



Respect for People

2. Employment and the Workplace Environment

① Employment Status

● Current Workforce Makeup

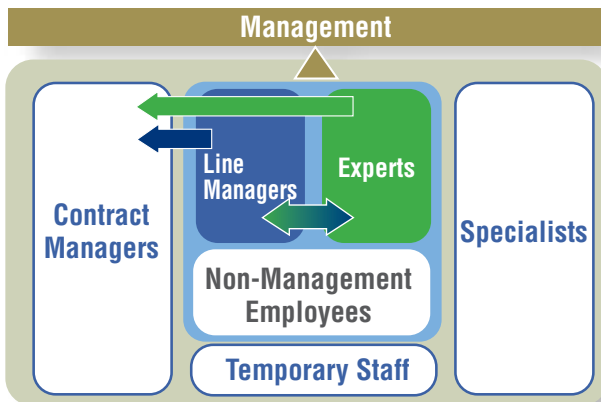
Assigning Personnel

Showa Shell realizes it is vital to employ the best-qualified people and assign them appropriately in order to realize its business strategy. The company seriously considers what human resources are required for its strategy and what should be asked of them to best realize

their strengths. Not all employees should be employed as “regular staff.” The company also employs a “human resources portfolio” in its human resources management to motivate and bring out the best in its employees.

In line with this policy, the following specific measures for defining human resources are employed to realize future growth strategies.

■ Human Resources Portfolio



● Line Manager

Directs team performance, trains subordinates, and motivates through an all-around team approach.

● Expert

Contributes to improving business performance by applying his/her rich experience and expertise, which are at a level capable of winning recognition both within and outside the company, in a specific field.

● Specialist (Contract Employee)

Makes a contribution by applying top-level expertise in a specific field for fixed-term projects or duties.

● Contract Manager (Contract Employee)

Managerial-level retirees with qualifications equivalent to that of experts.



Recruitment

Showa Shell employs new graduates, and experienced staff when needed, in line with the Human Resource Portfolio. A committee has been set up to ensure fair recruitment and the safeguarding of human rights. In addition, Nippon Keidanren's "Ethical Charter for Corporate Recruitment Standards for New Graduates" is adhered to. The company thus places great importance on human rights and corporate social responsibility in its recruitment efforts.

	Total/Average
Employees*	1,045
Average age	43.6
Average length of employment	20.7

* Workforce, non-consolidated base (non-consolidated base workers including temporary transfers equals 1,441)

% of female employees	4-year university graduates entering as freshmen (2002-2005)
18.4%	51.4%

(As of December 31, 2004)

● Salary and Welfare System

The company is working to provide a workplace in which workers over age 60 with the desire and physical capacity to work can continue to actively utilize their knowledge and experience in accordance with relevant laws.

Salary Considerations

Showa Shell's compensation system is designed to fairly assess the competencies of each employee and his/her achievements in specific duties. The assessment results are the basis for the subsequent year's remuneration. Thus, employees with outstanding results are expected to grow further, while those who have not achieved as much as anticipated are encouraged to make greater efforts. The company's performance- and merit-based system is designed to reward employees based on their individual competencies and achievements.

■ Starting Monthly Salary (actual, April 2004)

University graduate	Graduate degree holder
¥226,920	¥240,030

Welfare Considerations

Showa Shell views "welfare" as an interconnective relationship among the individual, the company, and society. In principle, welfare should be ensured with self-help efforts, though welfare efforts inefficient or beyond an individual's means should be handled by society. The company, meanwhile, should support each individual's self-help efforts and supplement the role of society. This concept forms the basis of a number of programs the company has developed so that employees can make the most of their competencies.



2. Employment and the Workplace Environment (continued)

② Creating a Workplace Environment

● Diversity and Inclusiveness Initiatives

Basic Policy on Diversity and Inclusiveness

At Showa Shell, “diversity” means a corporate culture that prioritizes fairness and justice, respects different ideas and behaviors, improves the company’s organizational problem-solving skills through contact with varied ideas and values, and educates and develops human resources through such opportunities.

“Inclusiveness” is also important to Showa Shell. The company has resolved to respect the variety in ways of thinking, background, and perspectives arising from diversity, and further to appreciate and make the most of such inclusiveness.



Basic Policy on Diversity and Inclusiveness

Showa Shell strives to create a workplace environment that respects individuality and different values and in which employees can make the most of their talents to the fullest extent. In other words, it tries to fully utilize its

human resources’ diversity in order to achieve both company growth and the realization of individual goals.

