



MANAGEMENT SYSTEM FOR SUSTAINABLE DEVELOPMENT

Arrangements to discharge the company's responsibility to society

1. Management system to ensure compliance with laws, regulations, social norms, and corporate ethics and conduct business honestly.

~To ensure compliance with laws, regulations, social norms, and corporate ethics and conduct business honestly~

① Commitment to our code of conduct

For Showa Shell Sekiyu to grow continually, it is essential that it should conduct business honestly as a responsible member of society and win trust from the stakeholders on a continuing basis.

To do so, it should insist on honesty and fairness in all aspects of its business and must observe not only laws and regulations, but also the spirits of them. In other words, we must, in our opinion, observe social norms and corporate ethics in good faith in conducting our business.

We have set the guidelines as a code of conduct that help each individual belonging to the Showa Shell Group judge and act in line with this principle in performing his/her duties.

The code of conduct specifically makes mention of the inhibition of payment to political parties, organizations or their representatives or participation in party politics and a requirement for free, fair competition, to say nothing of compliance with laws and corporate ethics.

■ Employee Open Communication committee and "Voice of People"

The company established the Participation-by-all committee as an arm of the board of directors in May 2003 to further encourage active internal communication and develop into a vivid company with everybody's participation. Further, it established in July 2003 "Voice of People" as a dedicated consulting organ for employees to hear employees' constructive opinions for the improvement of the company, complaints on wrong doings impinging on the code of conduct or incurring society's reproach, human right issues such as harassment, afflictions or questions about personal treatment and workplace environments and reflect them to management.

In 2003, it received a total of four proposals and problem consultations. The actions the company took in response were reported in each case to the person who made the proposal.

To make "Voice of People" still friendlier and more serviceable to users, the company conducted a questionnaire survey covering all users in May 2004 as a means to uphold their understanding of the system.

■ Training and promotional activities

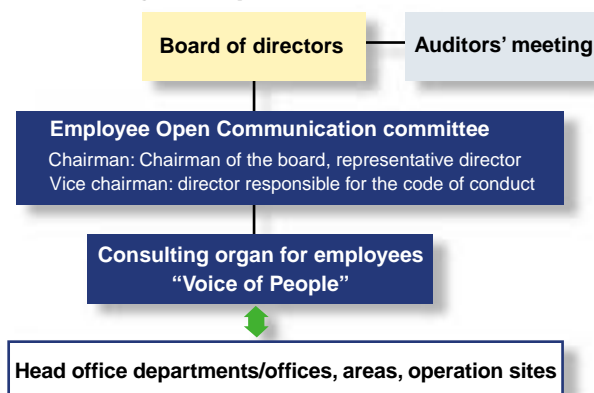
However emphasis the company may place on the code of conduct and compliance with laws, its efforts will only become meaningful when their contents are understood and practiced as our behavioral norms; for this reason, it is important to uphold all individuals' recognition and understanding including from the top management to the ranks continually through training activity.

As for the code of conduct, we have distributed it in the form of a booklet to all employees and instruct them to observe it in all events by taking various opportunities including a message from the top management. Further, we have made it available together with a commentary explaining its contents on the company's intranet to help deepen understanding for the improvement of employees' consciousness.

We also teach the history that led to its development and its content in training courses for new-hires and newly appointed managers, as well as in training courses on corporate legal issues and the anti-trust law, etc., to ensure that all employees are made familiar with the code and committed to observing it.

With respect to the practice of free, fair competition in particular, while we have established a dedicated, permanent consulting organ for competition law-related matters in the Legal Affairs Office to answer questions from employees, we should not only engage ourselves in any act to restrict competition unreasonably or any unfair trade as inhibited under the applicable competition-related laws, but also develop internal regulations to ensure compliance with the anti-trust law and a commentary on anti-trust cases and make them available on the intranet so as to stay always above suspicion.

■ Internal management system to conduct business honestly



Employee Open Communication committee
 Chairman: Chairman of the board, representative director
 Committee members: president, vice president, managing director, full-time auditor, executive officer responsible for corporate governance, head of auditors' office, head of legal affairs office, head of human resource department

■ Training on the code of conduct and anti-trust and other competition-related laws

	Number of times	Number of trainees (in total)	(Trainees participating in training organized by areas and branch offices)
2000	29	559	243
2001	26	474	231
2002	27	505	222
2003	26	572	210
Total	108	2,110	906

In 2001, the company developed the manual entitled "Guidebook for anti-trust law compliance for each department/office," which explains individual, specific cases in a Q&A style, and the heads of divisions submitted to the director responsible for the code of conduct written oaths declaring their divisions' compliance with the code of conduct and competition-related laws.

