

SHORTENING PDCA CYCLE OF EVALUATION MONITORING

Every year, we conduct employee opinion surveys in order to foster a vibrant workplace culture by seeking to identify new approaches for workplace culture improvement and addressing organizational issues, and by utilizing the PDCA cycle. In 2017, we expanded the scope of the survey to cover our major group companies and all employees, including temporary employees (response rate of 98.8%), allowing us to aggregate a broad and diverse range of opinions.

Regarding the survey results, the percentage of favorable responses in the section on "Understanding and Permeation of D&I," designated as a priority issue for 2017, increased greatly to 96%, significantly exceeding the scores from the previous year. These results show that D&I promotion activities, including the cross-divisional network activities that were initiated last year made several achievements. On the other hand, some scores in the section on "Practice of D&I" were slightly lower than those of last year. We believe this indicates that the increased understanding and permeation of D&I has broadened perspectives and raised awareness of each employee, increasing expectations regarding the practice of D&I. Starting from 2018, we have implemented a new cloud system which we used to increase the frequency of monitoring via employee awareness surveys from once to twice per year. Further, we have introduced a new system to allow each division to autonomously conduct PDCA on a shorter cycle. By moving our focus from the "Understanding and Permeation Phase" to the "Practice Phase," we will aim to increase our organizational capabilities and create innovation through the practice of D&I.

Survey Results—Questions on Understanding of D&I

(1) Are you aware of the company's philosophy of accepting diversity and proactively leveraging people's individuality within the company and its internal organizations?

2016 70% ⇒ 2017 96% +26%*

(2) Do you feel that your own understanding of D&I has increased compared to six months ago?

2016 69% ⇒ 2017 74% +5%*

(3) Do you feel that your superior's understanding of D&I has increased compared to six months ago?

2016 70% ⇒ 2017 73% +3%*

* The percentages shown in these results are the average rates of favorable responses.

OUR SUPPORT FOR THE UNITED NATIONS GLOBAL COMPACT (UNGC)

Our group supports all 10 principles of the UNGC in all four domains, including that of human rights. Further, we have advanced efforts towards participating the initiative.

HARASSMENT PREVENTION

In order to prevent harassment, we have established the Policy for elimination of harassment* and are striving to share information on cases of harassment at other companies and promote understanding via methods including web-based learning. We have also introduced an employee consultation service called Voice of the People (VOP) (P47) both internally and externally where employees can receive counseling, report harassment, and lodge complaints.

* Policy for elimination of harassment is available on our website. http://www.showa-shell.co.jp/english/profile/mp/sexual_harassment.html

COMPLIANCE WITH LABOR LAWS AND ORDINANCES

Our group strives to maintain compliance with local labor laws and ordinances in every region we operate. We have established internal regulations based on laws and ordinances regarding matters such as minimum wages, and pay wages to employees based on these regulations. While we do not currently conduct local hiring for our overseas operations, we do strive to comply with local labor laws and ordinances just as we do domestically.

We regularly negotiate with labor unions regarding appropriate wage levels and working conditions and verify the overall appropriateness of wages. At the same time, we continuously engage in periodic dialogues on themes including management issues, workplace culture, business improvement, and support for work-life balance. The results of such discussions are e-mailed to all employees and can be viewed on our intranet. By sharing problems and issues through lively discussions and discussing ways to solve them, we aim to cooperate with the labor union to create a workplace environment where all employees can perform to the utmost of their abilities.

HEALTH AND SAFETY INITIATIVES

Our Stance on Occupational Health and Safety

It is a social responsibility of Showa Shell to secure safe workplace environments for its employees, and we also recognize that such environments are essential to the continuation of our business activities.

Based on the Labor Standards Act, the Occupational Health and Safety Act, and such internal rules, we have formulated the Safety and Hygiene Management Rules to ensure the safety of our workplaces and the mental and physical health of our employees. We endeavor to create appropriate workplace environments in accordance with these regulations.

Health and Safety Policies

The Company works to enhance safety awareness and to improve its safety-related systems. In addition to having in place the Basic Policy for HSSE (P9) and the Safety Rules, we have defined ways of responding immediately in the event of an accident prescribing how to determine the causes of accidents and how to prevent recurrence and have put in place a safety recognition system. In particular, as activities for ensuring safety assurance, we are promoting continuous initiatives aimed at eliminating accidents along with our contract dealers and business partners.

Based on the recognition that employees' health is essential to our business activities, we have clearly emphasized the importance of health in our Management Philosophy and in the Basic Policy for HSSE, and we have made a focus on employees' health as an integral part of our corporate culture, in order to realize vibrant workplaces with consistently high productivity.

Occupational Health and Safety Management Systems

We are advancing occupational health and safety management initiatives under the HSSE promotion system (P10). Based on clearly stated philosophies, policies, and principles, we strive to prevent accidents and promote health by confirming employees' working environments, ascertaining employees' health and examining health-related measures at the Risk Management Committee, the Showa Shell Group HSSE Conference, HSSE Focal Point Conference, and Safety and Hygiene Committee.

In accordance with the Japan's Industrial Safety and Health Act, we have established Safety and Hygiene Committees with a membership that consist of both management and union representatives in each business site with 50 or more employees. These committees provide opportunities to discuss circumstances related to occupational health and safety throughout the Company. Feedback regarding particular issues is provided periodically and areas needing improvement are identified. The committees conduct concrete activities including coaching employees on seasonal health management (prevention of colds, hay fever, and heatstroke), raising awareness of safety (sharing information on near-misses), checking disaster-prevention systems, monitoring employees' health (including their mental health), and making improvements to workplace environments, etc.

Safety Goals and Track Record

Our group conducts safety activities on a daily basis in order to achieve our goal, Goal Zero, which aims to eliminate occupational accidents. In 2017, we set (1) preventing accidents, (2) preventing the recurrence of accidents, and (3) fostering the Group's safety culture as the three priority activities, and worked towards achieving the elimination of occupational accidents. In 2017, we had 40 occupational accidents (compared to 28 in 2016), with 12 of these resulting in lost work days (12 in 2016); there was an increase in occupational accidents involving injury compared to the previous year. Further, as part of the group's safety initiatives, we are working to decrease the group-wide occurrence of occupational accidents, including those involving senior workers by creating guidelines for senior workers, etc. Focusing on these three priority activities, we will continue to conduct initiatives aimed at preventing serious accidents including occupational accidents resulting in lost work days.

Trends in Occupational Accidents Resulting in Lost Work Days and Not Resulting in Lost Work Days

	2013	2014	2015	2016	2017
Accidents Resulting in Lost Work Days	12	11	10	12	12
Accidents Not Resulting in Lost Work Days*	20	15	21	16	28
Overall Occupational Accidents	32	26	31	28	40

* Occupational Accidents Not Resulting in Lost Work Days: This refers to occupational accidents that do not require taking time off work, but do require medical treatment by a doctor. However, this does not include cases of simple first aid (FAC: First Aid Case) even when it is applied by a doctor. Note that cases in which a follow-up observation and examination, etc. conducted only for diagnostic purposes are not included in Occupational Accidents Not Resulting in Lost Work Days

Total Recordable Case Frequency for Occupational Accidents (TRCF* Trend)



* TRCF: Incident rates of the number of overall occupational accidents (%) per 1 million labor hours (those resulting and not resulting in lost work days)

* The scope of the data used is listed in the ESG data book, the end of the report.

Acquisition Status of OHSAS18001 (Occupational Health and Safety Management) Certification

Kunitomi Plant of Solar Frontier K.K.	September 2012	DNV
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