The Basic Policy on Diversity and Inclusiveness is based on the above concept and is outlined below.

- We will manage diversity and inclusiveness as a critical subject in our business activity
- We will respect each staff’s values (that are compatible with our business principles) and personal differences which exists in our companies
- We will respect each employee’s need to balance work and personal demands
- We will provide fair opportunity for our employee to demonstrate their capability under the performance and merit systems
- We will provide opportunities for employees to share, learning, self-development, and internal/external communication, in order to support the acceptance and adoption of diversity and inclusiveness.
- We will apply the diversity and inclusiveness principles not only in our dealings with our employees but also to external stakeholders who are involved with our business activities.
- We will continue with improvement through reference to Diversity and Inclusiveness best practice
- We will promote a organisational culture in which all Showa Shell employees, contractors, and joint ventures share these commitments through our policies and our behaviours. (Showa Shell Sekiyu K.K.)
- We will promote an organizational culture in which all employees share these commitments through our policies and behaviors. (Affiliate companies)

Showa Shell’s in-house training includes programs on diversity and inclusiveness to promote and practice the concepts within the company. New recruit and management appointee training programs include lectures on these topics, as well as on human rights. The purpose is to raise awareness of human rights issues so that human rights are respected in order to create a workplace that is both lively and free of discrimination.

The company is also involved in outside activities. It participates in the Japan Women’s Innovative Network (J-Win), a group that works across companies and industries to support women’s career opportunities. J-Win is a forum for companies that recruit women to cooperate beyond industry and work content classifications and develop the skills of women who play central roles in business management and operation.



● Supporting Work-Life Balance

The Basic Policy on Work-Life Balance

Showa Shell actively encourages its employees to seek a proper work-life balance, and has adopted the Basic Policy on Work-Life Balance as one part of its Basic Policy on Diversity and Inclusiveness.

- Company supports work life balance for staff in order to achieve an environment for sustainable growth.
- Company supports staff who continuously contribute value to the company, and are self-accountable.
- Company provides a working climate that enables staff to demonstrate their capability.

Implementing Work-Life Balance Support Program, *Choose*

Showa Shell has designed and is gradually implementing *Choose*, a program to encourage employees to consider, discuss, and act upon their work-life balance choices. The program ensures the support of employees' direct superiors and colleagues and is intended to further improve the workplace environment. The company has been working since fiscal year 2004 to raise awareness of the issues among HR staff at consolidated

subsidiaries to expand the reach of the Basic Policy on Work-Life Balance.

■ *Programs to Support Work-Life Balance*

Program	Users	
	2003	2004
Childcare leave	4	8
Family care leave	1	1
Short term service	0	0

Employee Childcare and Family Care Programs

Showa Shell is committed to providing a working environment that supports workers with childcare and family care responsibilities so that they can apply their full abilities to their work. The progressive policies make the company a leader in the industry.

The company introduced an improved, easier-to-use system in April 2005 for employees with childcare and family care responsibilities. Further, the company is working toward government recognition in the General Business Owner Action Program under the Next Generation Nurturing Support Measures Promotion Law and is encouraging wider use of the system in striving to create a better working environment.

(The General Business Owner Action Program was submitted to the Labor Bureau in April 2005.)

● Preventing Sexual Harassment

Basic Policy on Sexual Harassment

Showa Shell's Code of Conduct stipulates that it shall respect the individuality of its employees and provide a safe workplace environment and good working conditions in order to promote and utilize its human resources and to encourage the full participations of employees in their work and practice of the Code of Conduct.

