

# Management Structure

## HSSE-MS

The Showa Shell Group has built and implemented HSSE-MS based on the Shell Group's system, to provide comprehensive management of various risks.

A list of the departments and group companies that have implemented HSSE-MS can be found on pages 2 and 3. Last fiscal year, the building and implementation of HSSE-MS in offices commenced.

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. Remedial actions are then prioritized.



### What is an HSSE-MS?

ISO 14001 is an environmental management system; on the other hand, the HSSE-MS is a system for managing risks in the areas of HSSE protection, using the plan-do-check-act

(PDCA) cycle. There is a companywide HSSE-MS, upon which various departments have based their own HSSE-MS.

## 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.

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

- Established January 1985
- Revised September 1992
- Revised August 2004

### HSSE Management System Process



#### 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.

#### 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.

#### Plan and process

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

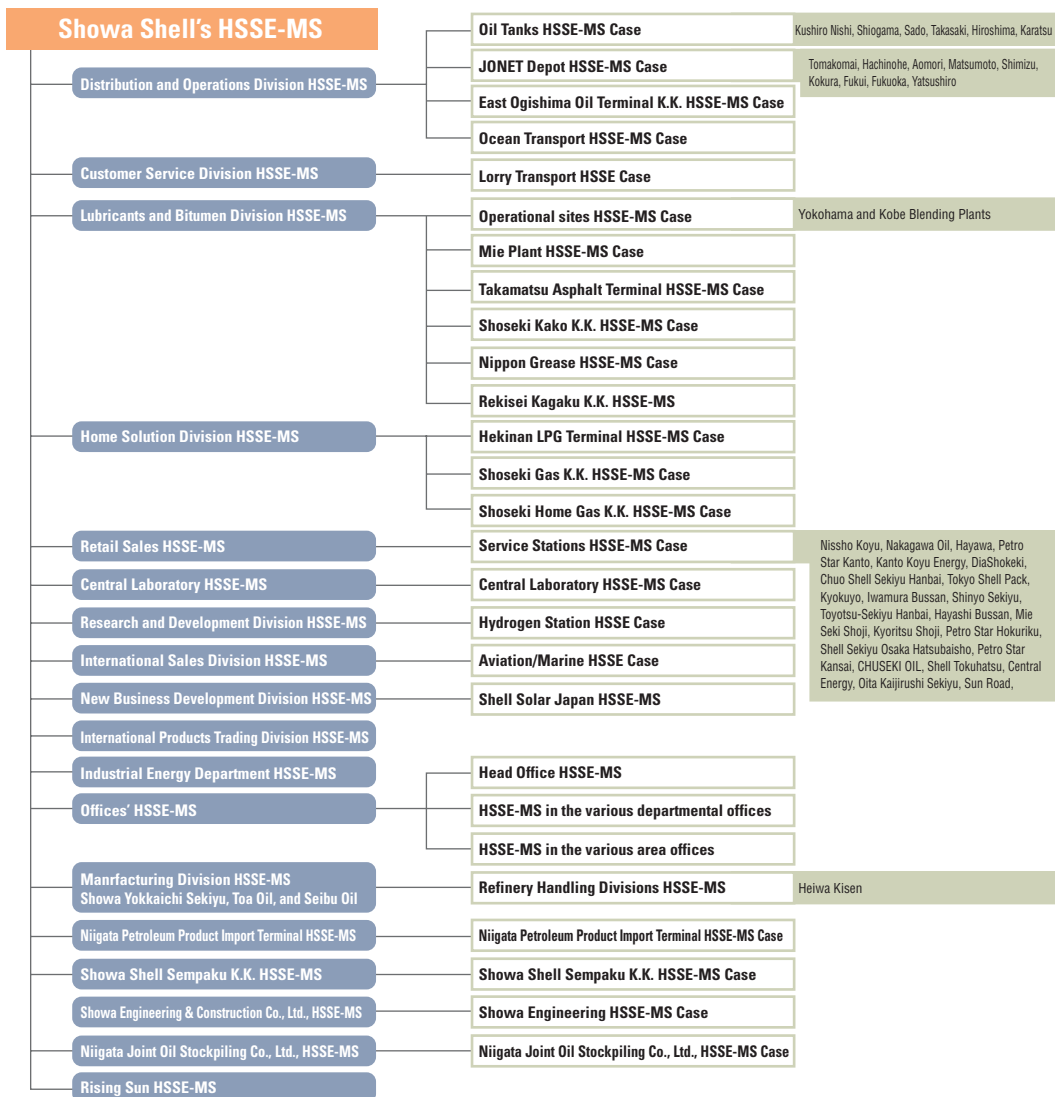
#### Audit

HSSE audits are conducted regularly and improvement measures are studied.

#### Management review

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

### HSSE Management System (HSSE-MS) Framework (as of April 2006)



#### HSSE Case

The term "HSSE case" refers to the ascertainment of the level of risk of accident in the course of operations at a workplace, and the establishment of measures to prevent such an accident or limit its effects, should it occur.

In the synopsis on the left, an HSSE-MS and an HSSE case are being built and implemented in a department in the course of reform.

