

Systematic Fulfillment of Showa Shell's Social Responsibility

1. A management structure that ensures compliance with laws, social norms, and corporate ethics, as well as honest business conduct.

① Commitment to the Code of Conduct

For Showa Shell to continue to grow, it is essential that the company conduct business honestly as a responsible member of society and win the trust of its stakeholders.

To do so, the company insists on honesty and fairness in all aspects of its business and observes not only laws and regulations, but also their spirit. In other words, Showa Shell does its utmost to observe social norms and corporate ethics in good faith in conducting business.

The company has established Code of Conduct to aid all employees make the best judgment in the execution of their duties.

● Employee Open Communication Committee and Voice of the People

The Voice of the People (VOP) was established as one component of the Employee Open Communication Committee's efforts to encourage internal communication. It is intended to collect employees' concerns about work-related and Code of Conduct compliance matters and relay their constructive opinions and suggestions to management. VOP collected a number of proposals, offered consultations, and responded to them appropriately (such as enforcing company smoking and non-smoking areas), as noted below. In order to further improve communication, a survey was distributed to VOP users (the response rate was nearly 76%), and letters were added as an additional means of communication.

	Number of proposals	Number of consultations
2003	4	0
2004	5	3

● Training Promotional Activities

Showa Shell takes every opportunity to ensure compliance with the Code of Conduct, by distributing small booklets and messages from top management to all employees. Commentary on the Code of Conduct is posted on the company intranet in order to strengthen understanding and awareness, and the company thoroughly explains the processes that led to the establishment and content of the Code of Conduct, through such activities as new employee education, new management training, corporate legal training, and training in the Anti-monopoly Act training.

● Free and Fair Competition (Response to Competition-related Laws, including the Anti-Monopoly Act)

In 2004, the directors in charge of the Code of Conduct ordered a re-evaluation of competition-related works company-wide. The heads of the relevant sections submitted written pledges to comply with the Code of Conduct and competition-related laws to the overseeing director. Further, the 2001 manual, "Compliance with Anti-monopoly Act Procedures for each Section," was revised, and the "Expression and Design Checksheet for Advertisements and Sales Promotion" was also developed. Employees are thoroughly instructed in the content of these manuals in order to ensure compliance.

	Training courses	Attendees (Total)	(Area and branch office training course attendees)
2000	29	559	243
2001	26	474	231
2002	27	505	222
2003	26	572	210
2004	59	1,368	274
Total	167	3,478	1,180

● Response to the Personal Information Protection Law

Showa Shell put forth its Basic Policy for Personal Information Protection and Personal Information Management Regulations in response to the Personal Information Protection Law which came into effect in April 2005. The company designated a director in charge of personal information protection and employees in charge of managing personal information in relevant departments. An e-Learning course was introduced to educate all employees about personal information protection, and the group companies were introduced to the company's personal information protection measures in an effort to promote measures at each company. The company has also distributed guidelines and guidebooks for dealers in which Showa Shell has invested and the service stations that may handle personal information, and is ensuring compliance with these guidelines.

● A Group-wide Commitment to the Code of Conduct

Nineteen consolidated subsidiaries and ten non-consolidated subsidiaries have adopted the Code of Conduct at their board meetings. The Group has further adopted a number of basic policies under the CSR banner: the Basic Policy on HSSE, the Basic Policy on Diversity, the Basic Policy for Work/Life Balance, the Basic Policy against Sexual

Harassment, and the Basic Policy on Purchasing. Further, consolidated and non-consolidated subsidiaries in which the Group has a controlling share are encouraged to join the Voice of the People (VOP) program. As of June 2005, 11 companies are participating.

● **Business Control Structure, Business Risk Confirmation Process (Business Control Checklist)**

Showa Shell has a "Business Control Checklist" cov-

ering items such as business control structure, business risk, and responses to these issues. In addition, accounting, finance, credit management, futures transactions, information management, and information systems are covered in the Checklist. All directors, executive officers, section chiefs, area managers, department heads, and consolidated subsidiary representative directors must complete a self-evaluation of their compliance and management of these matters every year. The results are then reported to the Board of Directors.

② Purchasing

● **Showa Shell's Purchasing Philosophy**

For the Showa Shell Group, social and environmental mores, compliance with laws and corporate ethics, resource protection, environmental preservation and resource management are important factors in purchasing decisions. These are of course in addition to economic considerations. The company's purchasing procedures are fair and transparent

and are based on a commitment to fair competition.

In implementing this philosophy, the company asks its business partners to understand Showa Shell's Code of Conduct and work together in a spirit of mutual trust to achieve its objectives. Showa Shell is committed to implement its purchasing procedures based on the following principles:

Basic Policy on Purchasing

The Showa Shell Group has developed strong partnerships and cooperative relationships with suppliers in order to maintain successful relationships with both society and Showa Shell Group companies. We have done so by implementing reciprocal relationships and enforcing cost competitiveness.

Equal opportunities

The Showa Shell Group provides equal opportunities for not only domestic but also foreign suppliers with respect to fair competition.

Fairness in procurement

The Showa Shell Group makes its procurement decisions based not only on considerations of economy, quality, technological development ability, delivery time, reliability, safety, and aftercare, but also in light of the counterpart company's social responsibility efforts, especially environmental protection.

Transparency

The Showa Shell Group is open with its procurement policies, information, and procedures. It also indicates the reasons behind procurement decisions as requested.

Legal compliance

The Showa Shell Group complies with the form and spirit of related legal regulations in its purchasing transactions. It also observes its own internal regulations.

Integrity in procurement

The Showa Shell Group upholds the Group's Code of Conduct in all its business activities. Offering, paying, requesting, or receiving bribes is strictly prohibited. Conflicts of interest between personal and company economic activities are avoided. Showa Shell asks all business partners for their understanding and cooperation with its Code of Conduct.

HSSE (Health, Safety, Security, and Environment) and CSR

Both HSSE and CSR are crucial for the Showa Shell Group's sustainable development. The Group seeks the understanding and cooperation of its business partners in its CSR activities.

● **Promoting Green Procurement**

Showa Shell has always actively promoted recycling of paper and oil barrels. The company conducted a survey on environmental protection among its business partners in 2002, receiving responses from 250 companies. More than 90% of them reported implementing some measures in consideration of environmental issues. This reconfirmed a high level of awareness. The company put issued the Green Procurement Guidelines in July 2003 to address environmentally-friendly procurement of materials, works, and services. The objective of these guidelines is to define evaluation standards to promote green procurement in an effort to reduce environmental impact. The guidelines are intended to be used not only by Showa Shell, but also as much as possible by all group companies, as well as related companies such as cooperating companies and affiliated dealers. In 2004, 19 consolidated sub-

sidaries met Showa Shell's expectations by starting to practice green procurement. Showa Shell is further defining green procurement operational methods and evaluation and assessment details in 2005 by promoting selection and procurements based on evaluation standards, as well as further clarifying procurement policies with procurement partners.

The Restriction on Hazardous Substances (RoHS) directive in Europe covering materials with a harmful environmental impact will go into effect in July 2006. Amid the increasing expectations of society, Showa Shell intends to work harder than ever to meet its environmental obligations. The company currently requests evidence of compliance with relevant chemical substance laws covering additives, containers, and auxiliary equipment from dealers of lubricants and grease products when conducting transactions.