



## 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 “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

In accordance with the “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.

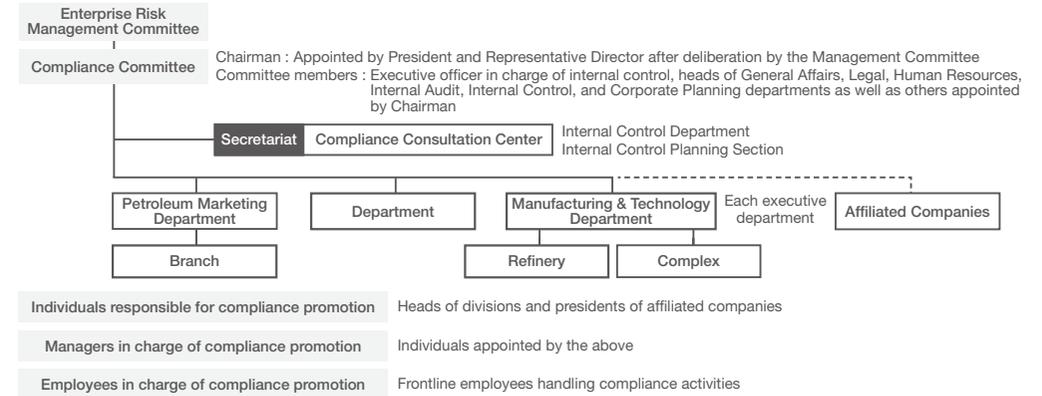
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### Compliance Promotion Structure

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



#### ● 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. The committee’s chairman is appointed by the President based on discussion at the Management Committee.

Committee members consist of an Executive Officer in charge of internal control and heads of the General Affairs, Legal, Human Resources, Internal Audit, Internal Control Promotion, and Corporate Planning departments as well as those appointed by the committee chairman. 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 and subsidiary.



## Compliance

### 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.

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.

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.

#### Number of consultations received in FY2019

	Name of contact	Eligible individuals	Scope of consultation	Consultation method	Number of consultations received in FY2019
In-house	Compliance Consultation Center	Employees (includes part-time, contract, seconded, and temporary employees) of the Company, subsidiaries, and affiliates	Fraud, Misconduct, and Other compliance issues	Real name consultation in principle E-mail, Letter	14
	Harassment Consultation Center	Employees (includes part-time, contract, seconded, and temporary employees) of the Company, subsidiaries, and affiliates	Sexual harassment, Power harassment, and Other forms of harassment	Real name consultation in principle E-mail, Telephone, Letter	5
External	Workplace Helpline Eligible individuals	Employees (includes part-time, contract, seconded, and temporary employees) of the Company, subsidiaries, and affiliates	Compliance issues, and Harassment	Anonymous consultation available E-mail, Telephone	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	Scope of consultation	Consultation method	Number of consultations received in FY2019
Idemitsu Global Hotline (IGHL)	Employees (including national staff and employees seconded from the Company) of the Group's overseas business sites	Compliance issues, Harassment, Occupational safety, Safety & Environmental, Quality Assurance	E-mail	3

■ A poster designed to raise employee awareness of consultation centers



### Compliance Promotion Activities

Major Compliance Violations in FY2019\*: 0

\* Violations disclosed as having a serious impact on group management

#### Raising Employee Awareness

##### ● "Compliance Room"

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, with the aim of updating employees on the latest compliance concerns inside and outside of Idemitsu, disseminating other relevant insights to a broad range of Group business units, and raising employees' awareness of compliance.

##### ● Compliance Education

Every year, we provide employees with web-based compliance learning programs. The latest round of these programs was implemented in November 2019 to aid Group employees in their acquisition of compliance literacy and identification of compliance issues specific to their workplaces. A total of approximately 15,000 individuals completed the programs. In addition, we implement compliance training specially designed for new hires and individuals appointed to managerial positions.

##### ● Compliance Book

At the end of January 2020, we issued our *Compliance Book*, with the aim of offering specific compliance standards in conformity with the Compliance Code of Conduct. Simultaneously, we prepared narrated video materials designed to help viewers enhance their understanding of the *Compliance Book*. These materials feature slideshows elaborating on specific case studies discussed in the publication. In addition to the Japanese version, we issued English and Chinese editions of the *Compliance Book* in an effort to ensure that all Group employees at home and abroad are properly educated on compliance topics.

