

Promoting Corporate Social Responsibility

2. HSSE (Health, Safety, Security, and Environment) Management Structure

Showa Shell's HSSE efforts

① Commitment to HSSE

● Basic Policy on HSSE

Showa Shell has set forth a basic policy on H (Health), S (Safety), S (Security), and E (Environmental Protection) as outlined below.

BASIC POLICY ON HEALTH, SAFETY, SECURITY AND ENVIRONMENTAL PRESERVATION

Acknowledging that it is the Company's societal responsibility to ensure safety, promote health, avoid hazards arising from all sorts of corporate activities and preserve environment in conducting its business activities based on its Management Philosophy and the Code of Conduct, Company sets forth the following basic policy on health, safety, security and environmental (HSSE) preservation:

- 1 Concerning HSSE, the Company not only complies with relevant laws and regulations, but also strives for continual improvement in performance implementing appropriate measures such as carrying out HSSE-MS.
- 2 As to HSSE, the Company will implement the following items.
 - (1) In conducting its own businesses the Company further pushes its efforts for reduction of resources and energy conservation as well as reduction of environmental loading through, for example, prevention of polluted effluents.
 - (2) The Company takes HSSE into consideration throughout all stages from product development to its disposal and offer information on proper handling and consuming methods of that product to consumers.
 - (3) In case of starting a new business, construction of large facilities and development of new products, the Company undertakes prior assessment about HSSE and reviews it as necessary in accordance with the changing situation.
 - (4) The Company establishes contingency plans against inadvertent accidents and takes measures required to contain damages as low as reasonably practicable, in collaboration with relevant authorities.
 - (5) The Company enlightens, educates and trains employees on HSSE to enhance their awareness and induce their voluntary participation and cooperation. In addition the Company seeks the cooperation of its contractors, dealers and affiliates and gives recommendations and/or guidance as required.
 - (6) The Company strives to pioneer research on HSSE and promotes practical application of the outcome of the research made by its own and Group Companies.
 - (7) The Company strives for reducing work related injuries in operation.
 - (8) The Company widely publishes its views on HSSE, sets its objectives for improvement thereof and reports the result to get understanding and support of society in general.
- 3 The Company periodically audits its compliance with laws, regulations and voluntary rules concerning HSSE and the status of various measures being implemented.
- 4 The Company evaluates the performance regarding HSSE, and if required, reassesses the action plan.

Established January 1985

Revised September 1992

Revised August 2004

Chairman and Representative Director **Haruyuki Niimi**

● **HSSE Management System**

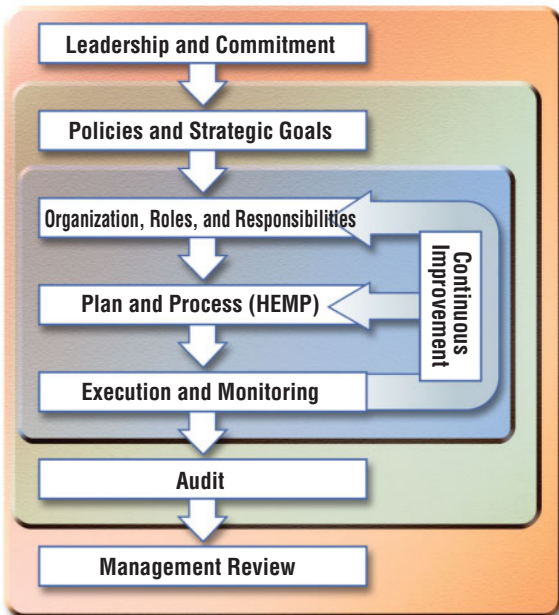
The Showa Shell Group has developed and implemented an HSSE management system (HSSE-MS) based on the Royal Dutch/Shell Group's comprehensive HSSE management system.

Set objectives · Plan → Do → Check → Act → Revise objectives

This system is based on the PDCA (Plan, Do, Check, Act) cycle and aims for continuous, voluntary improvements. It employs the Hazard and Effect Management Process (HEMP) technique. In the Plan and Do stages, potential risks and environmental impacts (called hazards) for a

given facility are identified. The significance of these hazards is evaluated by considering the seriousness of any possible disaster or environmental pollution caused by such hazards and the probability of their occurrence. Reactions are then prioritized.

■ **HSSE Management System Process**



1. Leadership and commitment

The company has declared in its management policy that it will strive to achieve growth while fulfilling its social responsibilities, including environmental preservation, provision of a stable energy supply, and operational safety.

2. Policies and strategic goals

The company has defined its Basic Policy on Health, Safety, Security, and the Environment and disseminated its policies related to specific measures.