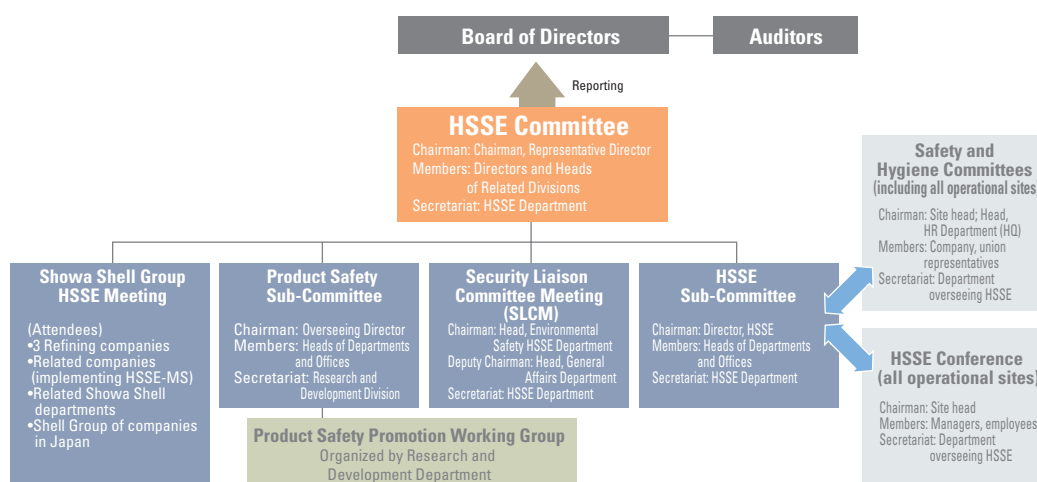
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## HSSE Management System

### 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 Meeting

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.

### Performance Report

Showa Shell reports on the performance of all group companies with regard to HSSE. HSSE-related performance encompasses accidents, illnesses, and security breaches in the workplace, as well as

environmental data. This not only serves to ascertain the status of HSSE activities at all group companies but is also useful in the prevention of reoccurrence of accidents and incidents.

### HSSE Audits

The HSSE-MS and HSSE case system have been implemented in all divisions of Showa Shell and all group companies. HSSE audits are conducted as an assessment of how effectively these systems are being employed, and include internal audits conducted by each department and those conducted by Showa Shell's Environmental Safety

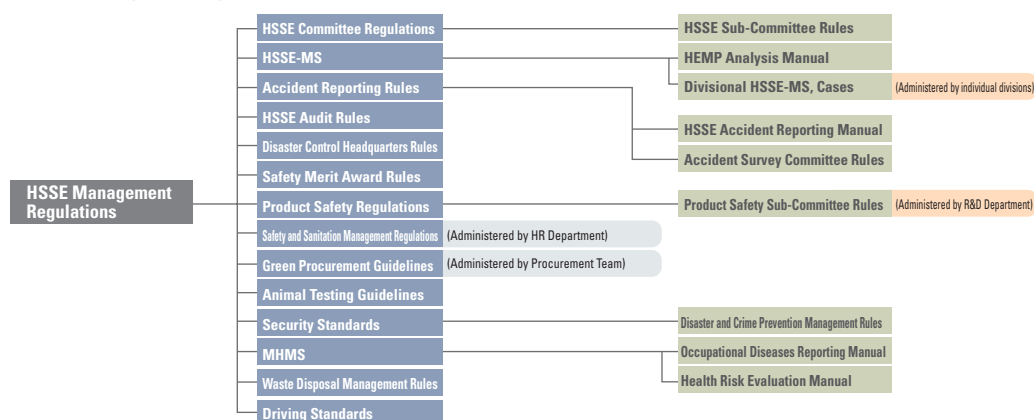
Department (also known as the HSSE Department). HSSE audits include a verification of the use of the in-PDCA cycle in the HSSE-MS and an inspection of facilities. The Shell Group dispatches audit teams to assist Showa Shell in improving HSSE performance in such areas as accident prevention, crisis management, and environmental protection.

### 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

relationship 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\*



\*Items outside parentheses are under the purview of the HSSE Department.

### ISO14001 Certification (as of April 2006)

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
Toa Oil Co., Ltd., Keihin refinery	1999.06.18	ISO14001	LRQA	772510
Showa Yokkaichi Sekiyu Co., Ltd., Yokkaichi refinery	1999.07.29	ISO14001	LRQA	772522
Toyotsu-Sekiyu Hanbai K.K.	2000.12.01	ISO14001	LRQA	772831
K.K. SVC Tokyo	2001.01.23	ISO14001	JET-EC	E00-165
Showa Shell Sekiyu K.K., Hekinan LPG terminal	2001.12.21	ISO14001	KHK ISO CENTER	01ER-178
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	2005.6.28	ISO14001	LRQA	4003312
Showa Shell Sekiyu K.K., Kobe Blending Plants	2005.9.30	ISO14001	LRQA	4003322
Showa Shell Sekiyu Central Research & Development Laboratory	Scheduled for 2006	ISO14001		