



Compliance

Concept of to Compliance

The "Compliance Code of Conduct" was established for all employees working around the world, both overseas and in Japan, to disseminate the compliance mindset that each employee should have and to practice actions based on this. We will act with a compliance-first attitude based on the common concept of "Compliance Code of Conduct."

Compliance Code of Conduct

In accordance with the "high integrity" set forth in the Action Mindset, we have established the following items as specific compliance codes of conduct.

1. Compliance with Laws, Regulations, and Morals

We will comply with domestic and international laws and regulations, social ethics, internal regulations, and contracts, and act with integrity as good corporate citizens.

2. Respect for Human Rights

We will not tolerate any infringement of human rights.

We accept diversity in all forms (e.g. race, nationality, gender, etc.), and strive to create healthy and comfortable workplaces free of harassment.

3. Safety, Quality, and Environmental Preservation

We will ensure the appropriate quality of our products and services; We will do our utmost to prevent accidents and minimize losses due to disasters, and will act with due consideration to the preservation of the global environment.

4. Fair and Free Competition

We will conduct business transactions based on fair and free competition.

5. Anti-Corruption

We will maintain sound and transparent relationships with civil servants, government authorities, etc., both in Japan and abroad when conducting our business activities.

6. Information Disclosure and Information Management

We will manage information held by the Company appropriately with transparency and soundness of management. We will disclose information appropriately to the general public when necessary.

Compliance Promotion Structure

Compliance Committee

Our group has established the "Compliance Committee" under the Enterprise Risk Management Committee, and is working to ensure thorough compliance by responding to cases of compliance concern, implementing compliance promotion activity plans, and monitoring the status of compliance activities. Chaired by an Executive Officer in charge of internal control appointed by the Management Meeting, the committee consists of each head of General Affairs Department, Legal Department, Human Resources Department 1, Human Resources Department 2, Internal Audit Department, and Internal Control Promotion Department. The committee meets once every six months.

Assignment of Compliance Promotion Officers in Departments and Subsidiaries

The heads of our group's divisions and the presidents of its subsidiaries appoint officers in charge of compliance promotion and are responsible for promoting compliance at each division.

Establishment of Consultation Center

Domestic Consultation Center

We have established the "Compliance Consultation Center (cp-sodan)" (Reception of Internal Control Promotion Department) to receive compliance-related consultations and internal reports. We have also established "Harassment Consultation Center" (Reception of Human Resources Department) as contact points for all forms of harassment, including sexual and power harassment. The consultation center have been set up on the company-wide internal information portal and are also displayed on posters so that anyone can recognize its existence.

- The counters are for employees (including part-time employees, temporary employees, employees on loan, and contract employees) of our company, our company subsidiaries and others.
- Each of these consultation center has an "External third party contact" (reception of a lawyer's office). In order to ensure anonymity, a lawyer in charge acts as a liaison with the in-house consultant staff. In addition to ensuring the confidentiality of the content of consultations, we have also established a ban on disadvantageous treatment of those who report or consult with us.



Poster of consultation center

Consultation center for cases of compliance and harassment concerns

	Compliance Contacts (fraud, misconduct, and other compliance issues)
Internal Contacts (real name consultation in principle)	Harassment Contacts (sexual harassment, power harassment, and other forms of harassment)
External Contacts (anonymous consultation available)	Common External Contact for Compliance and Harassment Consultation

Overseas Consultation Hotline

In order to respond to reports from overseas offices, we established the "Idemitsu Global Hotline (IGHL)" in FY2018 and operating. (Applicable to all languages of local subsidiaries)

Number of consultations received in FY2018 *1		(Unit: cases)
Idemitsu Group	Number of Compliance Consultation received	11
	Number of Harassment Consultation received	5
Showa Shell Sekiyu K.K.	Number of VOP *2 received	22
	Number of Harassment Consultation received	1

*1 Both companies disclose their results in accordance with their respective regulations.

*2 VOP (Voice of People): Showa Shell Sekiyu Group's employee consultation center



Compliance

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

Risk 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.

Initiatives for Risk Management

Further Reinforcing Crisis Management

The Idemitsu Group has formulated Crisis Response Rules as the topmost of its regulations concerning crisis readiness, stipulating response policy and crisis-level definitions, the system for emergency communication and cooperation, and methods for establishing emergency task forces.

Based on the Rules, from the initial stage of risk, the Group's risk-related information is swiftly shared with the department in charge of the business site where the risk has occurred and the General Affairs Department risk management section, as well as with the Risk Management Committee members as appropriate. According to the level of crisis, relevant departments, including the Corporate Departments, support the business site facing the risk or take the initiative in responding to the risk to minimize any potential social impact or damage.

In FY2006, we formulated a Business Continuity Plan (BCP) for the eventuality of an earthquake with an epicenter in the Tokyo metropolitan area, in FY2009, formulated a BCP for the eventuality of an outbreak of avian influenza, and in FY2012, formulated a BCP for the a Nankai megathrust earthquake. In FY2015, as Idemitsu was appointed as a designated public institution by the Cabinet Office, we announced the Disaster Prevention Action Plan. We have hold annual comprehensive disaster drills based on those BCPs and confirm problems in actual action to take and coordination with each business base to strengthen our practical response capabilities and to reflect revisions to the BCP. At our refineries, complexes, plants, and other business sites, we implement periodic disaster prevention drills in the whole site based on applicable crisis response regulations.