

Compliance

Concept of Compliance

The Idemitsu Group defines compliance as adhering with laws, regulations, internal rules and business contracts, in addition to refraining from the violation of ethical and social norms, regardless of whether an actual legal offense would arise.

Based on this definition, every group employee is expected to live up to high ethical standards and act appropriately and sincerely while maintaining self-discipline.

To this end, in 2019 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 mindset. The code is designed to provide explicit, simple and easy-to-understand guidance that exemplifies desirable employee behavior in terms of maintaining compliance. The “Compliance Code of Conduct” supports “high integrity,” as set forth in the Action Mindset, and constitutes common compliance concepts for all to follow. In line with this, we will act with a compliance-first attitude.

*Compliance Code of Conduct

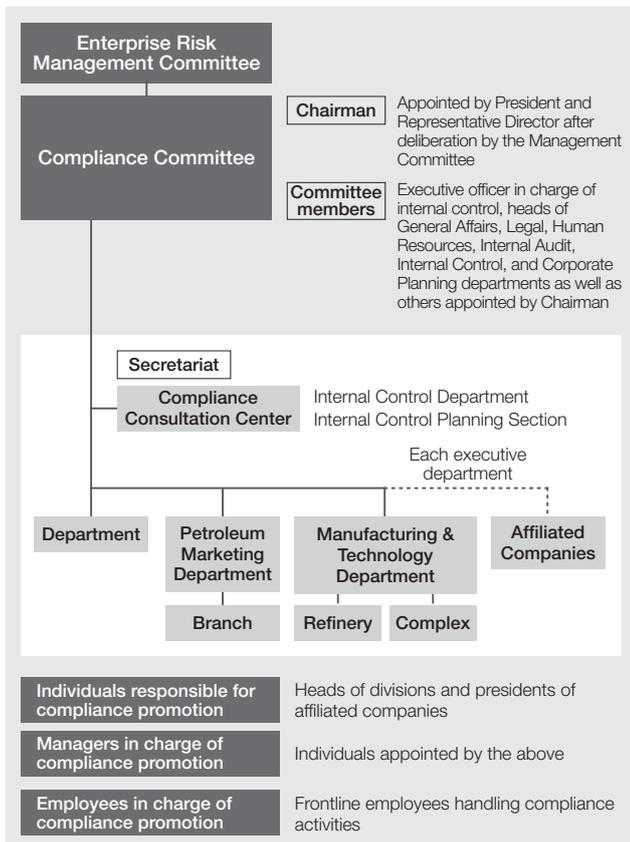
➡ <https://sustainability.idemitsu.com/en/themes/200>



Compliance Promotion Structure

The Compliance Committee is tasked with providing support and guidance for compliance activities. Moreover, managers and employees in charge of compliance promotion are appointed at each division, subsidiary, and affiliate.

Compliance Promotion Structure



Establishment of Consultation Center

Domestic Consultation Center

To provide employees with robust access to in-house helplines, the Compliance Consultation Center, established at the Internal Control Department, accepts consultation and whistle-blowing related to compliance, while the Harassment Consultation Center, which operates under the Human Resources Department, accommodates overall consultation regarding harassment.



A poster designed to raise employee awareness of consultation centers

Furthermore, the Workplace Helpline provides an external contact run by a third party.

In an effort to accommodate employee consultation on a broad range of topics, this helpline was upgraded in June 2020, with certified industrial counselors being appointed to provide employees with opportunities to receive professional advice.

Number of consultations received in FY2019

	Name of contact	Eligible individuals	Number of consultations
In-house	Compliance Consultation Center	Employees (includes part-time, contract, seconded, and temporary employees) of the Company, subsidiaries, and affiliates	14
	Harassment Consultation Center		5
External	Workplace Helpline	Eligible individuals	11

Overseas Consultation Hotline

In order to respond to reports from overseas offices, we established the “Idemitsu Global Hotline (IGHL)” in FY2018 and are operating this hotline for employees at approximately 40 bases located in China, Asia, and Oceania as well as the Middle East, Europe, Russia, and both North and South America in a way that encompasses most of the Group’s overseas business sites. The IGHL accommodates consultation in all languages spoken in countries where Idemitsu maintains local subsidiaries.