■ 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, having established basic rules and systems to be observed in the prevention of bribery, we have upgraded them 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, that prohibit unfair competition and bribery. We are currently striving to ensure that these rules are strictly observed. Moreover, we regard anticorruption as a particularly important compliance issue for those working at our overseas sites, and are raising their awareness about the importance of specific preventive measures. We have included articles on such topics as the prohibition of bribery, such as the bribery of public officials and limitations on excessive gifts and entertainment, in our *Compliance Book* to raise employee awareness.

#### Prevention of Anti-Competitive Practices

We have established the "Rules for Compliance with the Antimonopoly Law," which stipulate basic matters that must be observed to ensure compliance with the Act on Prohibition of Private Monopolization and Maintenance of Fair Trade as well as competition laws enforced in each country in which we operate in addition to other relevant regulations. These rules also define necessary compliance promotion structures. Specifically, the Representative Director and President is responsible for providing overall supervision over activities aimed at ensuring the proper observance of these rules and preventing employees' involvement in prohibited practices. The division heads of the Company and presidents of its subsidiaries are tasked with putting these rules into practice. To this end, they strive to ensure that appropriate self-management measures are implemented in a way that gives due consideration to risks associated with the characteristics of their businesses and organizational structures as well as country-specific circumstances and local antimonopoly laws.



## Compliance

### 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.

#### ● Framework for Promoting Tax-Related Operations

The Accounting Department serves as the primary business unit responsible for tax-related operations. In accordance with the “Group Tax Regulations,” this department is charged with furnishing information and advice to each Idemitsu department and Group company handling transactions. The Accounting Department is also tasked with providing relevant in-house education and responding to tax inspections in addition to planning and implementing necessary countermeasures aimed at ensuring tax compliance and optimizing the management of tax expenses. Moreover, all Idemitsu Group employees are obliged to comply with the aforementioned regulations and handle tax-related operations in an appropriate manner. To this end, whenever requested by the Accounting Department, Group employees report on said operations and submit relevant documents while asking it to provide prior consultation where necessary.

#### ● Relationship with Tax Authorities

We cooperate with tax authorities in a straight-forward, appropriate manner and prohibit our employees from making any inappropriate responses involving falsification or concealment. We endeavor to explain our group’s position and standpoint to the best of our ability in order to ensure the comprehension of tax authorities when they inquire about or point out issues pertaining to our handling of tax-related operations. Moreover, we utilize the advance inquiry procedures offered by tax authorities to ensure the appropriate payment of taxes. By voluntarily disclosing information to tax authorities, we thus strive to prevent the occurrence of and minimize the risk of tax-related incidents.

#### ● Response to Tax-Related Compliance Violations

Should a tax-related compliance violation occur, we will take a stringent approach to its correction. We will also ensure that measures to prevent recurrences are implemented in accordance with in-house rules and regulations stipulated by the Idemitsu Group.

## Risk Management

### 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 arising from changes in international affairs and the economic environment
- Risk arising from changes in the external business environment (market prices of products, procurement conditions, country-specific circumstances and foreign exchange rates)
- Risk associated with climate change and environmental regulations
- Risk associated with business investments
- Risk associated with legal and regulatory compliance
- Risk associated with intellectual properties
- Risk arising from natural disasters and accidents
- Risk associated with the management of personal information
- Risk arising from the spread of COVID-19

### Risk Management Promotional Framework

#### 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. With the President serving as chairman, committee members mainly consist of Executive Officers and heads of relevant divisions. 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

Our group has 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 chairman is appointed by the Management Committee from among the Directors or Executive Officers, while committee members consist mainly of officers of general affairs divisions; General Affairs, Safety Environment (HSSE) & Quality Assurance, Finance, Legal, Corporate Planning, Human Resources, Public Relations, and Internal Control. The committee holds periodic meetings on a quarterly basis to specify major risks for the entire Group, formulate countermeasures, and identify signs of their emergence while assessing novel types of 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.