish appropriate management systems for personnel safety and waste disposal.

MOL Group Vessel Recycling Policy

In realizing more-sustainable vessel recycling, we believe that vessel recycling yards must not only protect the environment and prevent occupational safety issues but also respect the human rights of workers.

- We only select vessel recycling yards that have received third-party certification from Nippon Kaiji Kyokai, commonly known as ClassNK, for compliance with the Hong Kong Convention as well as prescribed environmental, safety, and labor standards.
- Even after vessels have been sold to companies that specialize in vessel purchasing and delivered to vessel recycling yards, we visit the yards to check the progress of vessel breaking work and require yards to provide us with detailed reports.