3. Organization, roles, and responsibilities

The company has clarified the roles of its departments, from the HSSE Committee, chaired by the CEO, downward.

4. Plan and process

Solutions to issues brought to light by the HEMP are considered and an action plan drafted.

5. Execution and monitoring

The outcomes of various HSSE activities are monitored and feedback is solicited.

6. Audit

HSSE audits are conducted regularly and improvement measures are studied.

7. Management review

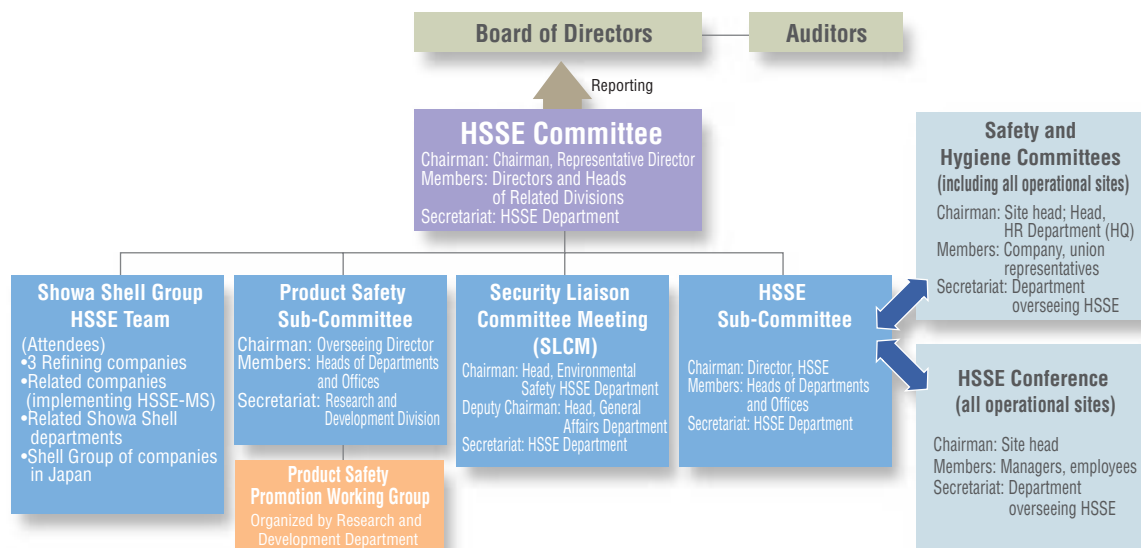
Audit results are reported to management and strategic objectives are reviewed.

2. HSSE Management System (continued)

● HSSE Committee, Team Structure

Showa Shell established the HSSE Committee as its highest-level decision-making organ to approve annual HSSE basic policies, review objectives and performance and hear sub-committees' reports. The Showa Shell Group HSSE Team, the Product Safety Sub-Committee, the HSSE

Sub-Committee, and the Security Liaison Committee Meeting are under the HSSE Committee. Sub-committees deliberate on the following issues.



• Showa Shell Group HSSE Team

Plans to share information of HSSE activities in order to improve the HSSE performance at each group company.

• Product Safety Sub-Committee

Deliberates on comprehensive measures to secure product safety throughout the product life-cycle from development to disposal, so that the products supplied by the company do not result in physical, financial, or environmental damage before, during or after their use.

• HSSE Sub-Committee

Formulates HSSE-related plans, monitors progress and deliberates matters related to performance review according to HSSE basic policies.

• Security Liaison Committee Meeting (SLCM)

Deliberates on security-related policies, measures, proposals and distribution of tasks.