Further, in addition to the implementation of anti-trust law compliance training with particular emphasis on the thorough observation of competition-related laws, we will also promote employee education in corporate legal affairs training and newly-appointed manager training. Particularly for the sales divisions, etc., which undertake operations closely connected with these laws, the legal affairs office conducts separate training courses to deepen their understanding of the relevant laws and ensure full compliance with them.

In 2004, a companywide review of operations subject to competition-related laws is also in process, led by the director responsible for the code of conduct. As a part of the review, we are working to revise the manual "Guidebook on Anti-Trust Law Compliance for Departments/Offices" developed in 2001.

② Purchasing

■ Our stance toward purchasing activities

The Showa Shell Group will give consideration to the social and environmental aspects such as compliance with laws and corporate ethics, resource protection, environmental preservation and resource management in addition to economic rationality in its purchasing activities based on fair, transparent procedures with its

■ Verification process with a business control checklist

In the Showa Shell Group, we have put into operation the process in which all directors, executive officers, heads of divisions, area managers, heads of operation sites, and representative directors of subsidiaries consolidated for the accounting purposes check their own performance with regard to the state of compliance and the state of the operation of the management system every year pursuant to a business control checklist for compliance with the code of conduct, the anti-trust and other competition-related laws and HSSE as well as with regard to business control system, the identification of business risks and actions therefor, accounting, financial statements, credit control, futures transaction, information management and information system and report their evaluation results to the board of directors.

■ Consideration for expressions used in ads and promotional tools

As for expressions used in our ads and promotional tools, we developed an "Ad/promotional tool expression and design check sheet" to clarify from the corporate ethics, health, safety, security, environment and human right aspects points requiring the company's attention in discharging its social responsibility, to say nothing of ensuring compliance with the competition-related laws and regulations, in August 2004 and endeavor to make it known and observed thoroughly, so that consumers can choose the right products meeting their needs.

commitment to fair competition in mind all the time.

To do so, it is important, in our opinion, that we should ask our business partners to understand our code of conduct and promote the activity in concert with us based on mutual trust to achieve its objectives. We will carry out our purchasing activities under the following fundamental policies:

General Policy in Procurement

For keeping sustainable success in area of both society and Showa Shell Group companies, we, Showa Shell Group, is going to develop strong partnership/cooperating system with suppliers by constructing reciprocal reliabilities and by reviewing/establishing cost competitiveness.

■ To provide even opportunities

Not only for domestic suppliers but also for foreign suppliers, we are providing even opportunities and are respecting fair competition.

■ To maintain clear procurement

For selecting/evaluating suppliers, we are going to put priority in economical justification together with not only in quality, safety and aftercare but also in their stance to SCR /HSSE.

■ To ensure transparency

We are going to show general policy in procurement and information/plan/process for procurement. We are also going to show success/failure with evaluation details when requested.

■ Compliance

We are going to keep compliance and respect principle of regulation.

On the other hand, we are also to keep rule in company.

■ Integrity in Procurement activities

Showa Shell Group is keeping Showa Shell Group's "Principle Of Action" for all the activities, which is also expected to all partners when deals are made.

In other words, no bribery is allowed in any transactions. Any friction between individual economical activities and companies activities should be avoided.

In these points, Showa Shell Group is asking all suppliers' cooperation to comply with request of understanding/following Showa Shell Group's "Principle Of activities".

■ HSSE and CSR

For maintaining sustainable development, HSSE would be regarded important. Meantime CSR would also be regarded important. Support/cooperation of CSR by suppliers would be requested and would be highly appreciated.

■ Promotion of green purchasing

The company has been promoting the utilization of recycled paper and drums for years. In 2002, we conducted a survey targeting major suppliers on their initiatives for environmental preservation and received replies from 250 suppliers. 90% of them are promoting some activities to improve their environmental compliance, which renewed our recognition of their strong consciousness of the environment.

In July 2003, we developed the "Green procurement guidelines" to

ensure the procurement of more environmentally compliant materials, construction work and services. These guidelines define assessment criteria for the promotion of green purchasing in a bid to mitigate environmental impacts. In addition to the adoption by our company, we have also requested companies belonging to the Showa Shell Group to adopt these guidelines, while requesting our business associates such as contractors and agencies to render as much cooperation as they can to it.