

Fundamental Policies of the Company on creation of effective internal control system of the Group

1	<p>System for ensuring that the performance of duties by Executive Officers and employees of the Company , and directors, statutory auditors and employees of the subsidiaries of the Company (collectively referred to as the "Group Employees") complies with laws, regulations, and the Articles of Incorporation</p>	<ul style="list-style-type: none"> • On the basis and strength of the management principles "Our Vision", the NSG Group (the "Group") aims to ensure high levels of ethics and compliance throughout the Group in conducting businesses, proactively fulfilling its social responsibilities for the sustainable growth. • Under the management principles "Our Vision", the Group establishes the "NSG Group Code of Ethics" providing business ethics and compliance with laws/ regulations/ internal policies and procedures, and uses its internal communication network to continually disseminate and provide educational training about the contents of the Code of Ethics for the Group Employees, together with other important internal policies and procedures of the Group (e.g. Group Policies, procedures or manuals). • Each Strategic Business Unit ("SBU") and function in charge of securing compliance with the relevant laws and regulations, will monitor such compliance status in coordination with Internal Audit function, and also report it to the Audit Committee. • The Group establishes a Group central function responsible for developing and maintaining the effective framework of ethics and compliance throughout the Group (hereinafter generally referred to as "Ethics and Compliance Function"). • Ethics and Compliance Function will, throughout the Group, :- <ul style="list-style-type: none"> ➤ work closely with regional team in charge of ethics and compliance matters to promote and ensure compliance by adherence to strict standards and to promote ethics and compliance awareness through communication and training programs; and ➤ as it may deem necessary, conduct audits in cooperation with Internal Audit function and other Internal Control Functions. • Ethics and Compliance Function will also report to the Audit Committee. • The Group establishes a global reporting of concerns hotline not subject to usual reporting structure for execution of the businesses ("hotline"), which enables the Group Employees to voice any ethics and compliance related issues through an independent external vendor as points of contact; whereby the Group ensures the framework under which it is able to promptly detect and address any such issues. • Ethics and Compliance Function shall, periodically or from time to time as appropriate, update the Audit Committee on the status of the implementation and operation of the hotline as well as on the issues brought from the hotline. • The Group Employees can make a report via the hotline with anonymity where legally allowed, and the Group must explicitly
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		<p>guarantee that no retaliation or unfavorable personnel treatment will be taken against the Group Employees in question for reason of the report.</p>
2	<p>Rules relating to the management of the risk of loss and other relevant risk management system with respect to the Group</p>	<ul style="list-style-type: none"> • The Group establishes internal policies and procedures to adequately address various risks associated with its business operations and identify and manage all possible risks in a holistic way throughout the enterprise that it could be exposed to. For effective facilitation of the overall enterprise risk management, the Group constitutes the Strategic Risk Committee which is to be led by a representative executive officer of the Company and reports to the Management Committee and the Audit Committee, with its assigned responsibilities to conduct a review of the status regularly of identification, evaluation and remediation of the major risks identified. • The Group establishes internal policies and procedures that clearly define how to treat specific risks associated with such as ethics and compliance, environment, safety, disaster management, product quality, information security, funding, raw material procurement, research and development and credit control, and each SBU and function shall manage such risks in their respective areas of responsibility according to these internal policies and procedures. • The Group shall make sure that Ethics and Compliance Function manages and controls significant ethics and compliance-related risks including by preparation of adequate internal policies and procedures, in cooperation with Internal Control Functions including Legal and Internal Audit function. • Risk control measures will be managed and taken, as necessary, including risk diversification and insurance on a group basis. In particular the Group establishes the internal policy on group insurance and takes out and renews global insurance programme annually thereby aiming to secure adequate transfer of material risks of the Group. • The Group develops and has in place policies and procedures to prepare against and deal with major incidents for risk management purposes that may occur globally or regionally. • The Group establishes the control system to ensure the integrity of its financial reporting as well as the appropriateness and timeliness of other corporate disclosures.
3	<p>System for retaining and managing information</p>	<ul style="list-style-type: none"> • Executive Officers properly retain and manage documents, records and any other information regarding their performance of duties in accordance with the applicable laws and internal policies and procedures.

	pertaining to Executive Officers' performance of duties	
4	System for ensuring effective and efficient performance of duties by the Group's Employees	<ul style="list-style-type: none"> • The Group formulates an annual business targets for the Group based upon its medium to long-term business plans resolved by the Board. Also it clearly communicates the targets throughout the whole organization to ensure that all Group businesses are managed and coordinated in a consistent manner. • The Board authorizes the Executive officers to make decisions on the business and affairs of the Group Board within the remit permitted by law. • The Group establishes the Management Committee comprising the Executive Officers as its core member. Discussions and deliberations at the meetings thereof will be of assistance for the Executive Officers to make bold and prompt decisions on the Group businesses in an effective and efficient way, under the framework of the Group's basic policies and goals set by the Board. • The Group clearly defines the area of duties and responsibilities assigned to respective Executive Officers and other Group Employees pursuant to the resolutions by the Board and those internal policies and procedures providing for allocation of role/duties and authorities. • The Group prepares for internal policies and procedures in relation to various internal meeting or conference structures within the Group including in relation to Management Committee and ensures that all business decisions for the Group be made in manner complied with the standards and process for deliberation provided in such policies and procedures. • The Group develops and maintains information systems that improve the efficiency of business operations.
5	Reporting-line structure within the Group	<ul style="list-style-type: none"> • The reporting-line structure will be built up and maintained within the Group for each and every SBU and function formed on a group-wide basis. • The Group formulates the internal policy with respect to the management of the Company's subsidiaries which ensures each material subsidiary to notify the Company regularly of the matters relevant to it regarding: internal audit, finance, treasury, taxation, human resources, labor relations, pensions, health and safety, investor relations, legal, ethics and compliance, environment and any other areas related to internal controls and the status of risks or exposures associated with such . • Internal audit will be conducted on a group basis.
6	Systems to	<ul style="list-style-type: none"> • The Audit Committee, as a part of oversight function of the Board, is tasked to audit execution of duties by Directors and