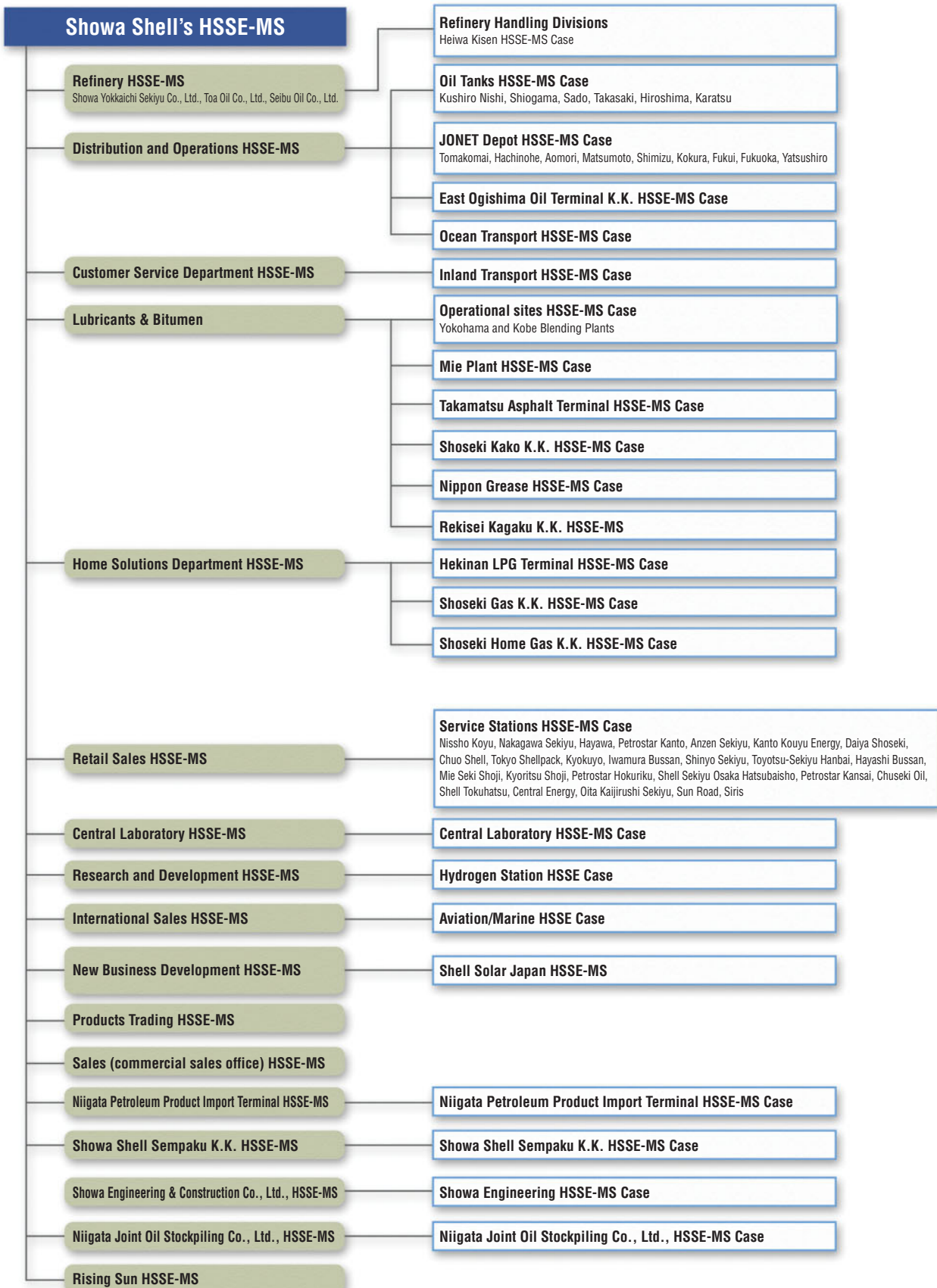
• Safety and Hygiene Committees

Deliberates on safety matters, such as causes of industrial accidents and recurrence prevention, and health matters, such as preventing employee health problems and promoting health maintenance.

• HSSE Conference(at every operational site)

Discusses general HSSE matters at operational sites.

● HSSE Management System (HSSE-MS) Framework (as of April 2005)



Note 1: "HSSE Case" refers to an HSSE-MS covering a specific facility or operation.

Note 2: The above framework includes units for which HSSE-MS or HSSE cases are being developed.

2. HSSE Management System (continued)

● HSSE Internal Audit

All Showa Shell departments and group companies have introduced HSSE management systems or specific HSSE cases in certain facilities or operations. Audits are conducted to monitor the PDCA cycle. Audits may be either

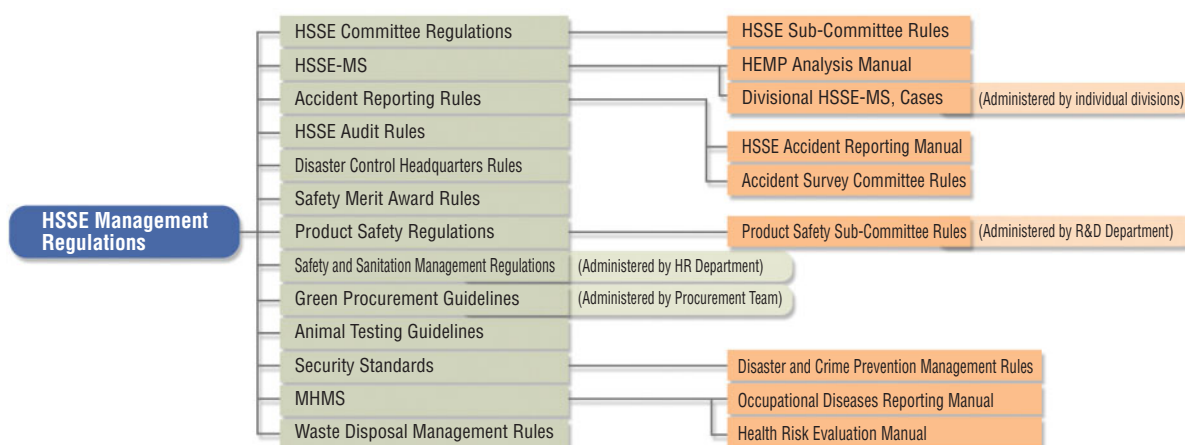
internal or conducted by the HSSE Department of Showa Shell. HSSE Department audits are performed at regular intervals and result in advice being offered for HSSE performance improvement.

