

Social and Relationship Capital

Sustainable Procurement

Sustainable Procurement Policy

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 established the Basic Procurement Policy and internal rules dubbed General Rules Concerning Procurement Activities.

Through the policy and rules, we aim to contribute to the realization of a sustainable society throughout the supply chain. In particular, we have established criteria for selecting suppliers when purchasing or borrowing the materials, construction work, and services necessary for our business operations, and ensure that suppliers understand the policy.

About Our Sustainable Procurement Guidelines

The business environment is diversifying, and in order to achieve sustainable development, it is expected that every company will actively strive to fulfill its social responsibilities not only for itself but for the entire supply chain. The Basic Procurement Policy is based on the Management Vision and Action Mindset and we will work with business partners to co-create a sustainable society throughout the entire supply chain through procurement activities grounded in unwavering ethics. In order to fulfill this responsibility, we formulated our own Sustainable Procurement Guidelines based on ISO 26000 (Guidance on Social Responsibility), ISO 20400 (Guide to Sustainable Procurement), the Sustainable Development Goals (SDGs), and the 10 principles of the United Nations Global Compact. Our guidelines cover seven fields: 1) organizational governance, 2) human rights, 3) labor practices, 4) environment, 5) fair business practices, 6) consumer issues, and 7) social contribution. We exchange information with business partners regarding the status of our sustainability-related efforts as we strive to mutually attain a higher level.

*Procurement Information

➡ <https://www.idemitsu.com/company/purchase/>



Conduct Self-Assessment of Sustainable Procurement for Suppliers

To promote sustainable procurement throughout the entire supply chain, in 2019 we began an independent survey to determine the degree to which our major suppliers are adopting sustainable procurement. 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—organizational governance, human rights, labor practices, the environment, fair business practices, consumer issues, and social contribution to major suppliers—based on the Sustainable Procurement Guidelines and asked them to perform self-evaluations. In FY 2019, we conducted a survey of around 300 major suppliers, and, in FY 2020, we opened a dialogue with 75 of these companies to ask them to make improvements. In addition to providing feedback on the results of these assessments, if there are any concerns, we work with suppliers to improve and solve those issues together through dialogue, thereby reducing risk throughout the entire supply chain. We

are working to deepen mutual understanding while communicating our stance on sustainable procurement and the Human Rights Policy. Specifically, we are making such improvements as sharing our cyber security letter with suppliers who request it from the perspective of preventing threats to our computer network and establishing reporting hotlines in the supply chain. This survey will be repeated once every three years to ensure continuous improvement.

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

Selection of New Suppliers Based on Social and Environmental Standards

Working in collaboration with all its suppliers, we hold in-house workshops as part of our procurement activities to convey that we fulfill our social responsibility through the entire supply chain. Afterward, when selecting new suppliers, we adhere to our Sustainable Procurement Guidelines.

Collaboration with Dealers

Idemitsu operates its businesses through a powerful network of 1,209 dealers and 6,384 service stations nationwide. Branches serve as contact points, providing dealers with detailed support for business management and service station management. In March 2020, we held joint strategy meetings to convey the new fiscal year's policies and measures with the participation of 758 dealers. To prevent COVID-19 infections when holding the meetings, we spread them out among around 40 locations and took strict precautions at each site, ensuring zero transmission.

In cooperation with the National Idemitsu Association and the National Showa Shell Association, we are also working to strengthen social contribution by providing community support and doing our part to revitalize local communities. Idemitsu Group has established its 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 identifying and being sensitive to customer needs.

In order to ensure a stable supply of energy, service stations, which provide strength in times of disaster, are expected to play a role as disaster response 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, a service station 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 emergency power supplies.

*The numbers of dealers and service stations provided in the text are as of the end of March, 2020.