	<p>ensure effectiveness of audits conducted by the Audit Committee</p>	<p>Executive Officers, on the basis of this Fundamental Policy on Internal Control System, from a viewpoint of whether:-</p> <ul style="list-style-type: none"> ➤ an internal control system is established, maintained and implemented by the Executive Officers in an appropriate manner; ➤ and this Fundamental Policy itself is still valid or requires no improvement. <ul style="list-style-type: none"> • For the purpose of securing effectiveness of such audit:- <ul style="list-style-type: none"> ➤ the Audit Committee may have its members attend Management Committee meetings and other important meetings of the Group. When other forms of decision making processes are used in lieu of discussion at a meeting, the Audit Committee has the right of access to any information related to or used in such decision-making processes; ➤ the Audit Committee may, as it deems necessary, interview any of those Group Employees with senior positions to obtain information necessary to conduct its audits; ➤ the Audit Committee receives regular reports about the current risk exposures of the Group with respect to the followings from departments and functions responsible therefor:- <ul style="list-style-type: none"> ● internal audit, finance, treasury, taxation, human resources, labor relations, pensions, health and safety, investor relations, legal, ethics and compliance, environment and any other areas related to internal controls; ➤ the Audit Committee has the right of access to any material corporate document containing material information including but not limited to papers used for Management Committee meetings and internal approval documents; ➤ the Audit Committee receives explanation from the Executive Officer in charge of financial affairs on the Group's quarterly and full-year financial statements before they are presented to the Board for reporting or approval; ➤ the Audit Committee shall meet with Internal Audit function and Independent Auditor on a regular basis to obtain necessary information. ➤ Members of the Audit Committee may conduct onsite inspections of the Group's major sites to monitor the status of the business and assets when it deems further necessary to do so in light of the purpose of audit prescribed above in this section.
<p>7</p>	<p>System for reporting by the Group's Employees to the Audit Committee</p>	<ul style="list-style-type: none"> • Directors and Executive Officers shall report the followings to the Audit Committee immediately when:- <ul style="list-style-type: none"> ➤ an individual has found any fact that could have a substantially adverse effect on the Group ➤ a Group Employee has committed or could be considered to commit such an act as may constitute a violation of any law, regulation or the Articles of Incorporation. • Without prejudice to generality of the foregoing section, the Audit Committee may request any of the Group Employees to prepare and submit such reports as it deems necessary for audit.

	and other systems concerning reporting to the Audit Committee	<ul style="list-style-type: none"> • The Group explicitly guarantees that no retaliation or unfavorable personnel action in any manner should be taken against those who report to the Audit Committee by reason of such reporting.
8	Matters relating to Directors and/or Employees who support the execution of duties by the Audit Committee	<ul style="list-style-type: none"> • The Group shall establish an Audit Committee Office that assists the execution of duties by the Audit Committee, and shall assign such number of employees as it deems necessary for the performance of its functions. (hereinafter referred to as "Support Staff of the Audit Committee") • Under the instructions of the Audit Committee members, Support Staff of the Audit Committee shall:- <ul style="list-style-type: none"> ➤ by themselves, or by liaising with relevant departments, investigate, analyze or report the matters subject to its audit, and ➤ where necessary, assist the Audit Committee in conducting onsite inspections of the Group's major sites to monitor the status of their business and assets.
9	Matters relating to i) independence of the above Directors and/or Employees from Executive Officers, and ii) how to ensure effectiveness of Audit	<ul style="list-style-type: none"> • Decisions on personnel matters of Support Staff of the Audit Committee shall require the prior notice to and consent of the Audit Committee. • The head of Support Staff of the Audit Committee shall be prohibited from concurrently holding any position that may be involved in the execution of businesses and affairs of the Group, and shall report only to the Audit Committee.

	Committees' instructions thereto	
10	Matters relating to policy with regard to advance payment or, reimbursement of the expenses incurred (but limited only to those to accrue relating to execution of duties of the Audit Committee), or any other treatment of such expenses and debts	<ul style="list-style-type: none"> • If a member of the Audit Committee requests an advance payment of the expenses to be incurred in the course of his performance of the duties or otherwise makes such requests as provided in each section of article 404.4 of the Companies Act, the Company shall not refuse such request except where the Company proves that the said expenses or debts relating to such request is not necessary for the performance of the duties of the committee member in question.

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