● Systematic development of HSSE-related Regulations

Showa Shell HSSE activities are defined in internal regulations developed specifically for HSSE purposes. These regulations are designed to implement HSSE management while maintaining the management relation-

ship structure. The company maintains the integrity of the system by ensuring the consistency of individual regulations and clarifying their relationships with each other.

■ HSSE-related Regulation System



● ISO14001 Certification (as of April 2005)

Group company refineries were ISO14001-certified even before the establishment of an HSSE management system. A group HSSE-MS consistent with ISO14001 is being created.

Refineries, operational sites, affiliates	Date of registration	Applicable standard	Accrediting organization	Certification No.
Seibu Oil Co., Ltd., Yamaguchi refinery	1998.12.10	ISO14001	LRQA	771922
Showa Yokkaichi Sekiyu Co., Ltd.,Yokkaichi refinery	1999.07.29	ISO14001	LRQA	772522
Toa Oil Co., Ltd., Keihin refinery	1999.06.18	ISO14001	LRQA	772510
Toyotsu-Sekiyu Hanbai K.K.	2000.12.01	ISO14001	LRQA	772831
Showa Shell Sekiyu K.K., Hekinan LPG terminal	2001.12.21	ISO14001	KHK ISO CENTER	01ER-178
K.K. SVC Tokyo	2001.01.23	ISO14001	JET-EC	E00-165
Japan Oil Network Co., Ltd.	2002.12.15	ISO14001	JQA-ISO CENTER	JQA-EM1178
Nippon Grease Co., Ltd.	2005.03.14	ISO14001	Japan Audit and Certification Organization for Environment and Quality (JACO)	EC04J0488
Showa Shell Sekiyu K.K., Yokohama Blending Plants	Scheduled for 2005	ISO14001		
Showa Shell Sekiyu K.K., Kobe Blending Plants	Scheduled for 2005	ISO14001		

● Definition and Scope of Group Companies (as of April 2005)

This report covers all group companies listed below. Environmental performance data covers all Showa Shell Group service stations, as well.

Showa Shell Sekiyu K.K.			
Showa Yokkaichi Sekiyu Co., Ltd.	Toa Oil Co., Ltd.	Seibu Oil Co., Ltd.	Showa Shell Sempaku K.K.
Niigata Joint Oil Stockpiling Co., Ltd.	Japan Oil Network Co., Ltd.	Shoseki Kako K.K.	Rekisei Kagaku K.K.
Shoseki Gas K.K.	Shoseki Engineering & Construction Co., Ltd.	East Ogishima Oil Terminal K.K.	Nippon Grease Co., Ltd.
K.K. SVC Tokyo	K.K. Rising Sun	Heiwa Kisen Kaisha, Ltd.	
Nissho Koyu K.K.	Nakagawa Sekiyu	K.K. Hayawa	Petrostar Kanto Co., Ltd.
Anzen Sekiyu K.K.	Kanto Kouyu Energy Co., Ltd.	Daiya Shoseki K.K.	Chuo Shell Sekiyu Hanbai K.K.
Tokyo Shell pack K.K.	Kyokuyo Co., Ltd.	K.K. Iwamura Bussan	K.K. Shinyo Sekiyu
K.K. Shell Sekiyu Osaka Hatsubaisho	Hayashi Bussan K.K.	Mie Seki Shoji Co., Ltd.	Marushin K.K.
Petrostar Kansai K.K.	Chuseki Oil	Shell Tokuhatsu K.K.	Central Energy K.K.
Oita Kaijirushi Sekiyu K.K.	K.K. Sun Road	Siris Co., Ltd.	

● Performance Report

All group companies report their HSSE performance to Showa Shell Sekiyu K.K. The reports include data on accidents, health complaints, and security incidents arising from business operations, as well as environment-related data. The company not only collects information on group companies' HSSE status, but also utilizes such data to prevent recurrence of such incidents.