A disaster-response service station

Collaboration with Subcontractors

Refineries and plants outsource plant maintenance, overland shipping, and marine transport to subcontractors. At each of our business sites, we have organized three cooperative associations: one for construction and maintenance, one for land transportation, and the last for maritime transportation. The Chiba Complex, for example, it supports the efforts of the Cooperative Association for Construction and Maintenance to ensure zero lost-time disasters and raise awareness of these efforts. The complex works with the Cooperative Association for Land Transportation to patrol loading areas in collaboration with operations managers. The complex also works with the Cooperative Association for Maritime Transportation to hold deliberations with various shipping companies at regular intervals. We are promoting safe, stable operations and environmental conservation at our refineries and complexes in cooperation with these associations.

Collaboration with Transport Companies and Maritime Shipping Companies

Idemitsu's petroleum products are transported by land and maritime contract transport companies. To promote safety and strengthen cooperation, the contract transport companies have organized two councils, one related to maritime safety and another related to land safety. We are a special member of both councils.

The launch of the newly integrated company significantly increased our membership in both councils, which have been taking their first steps toward engaging in new activities. Focusing on land transport by tanker trucks, a reborn Koun-kai was formed from 32 contract transport companies in May 2020. This council of land transport companies holds safety campaigns, training sessions for operations managers, and gives awards to crew members boasting accident-free and violation-free operations. Also in May 2020, the ISG Marine Environment Safety Council was formed from a total of 10 maritime transport companies with the aim of promoting safety in maritime transport by coastal tankers. The council carries out safety campaigns through which it ensures the thorough implementation of safety activity policies and specific measures as well as the sharing of best practices and cautionary case studies.

In addition to calling attention to the safety, environmental, and quality aspects of operations through the two councils, we are working to build a competitive logistics system while enhancing safety and quality and emphasizing safety activities rooted in the workplace. This is done by listening to the comments and opinions of tanker truck and coastal tanker crews, who are the people actually undertaking safety operations and safe transportation, providing feedback to them, and using their input to inform our activities.

In addition, as a new initiative, seven companies in Japan, including Idemitsu and maritime transport companies, established the e5* Consortium in May 2020. The consortium focuses on the potential and prospects for zero-emission electrically propelled tankers (EV ships) in coastal shipping and has brought together the strengths of its participating companies, including technical know-how and networks. The aim is to construct a platform that provides revolutionary maritime infrastructure services as a foundation for EV ships.

*e5: In the maritime transport industry, providing safe, secure, and quality transport services by realizing the five values of electrification, environment, evolution, efficiency, and economics.

Collaboration with Partner Companies

Idemitsu works with partner companies in diverse industries in Japan and overseas to further expand business, including the launch of joint ventures and new projects. In Japan, we have established joint ventures in the basic chemicals business, the agri-bio business, and more. One example is a collaboration we entered into with NIPPON GREASE Co., Ltd. that entails working together on R&D, the optimization of our product portfolio, discussions on sales channels and other topics, and the regularly exchange of technologies. Overseas, we have established the joint venture Nghi Son Refinery and Petrochemical Limited Liability Company (NSRP), which operates the refinery in Vietnam. In the advanced materials & performance chemicals business, we have partnered with Formosa Petrochemical Corporation (FPCC) to establish Idemitsu Formosa Specialty Chemicals Corporation, which is slated to begin commercial operations in FY2020 as a new production base for hydrogenated hydrocarbon resin.

Exchanges and Dialogues with Oil-Producing Countries

Idemitsu has been promoting exchanges and dialogues with oil-producing countries in the Middle East and other regions through our representative offices, in order to build strong relationship of trust. In recent years we have further strengthened the relationship of trust by capital participation in the joint venture businesses. In addition, we cooperate with the countries on human resource development and technical support, by dispatching experts to the countries under the aegis of the JCCP (Japan Cooperation Center Petroleum) and by accepting senior officials and technical trainees in Japan. We also participate in the joint infrastructure development project in the oil-producing countries (FY2019) which the JCCP implemented.

Through these activities, we are deepening our cooperation with national oil companies in crude oil procurement, enabling us to select, procure and transport the crude oil with flexibility in order to maximize the performance of our refineries even in the volatile market trend.

Training Program Performance (FY2019)	In FY2019, we accepted 61 trainees from the United Arab Emirates, Qatar, Oman, Vietnam, and elsewhere.
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Meeting with executive candidates