The company is dedicated to creating a workplace

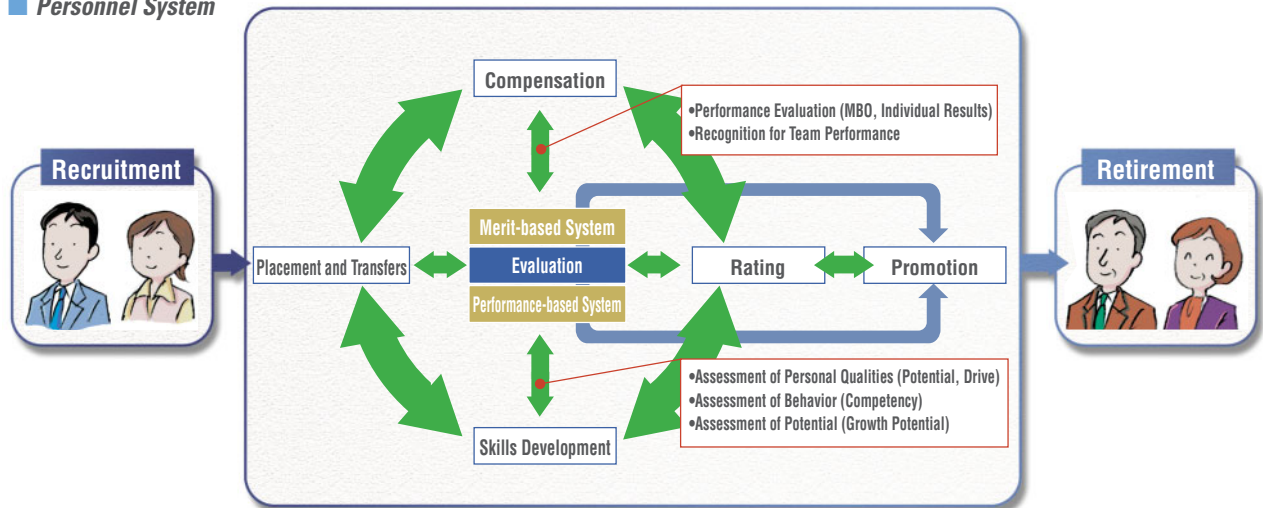
free of sexual harassment, and has laid out a basic policy and guideline for countermeasures. Counseling services are also available to employees for specific cases and to take preventive measures.

An awareness program was launched in 2004 to raise recognition of sexual harassment issues among HR managers at Showa Shell's consolidated subsidiaries.

2. Employment and the Workplace Environment (continued)

③ Personnel System

■ Personnel System



● Outline of System

Human Resources and Leadership: Critical Management Issues

Showa Shell regards human resources and leadership as critical management issues; they are the core of its management strategy. The company has created the following Vision of Human Resources based on that strategy, and is striving to realize it.

○ Vision of Human Resources

Create a corporate culture that enables the company's continued development and motivates all employees.

Other Personnel Systems:

① Recognizing Team Performance

A Team Performance Award has been established to create an environment that will improve overall team motivation to achieve goals and further contribute to better results for the company.

In this sense, a team is considered to be any group organized for specific operations such as cross-department project teams or teams within a set organization (departments or sections).

② Open Resources

The Open Resources System has been established to allow for human resource exchanges among Showa Shell Group companies. The system is designed to allow employees to fully exercise their own drive and skills for their self-realization and for further activation of the company.

③ Choice of Retirement Pay or Pension

Employees may elect to receive their retirement pay or pension in advance in the form of incremental annual bonuses. This system is designed to meet the varying needs of individual employees and allow for their greater independence.

Personnel and Evaluation Systems

Based on the personnel management idea as described in Vision of Human Resources, Showa Shell has developed the personnel system shown in the diagram above and is committed to making the most of its advantages. The company has introduced the system not only to strengthen human resources and leadership, but also to contribute to raising employees' motivation, and is promoting recognition based on results and merit.

● **Human Resource Development**

Personnel System and Competencies

Showa Shell recognizes that employees grow through their work. The company is thus committed to systematically and effectively developing professionals in all fields by offering opportunities for growth and putting together skills development and evaluation systems. The company also develops independent employees, who will be even greater demand in coming years by respecting their individuality and their drive.

Specifically, the company offers employees opportunities to display their new skills through appropriate personnel placements or transfers. It develops proficiencies through on-the-job and off-the-job training based on guidelines focused on each department's competencies (the variety of knowledge, skills, and procedures needed to boost a department's results). Skills development programs are

conducted for employees with initiative and drive who want to polish their qualifications and boost their skills using on-the-job (instruction and training) and off-the-job (group education and seminars) training as well as self-development efforts.

The details of competencies that each department requires are available to all employees as well as the schedule and content of the training.

