

Promoting Corporate Social Responsibility

3. Risk and Crisis Management Systems

Implementing Risk and Crisis Management

① Risk and Crisis Management Structures

● Risk Management Using the Business Risk Management System and HSSE Management System

Showa Shell has introduced a business risk management system as one of the means of internal control. This system identifies risks associated with the company's business operations through annual audits. Management recognizes and verifies critical risks and formulates

appropriate action plans. In particular, HSSE risks are subject to strict HSSE management system control so that the company may avoid impediments to business before they occur or minimize such impacts.

② Risk Management System for Disaster Management

● Disaster Response Structure

Operational safety is an important corporate obligation to society. This is particularly crucial in the petroleum industry, as a failure can result in a serious accident such as fire, oil spill, or explosion. Any of these may endanger the lives and property of those nearby. The company thus takes

utmost precaution in developing a disaster prevention system. Internal regulations specify emergency measures. The company is working to minimize damage that may result from disasters through the establishment of a Disaster Control Headquarters and a Departmental Response System, and periodically updating emergency call chains.

■ Disaster Control Headquarters



● Introduction of Employee Safety Confirmation System for the Event of a Natural Disaster

The recent Niigata Chuestu and Fukuoka earthquakes are still fresh in our minds. Should a natural disaster, especially a major earthquake, occur, it is crucial that lines of communication between the company and its employees stay open. The company decided to introduce a status confirmation system utilizing cell phone e-mails, as communications via land telephone lines could be chaotic at such a time. Such a system would allow for quick confirmation of employees' safety. Maintaining such a two-way communication tool would contribute to the rebuilding of the region affected, as well as the restart of company business at an early date.

● Security Measures in Response to the revised SOLAS Convention

The International Convention for the Safety of Life at Sea (SOLAS) Agreement was revised following the 9/11 terrorist attacks in the US. Enhanced security arrangements were implemented on July 1, 2004, at all international port facilities.

Japan imports nearly all its petroleum, and as such is required to counter possible terrorist attacks on oil-related facilities at ports to ensure the safety of neighboring areas as well as a stable oil supply. The company thus takes very seriously its responsibility to enforce appropriate security measures to safeguard sea berths and wharfs at international port facilities.

Showa Shell Group companies engaged in international port facility management take the following security measures under the direction of port authorities, in accordance with the location and required security level.

- Development of facilities with controlled areas inaccessible to non-authorized persons
- Establishment of constant surveillance systems and emergency police notification systems
- Implementation of staff training as well as joint training with relevant organizations
- Reporting wharf security manager appointment and certification of wharf safety regulations

● Emergency Management System

Fighting fires at refineries and oil tanks

Almost all processes are controlled with state-of-art computers at group refineries and oil tanks. The computers use a centralized, around-the-clock monitoring system equipped with fire extinguishers. Refineries also have disaster control equipment on their premises, including large chemical fire engines and self-defense fire brigades with firefighters selected from employees.

Firefighting practice at Niigata Disaster Control Training Center

When a fire first breaks out, it is crucial to manage the fire immediately. This is especially true with refinery fires, as refinery fires are usually chemical in nature and demand professional firefighting expertise. Showa Shell, with this in mind, opened its Disaster Control Training Center at its Niigata Petroleum Product Import Terminal in

April 1993. Here, its fire defense forces from operational sites all over the country may train in fighting actual fires.

Showa Shell refinery, operation site, terminal, oil tank, and other facility employees acquire basic firefighting knowledge and skills to control an initial-stage oil fire by using model facilities in their training. The training center has an oil tank, pump, drum, various pipes, LPG tank, tank lorry, and other equipment to mimic actual operation sites. Practical training is conducted for various types of fires by simulating the types of fires possible at various facilities, with safety as a priority.

The training center was established under the management of the HSSE Department. The center provides a variety of training opportunities, and during the training sessions, the staff act as instructors, teaching the participants basic attitudes about disaster prevention and assisting them with training in fighting actual fires. These training sessions help the Showa Shell Group to maintain a serious, unified attitude about disaster prevention.

The center has trained approximately 1,800 employees over 12 years and has contributed to a clear improvement in disaster awareness and firefighting skills.

Local community exchange relations through disaster prevention

The training center receives a number of outside visitors, from government departments, local fire stations, schools, and the mass media. This is an indication of the public's interest in disaster management. Employees trained at the center play a leading role in disaster control training at operation sites. They also participate in community-level firefighting training. This promotes close communication with local communities and raises awareness of fire prevention.



Firefighting practice at Niigata Petroleum Product Import Terminal.

3. Risk and Crisis Management (continued)

● Preventing Marine Pollution

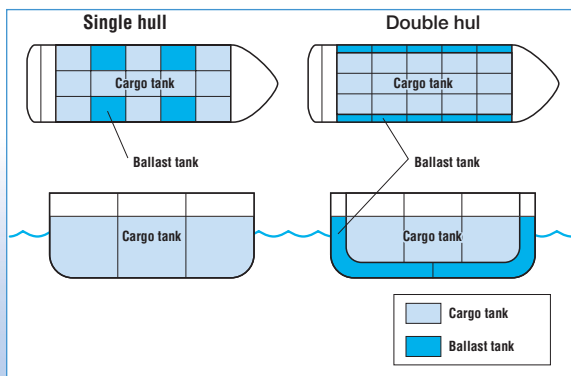
Double hulls for ocean-going tankers

New international ship construction standards were adopted in the wake of the 1989 Exxon Valdez accident off the coast of Alaska, which resulted in a 40,000 kl oil spill. Ships must now be built with double hull construction, which positions seawater ballast tanks on the bottom and sides of ships.

Double hull construction offers further protection against oil spills. Should a ship's exterior shell be damaged upon collision or contact, cargo fuel is protected and the danger of an oil spill is minimized.

The Showa Shell Group is promoting double hull construction for all its time charter Very Large Crude Carrier (VLCC) vessels by 2008. In FY2005, 10 chartered vessels are planned for completion of double hull construction.

Crude oil tankers must be equipped with separate ballast tanks so that seawater contaminated with crude oil is not discharged into the sea. Dirty water ballast is thus no longer a problem, as double hull construction uses the outer shell for ballast tanks.



Oil pollution fighting equipment /material stocking points (#4 stocking point)

The Petroleum Association of Japan has established oil pollution fighting equipment and material stocking points in six locations throughout Japan and five locations in the Middle East and Southeast Asia. Showa Shell contributes to this initiative by contributing the use of a portion of its Niigata Petroleum Product Import Terminal for use as a stocking point (#4 stocking point).

Oil spill fighting equipment such as oil skimmers, oil fences, and beach cleaners are stored at these stocking points. The equipment also includes large, high-tech equipment, and the company trains employees in the operation of this machinery.



#4 stocking point for oil pollution fighting equipment/materials (at Showa Shell's Niigata Petroleum Product Import Terminal).