Number of consultations received in FY2019

Name of contact	Eligible individuals	Number of consultations
Idemitsu Global Hotline (IGHL)	Employees (including national staff and employees seconded from the Company) of the Group’s overseas business sites	3

Compliance Promotion Activities

■ Major Compliance Violations in FY2019*: 0

* Violations disclosed as having a serious impact on group management

Risk Management

Raising Employee Awareness

We have opened the “Compliance Room,” a new webpage accessible from the intranet information portal. This page features compliance violation case studies as well as four-frame comics and blog posts aimed at raising employee awareness of compliance. Moreover, we provide employees with web-based compliance learning programs to aid in their acquisition of compliance literacy and identification of compliance issues specific to their workplaces. In addition, we implement compliance training specially designed for new hires and individuals appointed to managerial positions. At the end of January 2020, we issued our *Compliance Book* in the Japanese, English and Chinese languages, with the aim of offering specific compliance standards. In these ways, we are striving to help employees deepen their understanding of compliance and assist them in its proper practice.



Compliance Book

Bribery and Corruption Prevention

Whether it takes place in Japan or overseas, our Compliance Code of Conduct stipulates that all forms of corruption must be prevented. Furthermore, we have established basic rules and systems to be observed in the prevention of bribery. In FY2019, these rules were upgraded into the “Rules for the Prevention of Bribery” with the aim of preventing violations of the OECD convention and the Foreign Corrupt Practices Act (FCPA) as well as laws and regulations, enforced in countries where we operate, to prohibit unfair competition and bribery. In addition to strictly adhering to these rules, we have included articles on such topics as the prohibition of bribery, such as bribery to public officials and limitations on excessive gifts and entertainment, in our Compliance Book to raise employee awareness.

Tax Compliance Initiatives

Due to the globalization of our business, we are more likely to confront a more diverse range of increasingly complex tax-related issues in the course of operations. Accordingly, we recognize that coordinated handling of tax compliance is a matter of increasing importance. With this in mind, we established the “Group Tax Regulations,” “Group Tax Practices Guide” and other relevant rules aimed at stipulating the Group’s policies on tax compliance and the detailed treatment of tax-related issues. We are thus striving to fulfill our corporate social responsibility by paying taxes in a proper manner and complying with all applicable tax laws enforced in countries where we operate in line with the Group Basic Tax Policy.

■ Group Basic Tax Policy

(1) Compliance with Tax Compliance

The Group employees must adhere with a basic policy of properly filing taxes, making payments, and otherwise handling transactions involving the Group in conformity with tax laws and regulations, and are prohibited from engaging in tax evasion or other illegal actions.

(2) Proper Management of Tax Expenses

The Group employees must give due consideration to various tax systems to prevent the emergence of tax-related risks. At the same time, they are expected to fully utilize legally permitted measures to optimize the Group’s tax-related operations.

Policy of Risk Management

Idemitsu 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. 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 the risk of impeding business execution that causes losses and yields no profit. Risks under this category are typified by accidents, disasters, non-compliance, business errors, product defects, customer complaints, environmental pollution, system failures, terrorism, and labor problems. The term “Business Strategy Risk” refers to risks associated with business activities that exclude “Operational Risk” and significantly affect 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.

Risk Management Promotion Structure

Enterprise Risk Management Committee

The Enterprise Risk Management Committee, which is supervised by the Board of Directors, handles “Business Strategy Risk” and is tasked with the determination of risk management policies associated with Group operations and monitoring the status of risk management. In principle, this committee meets once every six months and requests reporting from other committees with regard to major risks categorized under “Operational Risk” or “Business Strategy Risk.” Also, the committee provides the Board of Directors with updates on the status of its activities once a year in principle.

Risk Management Committee

We have established the “Risk Management Committee” tasked with handling “Operational Risk” and is promoting company-wide risk management by taking necessary measures in a timely and prompt manner. The committee holds periodic meetings on a quarterly basis to specify and select the prioritized risks for the entire Group, formulate countermeasures, and identify signs of their emergence while assessing newly emerging risks. In addition to deliberating on these and other matters related to the management of Operational Risk, including measures for risk prevention and managing the progress of such measures, the committee is responsible for submitting its conclusions to the Enterprise Risk Management Committee.

Other Risk Management Initiatives

Further Enhancement of Crisis Readiness Capabilities

We formulated the “Crisis Response Rules” as the highest rules for crisis response. These rules stipulate our policy on crisis response, crisis level definitions, reporting lines, and methods for establishing emergency task forces, among other matters related to crisis response.

Should an incident occur at any facility run by a group entity, the business unit responsible for the incident site will swiftly relay the ascertained risk-related information will be swiftly reported to the business unit responsible for the incident site and the General Affairs Department’s Risk Management Section in accordance with these rules. This risk-related information will also be communicated to the Risk Management Committee as necessary. Furthermore, corporate and other relevant departments will work to assist or spearhead risk countermeasures undertaken at the incident site to minimize the social impact and potential damage.