

External Review

Since 2007, Showa Shell Sekiyu has been consulting with Ms. Junko Edahiro, a third-party observer who has been involved in a variety of environmentally focused activities as a lecturer, writer, and translator. The opinions she gave last year have been incorporated into this report wherever possible. The company will again ask for her input for its Sustainability Report 2009, and will use her input in developing its sustainability activities and compiling next year's report.



Junko Edahiro

Environmental Journalist, Translator
President, e's, Inc.
Chairperson, Change Agent, Inc.
Co-Chief Executive of NGO
"Japan for Sustainability" (JFS)

I am thrilled to learn how well things are going for a company that I described in 2008 as being "not just an oil company, but a company striving to become an energy company." With a basic recognition of the "Three Hard Truths" identified in Shell Energy Scenarios to 2050, Showa Shell is writing a scenario of the future, and is adopting an approach focused on promoting specific efforts that is serving as a point of reference for other companies. The diagram depicting the service station of the future really shows us what the coming sustainable society should look like. The description of CIS photovoltaic modules is very easy to understand.

The dramatic reduction in accidents, disasters, and unplanned shutdowns in the refining and manufacturing divisions, resulting from investments in safety and maintenance efforts, makes it clear that the PDCA cycle is being carefully followed. I wish that the company had shared with us the factors that contributed to the company's success in significantly reducing industrial waste output at its refineries.

For the further development of the company, I would like to discuss the environment, society, and the format of the report.

The "Messages from the Management" address global warming from the very start, and I appreciate their approach. However, I would like to see them address not only the political ramifications of global warming, but also the scientific requests of organizations like the Intergovernmental Panel on Climate Change (IPCC).

It is clear that the company is working hard to reduce CO₂ emissions by promoting the use of CIS photovoltaic modules and electric vehicles. However, since electricity is a secondary energy, the company should more clearly highlight the need to pay attention to the source of the electric power being used to power those vehicles,

such as electricity generated using natural energies.

On the other hand, in terms of its direct impact, the CO₂ emissions from the manufacturing division have increased 50% compared to 1990. To achieve the goals of the Kyoto Protocol, as well as the interim goal that requires further reductions, I would like to see the company discuss its policies and efforts for reducing its own CO₂ emissions.

Showa Shell is selling biogasoline with a mixture of 1% or more of ETBE, but with the identification of practical uses for cellulose ethanol (such as ethanol produced from thinned wood and construction waste), which does not compete with food resources and will not require the deforestation of the tropical rain forests, there is growing demand for companies to mix this type of ethanol into gasoline instead. It is important that Showa Shell, as an oil company, find ways to produce bio-ETBE with a higher mixture of 10% or 30%, or even 100% ETBE biogasoline.

With regard to social efforts, I was pleased to see the number of employees who are actually taking advantage of childcare leave and family-care leave. I would like to know what the company plans to do to increase the still small number of system users.

Also, the company should approach its social efforts by seeking ways to address as a company the current problems of our era and society. Showa Shell needs to expand its view to consider the problems currently facing Japan, such as employment instability, an expanding income gap, and population depletion in rural areas.

It is great to see that the company emphasizes collaboration with its stakeholders. I hope the company listens not only to its suppliers and business partners, but also to the voices of NGOs and community members, and lets us know about specific opportunities to collaborate with them.

Finally, as I mentioned in last year's report, I was really struck by the difference in format between the first half of the report and the second. Perhaps the company could consider adopting the clear and direct pattern used in the second half of the document, which is divided into "Current Year's Activities" and "Next Year's Objectives" sections, in the first half of the report as well.

The energy sector is undoubtedly going to continue facing volatile times moving forward. Given this environment, I hope that Showa Shell will continue to outline a clear vision and road map for the future, to promote collaboration with its various stakeholders, and to demonstrate leadership in promoting progressive efforts. I look forward to watching the company in these endeavors.

Response to the External Review



Jun Arai
President and Representative Director
Showa Shell Sekiyu K.K.

Once again this year, we were happy to be externally reviewed by Junko Edahiro, President of e's, Inc. In the past we received suggestions from Ms. Edahiro regarding the use of the PDCA cycle in environmental management, and this year, we set up our report based on that cycle so as to promote specific management improvements in a manner that ensures objectivity.

This year, Ms. Edahiro pointed out the need for further reductions in CO₂ emissions in the company's manufacturing division, and the need for additional efforts aimed at expanding the number of users of the company's systems for promoting a work-life balance. We will strive to pay even greater attention to the demands of society going forward, and will strive to fulfill our responsibilities not only as a company, but as a member of society at large. We will strive to reflect our activities in response to these suggestions in next year's report.

Showa Shell will continue working to secure stable energy supplies, develop new energies and environmentally friendly products, and reduce the adverse environmental impact of its business activities. At the same time, the company will remain committed to meeting the challenges of sustainability management by tackling issues related to the global environment and striving to achieve a low-carbon society.