



Social and Relationship Capital

Sustainable Procurement

Concept of Sustainable Procurement

Idemitsu aims for the sustainable development of society and the company by conducting fair and equitable procurement based on proper procurement ethics, contributing to the improvement of business competitiveness, and conducting honest management for all stakeholders. To this end, we have established internal rules "General rules concerning procurement activities."

We aim to contribute to the realization of a sustainable society throughout the supply chain by establishing a policy for selecting suppliers when purchasing or borrowing the materials, construction, and services necessary for our company's business operations, and by having suppliers understand the policy on our procurement activities.

About Guidelines

The business environment is diversifying, and in order to achieve sustainable development, it is expected that each company will make active efforts to fulfill its social responsibility not only for one company but also for the entire supply chain. In order to fulfill this responsibility, we are formulating our own sustainable procurement guidelines based on ISO 26000 (Guidance on social responsibility) issued in November 2010, ISO 20400 (Guide to Sustainable Procurement) issued subsequently, SDGs (Sustainable Development Goals) adopted at the United Nations Summit in September 2015, and the 10 principles of the United Nations Global Compact.

Conduct Self-Assessment of Sustainable Procurement for Suppliers

In order to promote sustainable procurement throughout the entire supply chain, in 2019 we began an independent survey of the degree to which our major suppliers are adopting sustainable procurement. Specifically, the Corporate Sustainability Department, the Procurement Department, and some other departments collaborated to send a "Sustainable Procurement Self-Evaluation Sheet" consisting of 35 items in 7 fields, including "organizational governance," "human rights," "labor practice," "environment," "fair business practices," "consumer issues," and "social contribution" to approximately 300 major suppliers and asked them to perform self-evaluations. In addition to providing feedback on the results of these assessments, if there are any concerns, we work with suppliers to improve and solve these issues together through dialogue, thereby reducing risk throughout the entire supply chain. This survey will be repeated once every three years to ensure continuous improvement.

Our sustainable procurement initiatives have only just begun, but society, suppliers, and we are working to achieve a triple win.

Collaboration with Dealers and Distributors

Idemitsu operates its businesses through a powerful network of 1,217 dealers and distributors and 6,395 SS (service stations) nationwide. Branches serve as contact points to provide fine-tuned support for the business management and SS management of dealers and distributors. In May and June 2019, Owners' Meetings were held at 10 locations across the country for the first time, bringing together dealers and distributors to interact to promote and practice their sales strategies with customers as our top priority.

In cooperation with "Idemitsu Association" an organization of dealers, and "National Showa Shell Association" an organization of distributors, we are also working together in the field of social contribution by contributing to the community and revitalizing the community. We have also established our own certification and training systems to enhance the knowledge and skills of its staff in order to increase customer trust in its technologies and services, as well as to continue generating new added value by sensitively identifying customer needs.

In order to provide a stable supply of energy, service stations, which are strong in times of disaster, are expected to play a role as disaster prevention centers. We are demonstrating a system that combines solar panels and power storage functions at four service stations in the Tokyo metropolitan area.

In addition to providing a constant refueling function in the event of a power failure, it can also be used as a power supply point for charging mobile phones and smartphones and for Wi-Fi connections, enhancing the durability and versatility of an emergency power supply.

* The figures in this section refer to the number of dealers and distributors as of the end of June 2019 and the number of service stations as of the end of September 2019.



Joint owners' meeting of dealers and distributors (2019)

■ Major independent certification programs

■ Idemitsu Technical Master Program

A qualification program for the purpose of developing human resources who can make comprehensive energy proposals that meet customer needs in the field of industrial petroleum and lubricants sales.

(Number of certified persons in the petroleum division Grade1: 21, Grade2: 76, Grade3: 224 *Number of certified persons in FY2018)

(Number of certified persons in the lubricants division Grade1: 48, Grade2: 155, Grade3: 240 *Number of certified persons in FY2018)

■ Zepromeister Program

A certification program to train service station oil leaders through acquisition of basic knowledge and product knowledge of oil, as well as exchange techniques that will become increasingly complex in the future.

(Number of certified person Grade1: 411, Grade2: 2,357, and Grade3: 3,923 *The number of incumbents as of the end of March 2019)

■ Showa Shell Royal Manager (SRM) Program

A qualification program launched in 1979 to further develop the human resources of active store managers, with the aim of improving service station management capabilities that match the times and management capabilities that overcome changes.

(Number of certified persons Grade1: 276, Grade2: 2,014, and Grade3: 7,280 *The number of incumbents as of April 2019)

■ Showa Shell Oil Meister Program

A qualification program for training service station lubricants sales leaders who have a high level of both technique and sales

(Number of certified person 1,342 *The number of incumbents as of April 2019)

■ Showa Shell Car Life Advisor Program

A qualification program to train service station personnel who have advanced knowledge of vehicles in general and who are capable of giving appropriate advice to customers

(Number of certified persons 442 *The number of incumbents as of April 2019)

■ Shell Lubricants Japan Lubricants Expert Program

A qualification program started in 1970 to develop human resources capable of responding to the diverse needs of customers concerning lubricants and grease

(Number of certified persons Grade1: 335, Grade2: 1,761 *Cumulative number of person since 1970 as of April 2019, excluding those who passed in 2019)

Collaboration with Subcontractors

Refineries and plants outsource plant maintenance, overland shipping, and marine transport to subcontractors. At all of our business sites, we have organized three cooperative associations, one for construction and maintenance, one for land transportation, and the other for maritime transportation. We are promoting safe and stable operations and environmental conservation at its refineries and plants in cooperation with these associations.

Collaboration with Transport Companies and Maritime Shipping Companies

Idemitsu outsources the transportation of petroleum products to transport companies and maritime shipping companies. The consigned company has organized a council to promote safety and strengthen cooperation among companies. We are a special member of the council.

The council of land transport companies holds safety campaigns, training sessions for operation managers, and awards for crew members with no accidents and no violations. The council of maritime shipping companies carries out safety campaigns, thorough implementation of safety activity policies and specific measures, and horizontal development of good and dangerous examples.

In addition to calling attention to the "Safety, environment and quality" aspect through the two councils, we are also working to build a high-quality, competitive logistics system, while emphasizing safety activities rooted in the workplace, through direct dialogues with crews of land lorries, the masters of coastal tankers, and the crew.

Exchanges and Dialogues with Oil-Producing Countries

Idemitsu has established a representative office to promote exchanges and dialogue with oil-producing countries in the Middle East and other regions in order to build strong relationships of trust. In recent years, we have strengthened our relationship of trust with oil-producing countries through joint ventures with capital participation. In addition, Japan supports the development of human resources and technical support in oil-producing countries by dispatching experts to these countries with the support of the JCCP (Japan Cooperation Center Petroleum) and by accepting senior officials and engineers in Japan. We also participate in the Joint Project for Infrastructure Development in Oil-producing Countries (FY2018), which is implemented by the JCCP.

Saudi Aramco, the national oil company of the Kingdom of Saudi Arabia, one of the world's largest oil-producing countries, has also deepened cooperation in crude oil procurement, and is flexibly selecting and procuring crude oil whose refinery performance is optimal in light of market trends. Because it is possible to supply a wide variety of crude oil, multiple types of oil that we want are loaded into tankers and transported at one port of call.

Receiving Training Performance (FY2018)

Accepting 48 trainees from the United Arab Emirates, Qatar, Oman, Mexico, Myanmar, and Vietnam



Acceptance of executive candidates