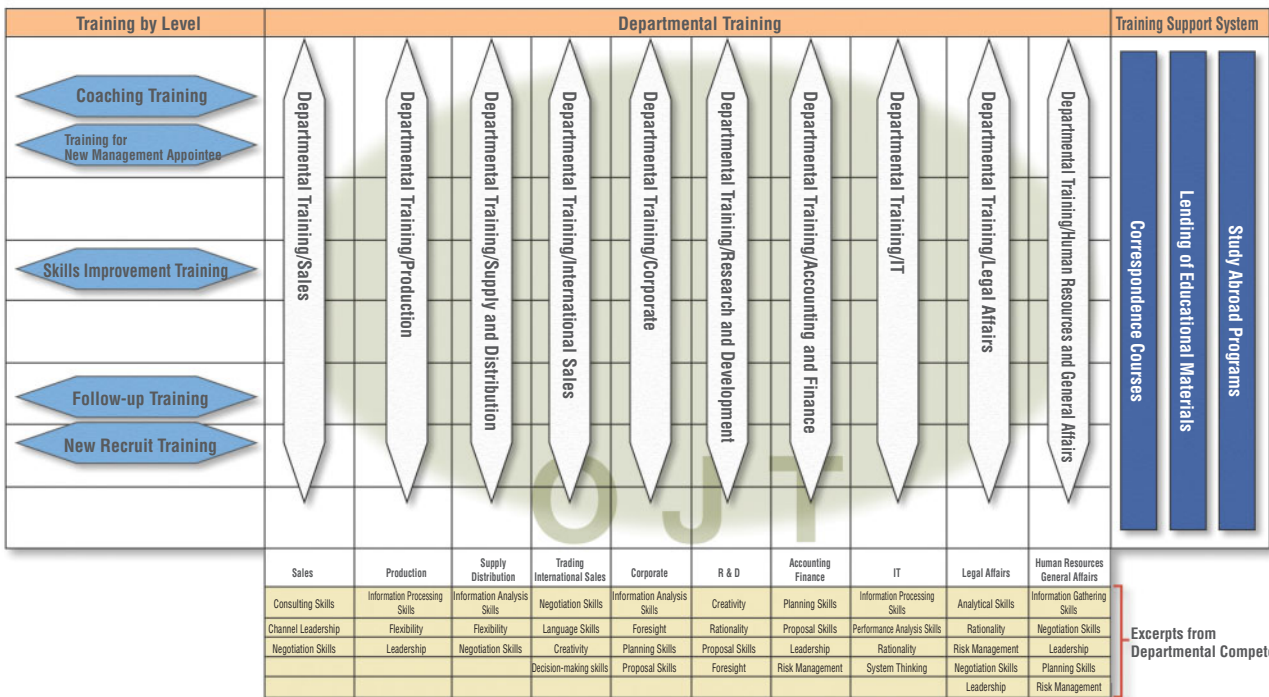
Self-Development Leave

Employees may take a leave of absence in order to develop their skills or contribute to society. This furthers the development of the company and society.

○ **Self-Development Leave**

Users: 2 (FY2004)

■ **Training System**





Respect for People

2. Employment and the Workplace Environment (continued)

④ Voicing Employee's Views to Management

● Employee Awareness Survey

Showa Shell actively promotes a “bottom up” approach in addressing company-wide and departmental issues by encouraging free communication between employees and management. One such endeavor is the Shell People Survey, a survey conducted every year and a half or two years at all Royal Dutch/Shell Group companies worldwide. The purpose of the survey is not simply to provide feedback, but rather to create a workplace where all employees are free to participate in discussion. A “communication session” was held at each department and office in

March 2005, to share the current issues. Company-wide measures to resolve these issues arisen in the session are developed at the Management Executive Meeting.

● Communicating with Top Management

The top management of Showa Shell is committed to encouraging communication among all levels of employees. The Engagement Program takes place several times a year among general workers, middle management, and departmental managers. Participants discuss the gap between reality and ideal in their roles and values and then develop an action plan to narrow that gap.

3. Protecting Human Rights and Eliminating Discrimination

① Efforts to Protect Human Rights and Eliminate Discrimination

Showa Shell's Code of Conduct stipulates that it shall “conduct business as a responsible member of society, observe laws, and respect fundamental human rights.” The company has developed a basic policy to protect human rights and abolish discrimination.

The company encourages all employees to become familiar with the Basic Policy on Diversity and Inclusiveness by making it available it on the intranet, and also promotes training opportunities, such as courses on human rights, for all new management appointees and new recruits.

② Abolishing Child and Forced Labor

Showa Shell is not in any way involved with child or forced labor. Its Code of Conduct stipulates that it will “provide a safe workplace environment and good working conditions.”

