



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.



Risk Management

■ Comprehensive disaster drill



TOPICS Acquiring Highest BCM Rating from the Development Bank of Japan

Idemitsu became the first oil refiner and primary oil distributor to receive the highest "Rank A" from the Development Bank of Japan (DBJ) in the DBJ BCM Rated Loan Program.

The DBJ BCM Rated Loan Program is the world's first loan menu to incorporate the BCM (Business Continuity Management) ratings. Using a proprietary screening system, DBJ assesses a company's disaster measures and business continuity plans and offers loan conditions based on the assessment results. The rating is classified into three grades from the highest "Rank A" to "Rank C."

We received Rank A: company with excellent advanced initiatives to disaster measures and BCP as the following three aspects were highly evaluated:

1. Under the commitment of the top management, we have established a risk management system that covers all-risk hazards, including geopolitics and cyber risks. Employees work together with management to strengthen its resilience to risks, including risk control through prior investment, and preparation of various risk financing methods based on the analysis of financial impact at the time of risk occurrence.
2. Considering it as a social mission to continue supply of oil for people's life, we have thoroughly implemented advanced quake-resistance measures in the industry by introducing an overseas risk engineer survey to ensure safety, disaster prevention inspection and preventive measures in the global standards. In addition, we have established a system to continue oil supply across Japan based on the "Plan for Joint-Operations of Oil Supply in Disasters," which is industrial cooperative framework for emergency supply.
3. We work to constantly improve the business continuity plans through implementing various BC drills involving outside stakeholders, including Self-Defense Forces. We also improve the effectiveness of emergency response, including the enhancement a human resource development system to support sophisticated risk management.



Cooperative Joint drill for fuel supply in a disaster by the JGSDF Northern Army and the Hokkaido Bureau of Economy, Trade and Industry (February 2018)

We continue to review its BC plans through active use of external evaluations and implementation of practical drills aimed at strengthening response capabilities.

● Information Management System

In line with the Information Security Basic Policies, the Idemitsu Group is endeavoring to ensure the secrecy of its information assets and secure the availability and security of information systems and networks. Utilizing information technologies, Idemitsu thus striving to maintain and enhance the level of customer services. In addition, Idemitsu has established the Customer Information Management Standards to appropriately collect and use customer information, and store it safely and at the latest status. The standards also mandate the proper disposal of such information.

We also implement periodic staff education on Security standards for the Use of IT Systems for all employees as part of our thoroughgoing information management measures. At the same time, autonomous inspection of information management is implemented by each division while data security audits are implemented through periodic business operation audits by the Internal Audit Office. When information leakage occurs, the incident is handled in accordance with the Guidelines on How to Deal with a Crisis, and the Information Control Guidelines.

Information Security Basic Policies

1. The Idemitsu Group shall endeavor to ensure the secrecy of its information assets, secure the availability and security of its information systems and networks, and enhance the level of customer services by employing information technologies.
2. The Idemitsu Group shall put in place appropriate protective measures to prevent the leakage, falsification or destruction of customer information.
3. The Idemitsu Group shall strive to secure the availability and security of its information systems and networks and protect their secrecy, in an effort to prevent information-related incidents that may cause troubles to customers, business partners and other stakeholders.
4. The Idemitsu Group shall ensure that all employees, temporally staff and vendors are aware of the importance of information security and properly educated about the use of information and information systems by providing them with training and otherwise raising their awareness.
5. The Idemitsu Group shall conduct periodic audits aimed at inspecting and evaluating the status of security policy compliance, thereby ensuring robust information security.

FY2018 Results

		(Unit: %)
Idemitsu Group	e-learning enrollment rate	100
Showa Shell Group	IT security web learning enrollment rate	100