

Risk Management

Compliance Promotion Activities

Raising Employee Awareness

■ Compliance Room

In July 2019, we established the "Compliance Room" on our internal information portal to raise compliance awareness. We post violation cases, four-frame comics, and blogs, and update the latest internal and external cases and disseminate them throughout the Group.

■ Compliance Web Learning

In November 2019, the "Compliance Web Learning" was held for our group employees to help them acquire knowledge about compliance and to identify problems in the workplace. More than 10,000 employees in the Group took the course.

■ Compliance Book

In accordance with the "Compliance Code of Conduct" newly established in November 2019, we published the latest version of our Compliance Book at the end of January 2020, which describes specific compliance standards.

Bribery and Corruption Prevention

Our group's Compliance Code of Conduct stipulates that all forms of corruption must be prevented in Japan and overseas. Furthermore, we have established basic rules and systems to be observed in the prevention of bribery, and in FY2019 we established the "Rules for the Prevention of Bribery" with the aim of preventing violations of laws and regulations in each country that prohibit bribery, such as the OECD convention and the FCPA (Foreign Corrupt Practices Act). We regard anticorruption as a particularly important issue for compliance at overseas sites, and are raising awareness of the importance of specific preventive measures.

Tax Compliance Initiatives

Our group fulfills its corporate social responsibility by paying taxes in a proper manner and complying with all applicable tax laws of each country and international rules, as stipulated in the "Group Tax Regulations" "Group Tax Practices Guide."

■ Major Compliance Violations in FY2018	(Unit: cases)
Significant compliance violations at Idemitsu Group*	0
Significant compliance violations at the Showa Shell Sekiyu Group*	0

* Violations disclosed as having a serious impact on our group's management

Policy of Risk Management

Our group strives to stabilize its management by proactively recognizing and evaluating various risks associated with its business activities and taking appropriate measures in accordance with those risks.

Risk Management Promotion Structure

At our group, we classify risks associated with our business activities into two categories: "Operational Risk" and "Business Strategy Risk" and promote countermeasures against them. "Operational Risk" is a risk of impeding business execution and causing only losses, as typified by accidents, disasters, non-compliance, business errors, product defects, claims, environmental pollution, system failures, terrorism, and labor problems. The term "Business Strategy Risk" refers to risks associated with business activities that exclude business risk and cause profit or loss. In addition to risks associated with current business strategies such as investments and finance, this category includes risks associated with the future business environment. The Risk Management Committee is responsible for responding to "Operational Risk." The Enterprise Risk Management Committee is responsible not only for "Operational Risk" but for "Business Strategy Risk."

Managing Operational Risk

Our group has established the "Risk Management Committee" and is promoting company-wide risk management related to operational risks by taking necessary measures in a timely and prompt manner. Chaired by a Director or Executive Officer appointed by the Management Committee, the committee selects major risks common to the Group, discusses countermeasures, and manages the progress of these risks at quarterly meetings.

Group's Risk Management

The "Enterprise Risk Management Committee" supervised by the Board of Directors determines risk management policies related to Group management and monitors the status of management. Please refer to page 52 for details on the Enterprise Risk Management Committee.